

MONTHLY UPDATE

November 2023



Share Price

\$0.69

Warrant Price

\$0.02

BRM NAV

\$0.66

PREMIUM¹

5.9%

as at 31 October 2023



A WORD FROM THE MANAGER

In October, Barramundi's gross performance return was down -7.0% and the adjusted NAV return was down -7.1%. This compares to the S&P/ASX200 Index (70% hedged into NZ\$) which was down -3.3%.

Macro concerns led by rising interest rates which saw a further 0.44% increase in the Australian Government 10yr bond yield to 4.93% contributed to a soft month for equity returns. Utilities (+1.7%) and Materials (-0.8%) were the best performing sectors for the month while Information Technology (-7.6%) and Healthcare (-7.2%) were the worst.

In addition to these concerns, Credit Corp (-38%) also weighed on our portfolio returns (see below). Outside of this, the trading updates and AGM commentary of our portfolio companies in the month was generally constructive and robust.

Portfolio News

We attended **CSL's** (-7%) investor day in Sydney and met the new CEO Paul McKenzie. Also presenting were the heads of the Behring (plasma), Seqirus (flu vaccines) and Vifor (iron deficiency and nephrology) businesses. Encouragingly each of them expects their divisions to outpace market growth. This expected outperformance will be led by the current portfolio of products. CSL will look to expand the range of conditions that its products are used to treat as well as within geographies. Growth will also be supplemented by new product launches. CSL has a good balance between products in early to late-stage medical trials, with a number of product launches expected in the next year.

Resmed (-8%) reported a solid Q1 FY24 result, largely in-line with market expectations. Revenue was 16% higher and underlying after tax profit increased 9% versus a year ago. Gross margin, a recent source of disappointment for the market, also showed signs of stabilisation and is expected to improve over the course of FY24. Conjecture about the impact that GLP-1 obesity drugs may have on Resmed's future growth continued to weigh on its share price. Resmed's own modelling, under what it believes are relatively harsh assumptions, suggests that by 2050 its total addressable market globally might be about 15% smaller than would otherwise be the case. Under these assumptions, global penetration of CPAP treatment by this time would still be very low (<10%). Thus, Resmed would still have a very large and long growth runway ahead of it even if GLP-1 adoption is high. We remain of the view that the impact of GLP-1s will likely be less than is inferred by the drop in Resmed's share price.

Brambles (-8%) also reported solid Q1 FY24 revenue growth of 15%, with all regions (Americas, EMEA, Asia-Pacific) around this pace. Growth was driven by price increases from contract rollovers over the last year. The company has been able to recover higher operating and capital costs on contract renewals. Q1 volumes were broadly flat. Like-for-like volume growth is being restrained by softer macroeconomic conditions and customers releasing pallets now that they have greater confidence that their supply chains are functioning normally. With more pallets available to them, Brambles is again chasing the conversion of new customers from whitewood to pooled pallets. Success on this front should be more evident in the second half of the year. Brambles left its full year earnings guidance pointing to healthy profit growth unchanged.

We attended **PWR's** (-11%) AGM in October. PWR uses its AGM each year as an opportunity to showcase its management team and new product developments to attendees. Talking to members of PWR's management team from its Australian, US and UK offices it once again emphasised the company's strong performance culture centred around its tagline "Engineering an unfair advantage". It continues to build on its strong track record of developing talent internally. Over the last few years, it has strengthened the leadership team working alongside CEO and founder, Kees Weel. PWR also announced that it would be moving into a significantly larger new purpose-built facility in July 2025 after outgrowing its current facility in Brisbane.

Credit Corp's share price fell -38% over October. This A\$500m fall in equity value was sparked by a A\$64m pretax (\$45m post tax) impairment in the carrying value of its US Purchased Debt Ledger ("PDL") assets. This impairment relates primarily to US PDLs acquired in 2022, when macroeconomic conditions were better. Since then, debt collection conditions have deteriorated, leading to the impairment. Credit Corp continues to purchase good volumes of PDLs in the US, but at lower prices, reflective of the softer collection conditions. As such, while the impairment is disappointing, we think management has taken prudent steps to adapt to the tougher economic environment and retains good medium term growth prospects in the US market. The company noted at its AGM in October that both the Australian and NZ PDL division and its Consumer Lending business are trading in line with expectations. Accordingly, we have topped up our position in Credit Corp back to its target weight.

¹ Share Price Premium to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

Portfolio Changes

During the month we took advantage of a sharp fall in **PEXA's** (+5% since we invested) share price to add it to our portfolio. PEXA operates the only e-conveyancing property exchange in Australia. Close to 100% of Australian property refinancing and 90%+ of sale and purchase transactions are processed through the electronic PEXA Exchange. It has a deep network-effect moat, with 9,800+ practitioner firms, 160+ financial institutions (including all the major Australian banks), the Land Title Offices and the Reserve Bank of Australia interacting on PEXA Exchange to effect electronic settlement and lodgement of property transactions.

Replicating PEXA's digital e-conveyancing platform across new geographies represents a significant growth opportunity. PEXA has expanded into the UK and processed its first remortgage on its UK Exchange in 2022. PEXA announced a small acquisition in the UK

in October, but the affiliated trading update underwhelmed the market with its pace of expansion in the UK, leading to a fall in the share price. We viewed this as an attractive entry point for patient investors.

We also sold our Westpac (+2%) shares in the month, to help fund the addition of PEXA to the portfolio.



Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited



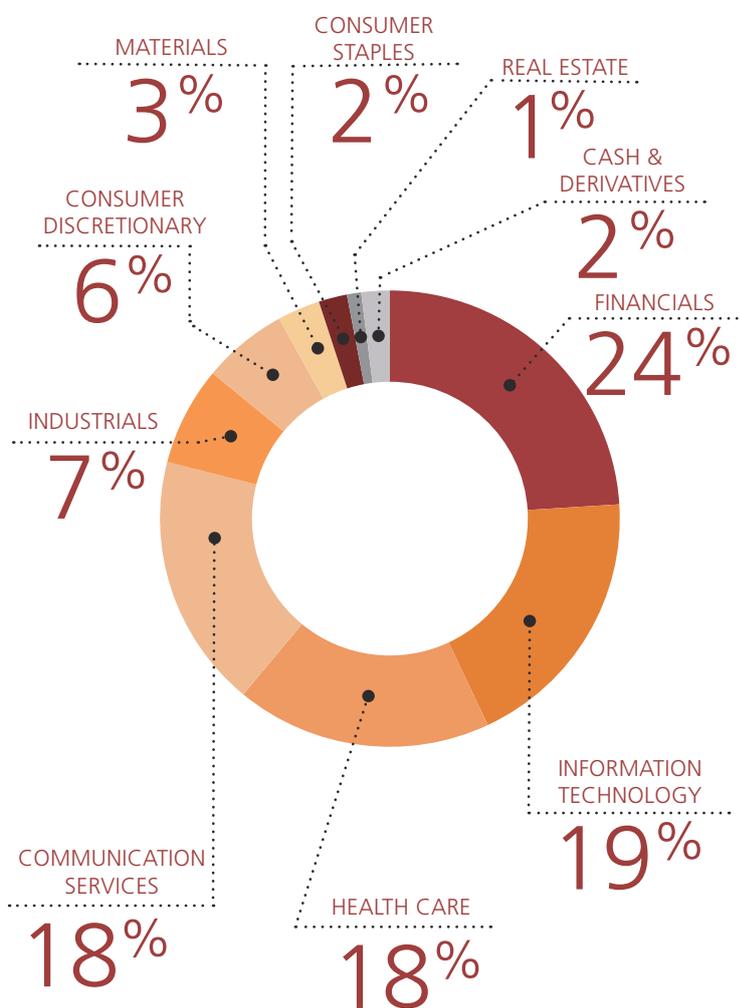
KEY DETAILS

as at 31 October 2023

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment Entity (PIE)
MANAGER	Fisher Funds Management Limited
MANAGEMENT FEE RATE	1.25% of gross asset value (reduced by 0.10% for every 1% of underperformance relative to the change in the NZ 90 Day Bank Bill Index with a floor of 0.75%)
PERFORMANCE FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$0.71
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	278m
MARKET CAPITALISATION	\$192m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 October 2023



OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month in Australian dollar terms

CREDIT CORP GROUP

-38%

FINEOS CORP HOLDINGS

-17%

NANOSONICS

-12%

PWR HOLDINGS

-11%

WISETECH GLOBAL

-11%

5 LARGEST PORTFOLIO POSITIONS as at 31 October 2023

CSL LIMITED

10%

CARSALES.COM

6%

CARSALES.COM

5%

SEEK

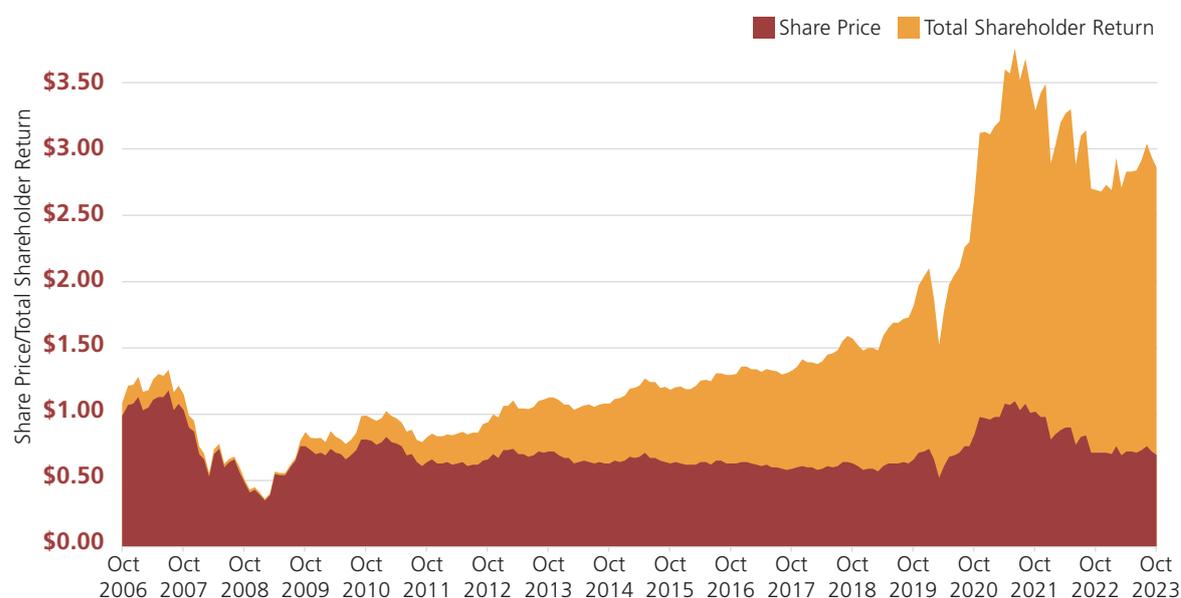
5%

AUB GROUP

5%

The remaining portfolio is made up of another 21 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 October 2023



PERFORMANCE to 31 October 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(3.3%)	(2.7%)	+5.9%	+2.3%	+12.7%
Adjusted NAV Return	(7.1%)	(10.4%)	+3.7%	+6.1%	+10.5%
Portfolio Performance					
Gross Performance Return	(7.0%)	(9.9%)	+6.6%	+8.4%	+13.2%
Benchmark Index [^]	(3.3%)	(6.8%)	+3.5%	+9.6%	+7.6%

[^]Benchmark Index: S&P/ASX 200 Index (hedged 70% to NZD)

Non-GAAP Financial Information

Barramundi uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for dividends (and other capital management initiatives) and after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before expenses, fees and tax, and
- » total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money), at warrant expiry date.

All references to adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return in this monthly update are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Barramundi Non-GAAP Financial Information Policy. A copy of the policy is available at barramundi.co.nz/about-barramundi/barramundi-policies.

ABOUT BARRAMUNDI

Barramundi is an investment company listed on the New Zealand Stock Exchange. The company gives shareholders an opportunity to invest in a diversified portfolio of between 20 and 35 quality growing Australian companies through a single, professionally managed investment. The aim of Barramundi is to offer investors competitive returns through capital growth and dividends.

MANAGEMENT

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), Terry Tolich and Delano Gallagher (Senior Investment Analysts) have prime responsibility for managing the Barramundi portfolio. Together they have significant combined experience and are very capable of researching and investing in the quality Australian companies that Barramundi targets. Fisher Funds is based in Takapuna, Auckland.

BOARD

The Board of Barramundi comprises independent directors Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

CAPITAL MANAGEMENT STRATEGIES

Regular Dividends

- » Quarterly distribution policy introduced in August 2009
- » Under this policy, 2% of average NAV is targeted to be paid to shareholders quarterly
- » Dividends paid by Barramundi may include dividends received, interest income, investment gains and/or return of capital
- » Shareholders who prefer to have increased capital rather than a regular income stream have the opportunity to participate in the company's dividend reinvestment plan (DRP)
- » Shares issued to DRP participants are at a 3% discount to market price
- » Barramundi became a portfolio investment entity on 1 October 2007. As a result, dividends paid to New Zealand tax resident shareholders have not been subject to further tax

Warrants

- » Barramundi announced an issue of warrants (BRMWH) on 9 October 2023
- » Information pertaining to the warrants was mailed/ emailed to all shareholders on Tuesday 17 October 2023
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held, based on the record date of 25 October 2023
- » The warrants were allotted to shareholders on 26 October 2023 and listed on the NZX Main Board from 27 October 2023
- » The Exercise Price of each warrant is \$0.69, adjusted down for the aggregate amount per Share of any cash dividends declared on the shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Barramundi
- » The Exercise Date for the warrants is 25 October 2024

Share Buyback Programme

- » Barramundi has a buyback programme in place allowing it (if it elects to do so) to acquire its shares on market
- » Shares bought back by the company are held as treasury stock
- » Shares held as treasury stock are available to be utilised for the dividend reinvestment plan

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Barramundi Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from a financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Barramundi Limited or its portfolio companies, please note that fund performance can and will vary and that future results may have no correlation with results historically achieved.



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