

Monthly Update

October 2019



BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT ¹
\$0.73	\$0.63	\$0.03	12.2%

as at 30 September 2019

A word from the Manager

Market Overview

After a weak August, the ASX 200 Index rebounded in September, returning +1.9% (in A\$) for the month. At a sector level, Energy led the way, rising +4.7% after an attack on Saudi Arabian oil facilities led to a spike in the crude oil price.

After the Australian 10yr government bond yield hit all-time lows of 0.88% in August, bond yields rebounded modestly and then stabilised in September. This was enough to see an equity market rotation out of higher growth and defensive companies, into cyclical businesses and those companies trading on lower multiples.

In Australia this dynamic saw the Financials (+4.3%), Materials (+3.1%) and Consumer Discretionary (+3.0%) sectors outperforming the market.

Conversely, this also contributed to the negative returns for the Communication Services (-3.0%), Healthcare (-2.5%), Real Estate (-2.3%) and Information Technology (-0.6%) sectors

Portfolio News

With a portfolio that includes a number of higher growth businesses and companies with defensive earnings streams, Barramundi returned +1.4% gross (in A\$) in September. This is less than the ASX200. That said, September rounded out a strong quarter overall for Barramundi which returned +6.7% in A\$ vs the ASX200 which returned +2.3%.

Following the August reporting season, September was relatively light from a news flow perspective. Our team spent time in Australia, meeting up with management teams of our portfolio companies and researching new investment ideas.

Dominos' (+8.6% in A\$) share price strengthened as the market became more optimistic that management initiatives to accelerate growth (particularly in Europe) would bear fruit for the company. In line with this, a number of brokers upgraded their valuations in the month.

Seek (+6.7%) was one of the companies we met with in Australia during the month. A point of contention for the market is the lack of after tax earnings growth in Seek relative

to continued, strong revenue growth from its core online recruitment businesses. A key factor contributing to earnings growth lagging revenue growth is that Seek continues to invest heavily in a range of early stage businesses. Together these are still loss-making. This detracts from what would otherwise be stronger after tax earnings growth.

These early stage investments are focussed on three major categories: (1) online education, (2) online contingent / temporary labour hire businesses and (3) Human Resources management software (targeting small and medium sized businesses). In our meeting with management we discussed Seek's investment strategy and learnt more about these businesses. Management have a successful track record in incubating early stage businesses and creating value for shareholders. We're happy to back their judgement in this regard.

NAB (+8.6%) and our other bank holdings of **WBC (+5.0%)** and **CBA (+2.3%)** benefitted as the market rewarded companies with lower earnings multiples and attractive dividend yields in September.

At the other end of the spectrum, a number of companies trading on higher earnings multiples underperformed the market. This dynamic contributed to the negative returns of **Wisetech (-5.9%)**, **Nanosonics (-5.4%)**, **Technology One (-5.3%)** and **Resmed (-3.7%)**. All these businesses have delivered strong returns for our portfolio year to date. There was no material negative news related to them in the month, and we remain confident about their longer term earnings outlooks.

Xero (-1.9%) was also impacted by this market rotation. Specific to the company, we attended Xerocon Brisbane 2019. This is the showcase event for Xero's accountant, bookkeeper, and app ecosystem partners. Xerocon reinforced for us that Xero is differentiated by: (1) its simplicity and usability; (2) its ecosystem, which means the combination of these features is greater than the sum of the parts; (3) the community aspect where Xero benefits key stakeholders who aren't the customer (such as the accountants), creating strong word of mouth referrals and advocacy for the product; and (4) its culture and purpose.

¹ Share Price Discount to NAV (including warrant price on a pro-rated basis)

The value proposition to Xero's partners is compelling. Xero's products generate time and workflow savings, which is personal to them and builds strong product advocacy. The key messages from the two days were that the continuous development of customer-facing features (such as payments, and improved reconciliations) help to increase the width of the 'economic moat' surrounding Xero.

The management team continued to reiterate the message that they are in the "early innings" of a long and lucrative growth trajectory. Cloud accounting adoption by customers is still in the early stages in key markets, "like the internet 15 years ago".

oOH! Media (-6.8%) had a tough month in September as the slow recovery of the advertising market continued to weigh on the share price. The slowdown that led to the company's earnings downgrade in August (written about in last month's update) seems to be cyclical in nature. Our channel checks

thus far suggest that the December quarter continues to improve, albeit at a modest rate. Structurally, outdoor advertising as a category continues to receive an increasing proportion of advertising spend compared to traditional advertising channels. So longer term, the business is well positioned to benefit from a pick-up in advertising spending.

Portfolio Changes

There were no substantive portfolio position changes during the month.



Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited



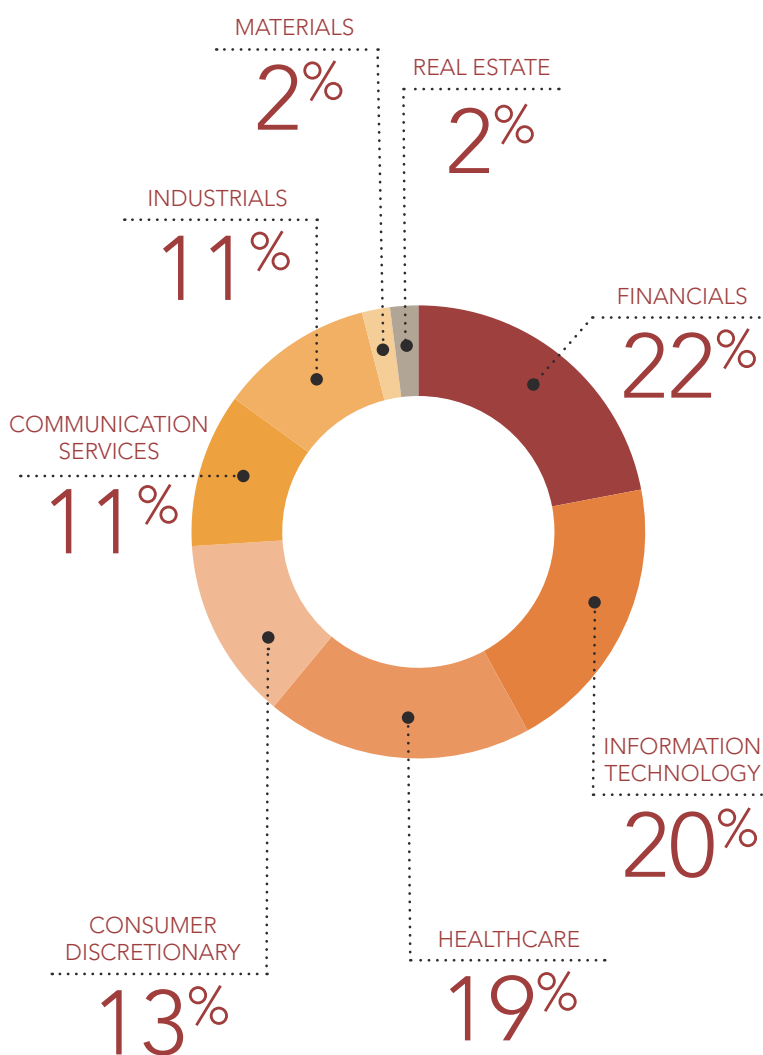
Key Details

as at 30 September 2019

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 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	\$0.63
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	173m
MARKET CAPITALISATION	\$109m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 September 2019



The Barramundi portfolio also holds cash.

September's Biggest Movers in Australian dollar terms

Typically the Barramundi portfolio will be invested 90% or more in equities.

DOMINO'S

+9%

NATIONAL AUSTRALIA BANK

+9%

AUB GROUP

+8%

SEEK

+7%

OOH! MEDIA

-7%

5 Largest Portfolio Positions as at 30 September 2019

SEEK

8%

CARSALES.COM

7%

CSL LIMITED

7%

XERO LIMITED

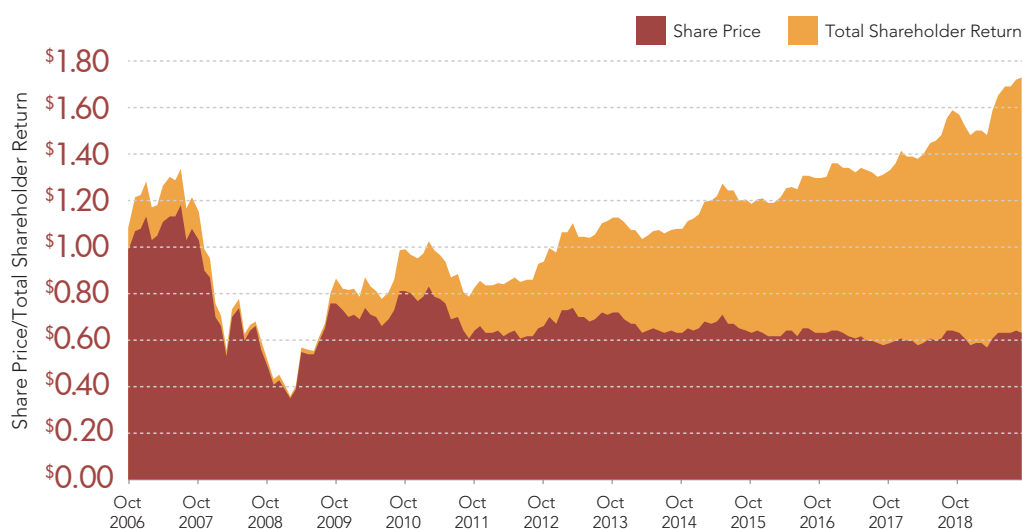
5%

COMMONWEALTH BANK

5%

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

Total Shareholder Return to 30 September 2019



Performance to 30 September 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.8%	+2.7%	+8.7%	+10.1%	+9.9%
Adjusted NAV Return	+1.4%	+7.6%	+10.5%	+11.3%	+10.2%
Portfolio Performance					
Gross Performance Return	+1.6%	+7.9%	+13.5%	+14.4%	+13.6%
Benchmark Index [^]	+2.1%	+3.3%	+12.1%	+12.5%	+10.0%

[^]Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX 200 Index (hedged 70% to NZD) from 1 October 2015

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 capital allocation decisions,
- » adjusted NAV return – the return to an investor after expenses, fees and tax,
- » 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 to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

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 <http://barramundi.co.nz/about-barramundi/barramundi-policies/>

About Barramundi Management Board

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 25 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.

Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), Terry Tolich (Senior Investment Analyst) and Delano Gallagher (Investment Analyst) 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.

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Barramundi comprises independent directors Alistair Ryan (Chair), Carol Campbell, and Andy Coupe; and non-independent director Carmel Fisher.

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

Share Buyback Programme

- » Barramundi has a buyback programme in place allowing it (if it elects to do so) to acquire up to 8.4m of its shares on market in the year to 31 October 2019
- » Shares bought back by the company are held as treasury stock
- » Shares held as treasury stock are available to be re-issued for the dividend reinvestment plan and to pay performance fees

Warrants

- » On 16 October 2018, a new issue of warrants (BRMWE) was announced
- » The warrants were issued 1 November 2018 at no cost to eligible shareholders and in the ratio of one warrant for every four Barramundi shares held
- » Exercise Price = \$0.59
- » Exercise Date = 25 October 2019
- » Exercise details were posted and emailed to warrant holders in late September 2019

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 an authorised 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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