

Monthly Update

September 2019



BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT ¹
\$0.73	\$0.64	\$0.03	11.5%

as at 31 August 2019

A word from the Manager

Market Overview

Share price returns across the ASX200 Index in August were heavily influenced by the individual company financial reports and management commentary during the semi-annual 'reporting season'. As reflected in the ASX200's return of -2.4% (in A\$), these reports (and earnings outlooks) disappointed the market in aggregate. According to JP Morgan, post reporting, earnings were revised -1.9% lower across the ASX200, which is the lowest earnings revision since 2016. Negative revisions were broad based and contributed to the negative returns across the majority of sectors in the month. Healthcare (+3.6%) and Real Estate (+2.3%) were the standout sectors from a performance perspective. The Information Technology (+0.3%) and Consumer Discretionary (+0.2%) sectors also registered positive gains. The latter sector was assisted by constructive commentary from a few management teams citing signs of 'green shoots' regarding consumer activity which has been assisted by a stabilising housing market. In contrast, concern regarding the volatile gyrations in global trade discussions fed into poor performances from the Materials (-7.5%) and Energy (-5.6%) sectors which weighed on the ASX200 Index's return.

Portfolio News

Against this backdrop, we were generally pleased with the reporting season impact on Barramundi, which delivered a gross performance return of +0.9% (in A\$) for August. The Adjusted NAV return for the month was +1.8%.

Nanosonics (+21% in A\$) delivered a credible financial result which demonstrated increased sales of its ultrasound probe disinfection product (the trophon) in the key US market. Pleasingly, revenue from sales of consumable products used in the trophon rose by 50% in the US. Consumables, a key source of recurring revenue, now constitute 60% of Nanosonic's total revenue. This helped underpin the +200% rise in profit before tax.

Management commentary highlighted the strong, increasingly multi-faceted growth runway in front of the company. Positive comments were made regarding nearer term growth prospects in the large European market. Further out, Nanosonics is making progress in establishing a presence in the Japanese

market. The company also signalled that discussions have begun regarding a potential entry into the Chinese market within a few years. Lastly, the company mentioned that it is close to launching a second product (this is a key focus for the market). It is likely to provide a more detailed update in this respect early in the new year.

Credit Corp (+16%) followed up its financial result released in July (see last month's commentary) with the acquisition in August of Australian and NZ focussed debt ledger purchaser, Baycorp Holdings. In conjunction with the acquisition, the company upgraded earnings guidance for 2020.

Dominos (+12.3%) missed their earnings guidance by 3%. This had been widely expected by the market (we were also not expecting a strong result) and the positive share price reaction suggests it was already factored into the share price. Looking forward, the trading update for the first few weeks of the 2020 fiscal year was encouraging. Domino's Japanese operations continue to perform well, and management are confident on the outlook for the European division (particularly in the bellwether markets of Germany and France) as 2020 unfolds. Growth in the Australian market continues to be a drag as steps are taken to improve longer-term performance. Management have for example been acquiring stores from underperforming franchisees. This has slowed down the pace of new store roll outs in Australia in the near-term. But it does set the division up for better performance in the medium-term.

New addition to the portfolio, **PWR Holdings (+10.9%)** recorded revenue growth of +26% and profit growth of +29% in the year. All core divisions contributed to this strong result. With some key expansion projects coming to an end, the Board returned some of the strong cash flow generated in the year to shareholders via a special dividend.

Rio Tinto (-8.4%) delivered a solid financial result, underpinned by strong performance in the Iron Ore division. Write downs and cost issues related to its Mongolian copper operations took the gloss off the overall result. The share price was also impacted by iron ore prices which fell approximately 25% across the month as global trade concerns rose. Pleasingly, the company remained disciplined in allocating the strong cash flow that is currently being generated by the

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

business with the announcement of a US\$1bn special dividend. This brings total cash returns for shareholders to US\$3.5bn in the half year.

Data centre owner, **NextDC's (-12.8%)** results were in line with expectation, albeit the market was disappointed at lack of progress in the signing of large scale customer contracts. This is likely a matter of timing. Management pointed out that demand by large customers remains strong in Sydney and more recently, interest in the Melbourne market has also picked up.

Brambles' (-13.9%) FY19 result was slightly below expectations. European operations performed soundly but face softer economic conditions this year, particularly in the auto sector. Initiatives to offset cost pressures in the Americas division's key US operation are progressing but will largely bear fruit beyond this year. The division is also addressing earnings headwinds in its Latin America and Canada operations. The resulting guidance for FY20 sales and earnings growth at the lower end of Brambles' mid-single digit target range left the market underwhelmed.

oOH!Media (-30.5%) fell sharply in the month. Although the company's first half 2019 results were in line with expectations, management downgraded full year earnings guidance due to soft advertising markets in July and August. This weakness was particularly pronounced in oOH! Media's roadside billboard category which is a highly profitable category for the company. This is more of a cyclical rather than a structural issue and should pass in time. oOH! Media is already seeing early signs of an improvement in bookings for September as well as across the December quarter.

Portfolio Changes

There were no substantive portfolio position changes during the month.



Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited



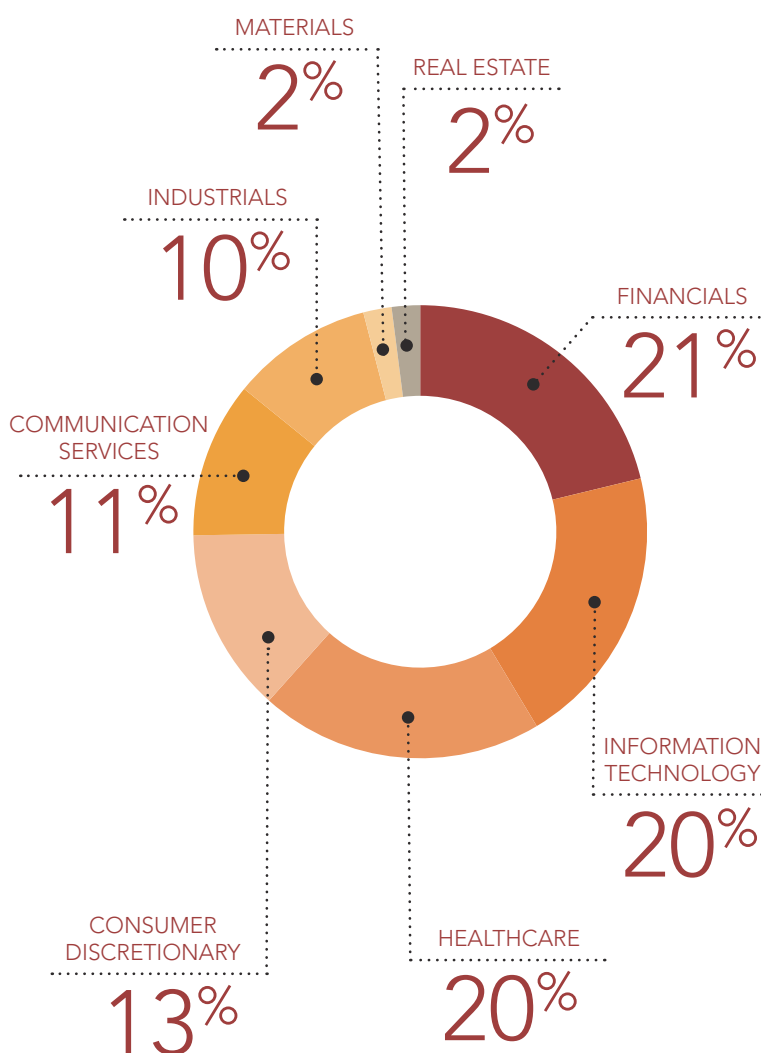
Key Details

as at 31 August 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	\$0.64
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	172m
MARKET CAPITALISATION	\$110m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 August 2019



The Barramundi portfolio also holds cash.

August's Biggest Movers in Australian dollar terms

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

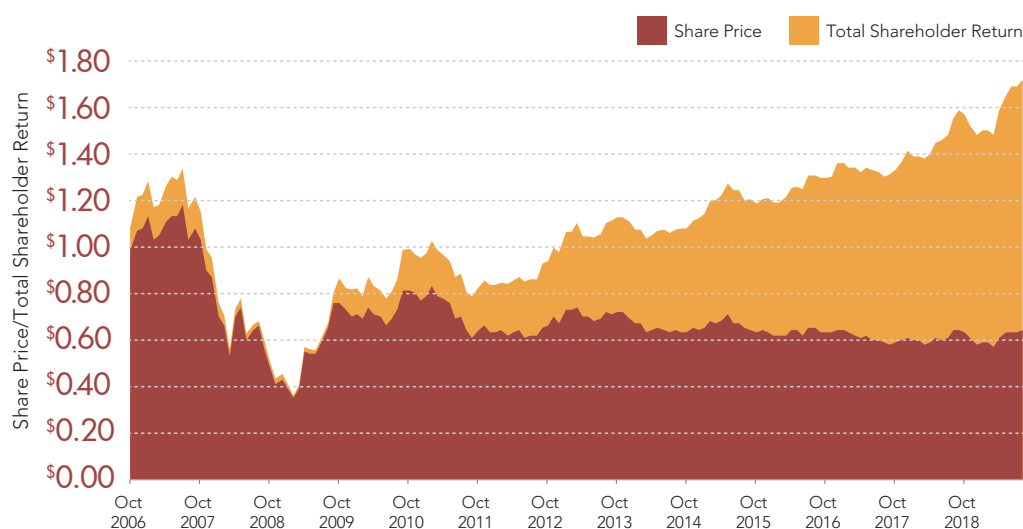
NANOSONICS	CREDIT CORP GROUP	WISETECH GLOBAL	INGENIA COMMUNITIES GROUP	OOH!MEDIA
+21%	+16%	+16%	+15%	-31%

5 Largest Portfolio Positions as at 31 August 2019

CARSALES.COM	SEEK	CSL LIMITED	XERO LIMITED	LINK ADMINISTRATION HOLDINGS
7%	7%	7%	5%	5%

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

Total Shareholder Return to 31 August 2019



Performance to 31 August 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+1.4%	+4.0%	+10.4%	+9.5%	+9.8%
Adjusted NAV Return	+1.8%	+6.9%	+6.6%	+10.7%	+9.6%
Portfolio Performance					
Gross Performance Return	+1.6%	+7.3%	+9.5%	+13.7%	+13.0%
Benchmark Index [^]	(1.7%)	+4.4%	+8.5%	+12.1%	+8.9%

[^]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 will be posted to warrant holders in 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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