

# MONTHLY UPDATE

September 2020



Share Price

\$0.76

BRM NAV

\$0.74

PREMIUM<sup>1</sup>

3.0%

as at 31 August 2020



## A WORD FROM THE MANAGER

In August Barramundi returned gross performance of +7.7% and an Adjusted NAV return of +7.6%. This compares to our benchmark, the ASX200 Index (70% hedged into NZ\$), which returned +3.4%.

Across the market, share price moves were heavily influenced by the August reporting season. While 'messy', on the whole, reporting companies' results across different industry sectors were better than feared and were well received by the market. At a sector level, the Information Technology (+15.3% in A\$), Consumer Discretionary (+7.8%) and Real Estate (+7.3%) sectors led the market higher. Utilities (-5.9%), Communication Services (-5.2%) and Consumer Staples (-0.8%) lagged.

### Portfolio News

The majority of our portfolio companies reported robust financial results in August despite the trying conditions of the last six months. We highlight a select few of these below.

**oOH!Media (+37.3%)** had a difficult first half to its December 2020 financial year. Market concerns over its debt level and the prospect of its advertising revenue dropping substantially due to COVID-19 lockdowns resulted in it raising new equity several months ago. This, along with various successful remedial actions by management, enabled the company to halve its debt levels over the six months to June. The market responded positively to this and was happy to look through a 33% fall in revenue for the half and an underlying bottom line loss of -\$17m. As COVID-19 restrictions ease, audiences for oOH!Media's out of home advertising media (billboards, etc.) are returning. With this, its future earnings prospects are recovering.

**ARB Corp (+37.1%)** delivered a strong set of results despite a soft macro environment. Sales fell 50% between the middle of March and the end of April as customers stopped ordering due to the escalating uncertainty and impact of COVID-19. But government stimulus and associated economic initiatives proved to be the catalyst for a rebound in customer orders in May. This continued into June and July which were consecutive record sales months for the company. ARB Corp is also benefitting from international border closures. This has increased domestic travel and with it, the demand for 4x4 accessories.

Having lagged the share price performance of its technology peers in the past few months, **Wisetech's (+36.5%)** share price played catch up post its results in August. Global rollouts have been secured for four of its core customers in the last six

months, pointing to accelerating demand for its product suite. Management confirmed that with a broad foundation to the company now well established, the era of land-grab acquisitions is largely complete. The pace of acquisitions had been a point of contention for investors so this was well received by the market. Wisetech's guidance for FY2021 included reasonable revenue growth in what is an uncertain environment. The company is also focussing on improving the efficiency of its cost base and hence guided to profit growth in excess of its revenue growth guidance. This too was well received by the market.

New addition to the portfolio **Fineos (+19.3%)** got off to a good start following robust financial results and the announcement of a complementary acquisition in the month (see below).

**AUB Group (+21.2%)** rose strongly as its fiscal 2020 earnings (+15%) clearly showed the resilience of its insurance broking operations to slower economic activity over much of the second half of the year due to COVID-19. There are clear signs that AUB's new CEO's plans to reinvigorate the business are bearing fruit. Moreover, despite current economic uncertainties, the company was confident enough to provide guidance for earnings growth of 10-14% for the coming year.

**Resmed (-13.7%)** fell during August despite reporting a very strong result (profit +40%) for the last quarter of its fiscal 2020 year. COVID-19 related sales of ventilators outstripped the adverse impact of lower new patient set-ups on its CPAP devices due to the restricted operation of doctors' practices and sleep labs under lockdown conditions. However, the market reacted adversely to the prospect of slower revenue growth over coming quarters as ventilator sales fall from elevated levels quite quickly while new CPAP set-ups recover only gradually.

**SEEK's (-4.6%)** financial result was credible given that it has been negatively impacted by COVID-19 related job cuts and hiring freezes. Recruiters and corporates have both reduced the number of job adverts they pay for on SEEK's employment marketplace. Advertising volumes across the key ANZ and Asian markets had fallen by 65% at its worst during April. Volumes have recovered since then and were down 17% for the year as a whole. While this recovery has continued after year end, it is still below pre-COVID levels in 2019. Offsetting the weakness in ANZ and Asia, revenues increased in Zhaopin (SEEK's Chinese subsidiary) where the business continues to benefit from the structural shift to advertising for jobs online. Revenues also increased in SEEK's Online Learning division which has been a beneficiary of COVID-19 enforced lockdowns.

<sup>1</sup> Share Price Premium to NAV (using NAV to four decimal places).

Management used the result to reinforce the company's long-term focus. SEEK kept its entire permanent staff base on 100% of their wages during the year and continued to invest in research and development with a view to be well positioned for stronger growth in 2022/23.

## Portfolio Changes

We added software provider **Fineos** to the portfolio in early August. Led by founder (and majority shareholder) Michael Kelly, Fineos is a leading provider of policy administration systems software to insurance companies operating in the Life, Accident & Health (LA&H) insurance industry. Its key Claims product helps insurance companies efficiently process associated health insurance related claims.

Fineos counts some of the leading insurers in the USA, Australia and ACC in NZ amongst its client base. The LA&H industry is in the early stages of switching from legacy mainframe-centric systems to digital products like those offered by Fineos. Fineos' software is mission critical and best in class. It is well positioned to grow its client base and has a substantial runway of growth in front of it.

We have followed Fineos closely since it listed on the stock market in 2019. We have been impressed by management's execution since then. They have successfully won new customer contracts, broadened the company's reach within existing

customers and have successfully converted customers from using the on-premise version of Fineos' software to the cloud-based version.

Fineos acquired a small Silicon valley based company with complementary software in August, broadening the appeal of its product offering to its customers. Through this acquisition, Fineos has also bolstered its developer and sales and marketing talent pool which will further expedite its growth potential. We participated in the affiliated equity raising which was used to fund the acquisition.

During the month we increased our weighting in Wisetech and CSL following further corroboration of our investment theses through their financial results.

We reduced our weighting in CBA, Sonic Healthcare and ARB Corp following the re-rating in their respective share prices over the past few months



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



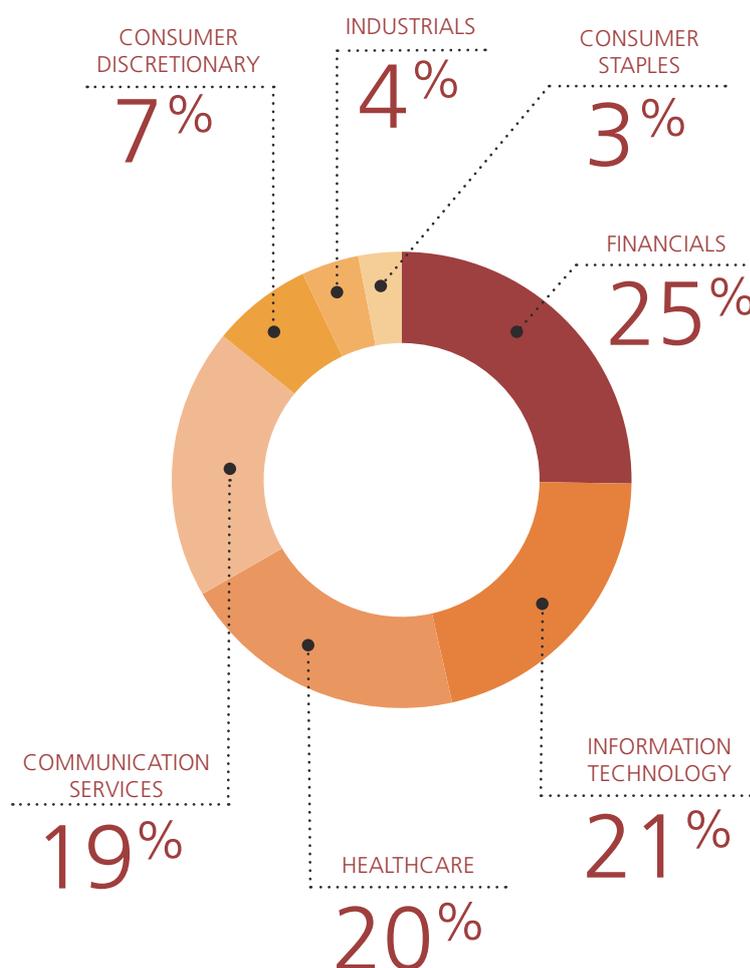
## KEY DETAILS

as at 31 August 2020

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	\$0.68
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	209m
MARKET CAPITALISATION	\$159m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 August 2020



The Barramundi portfolio also holds cash.

# AUGUST'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month in Australian dollar terms

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

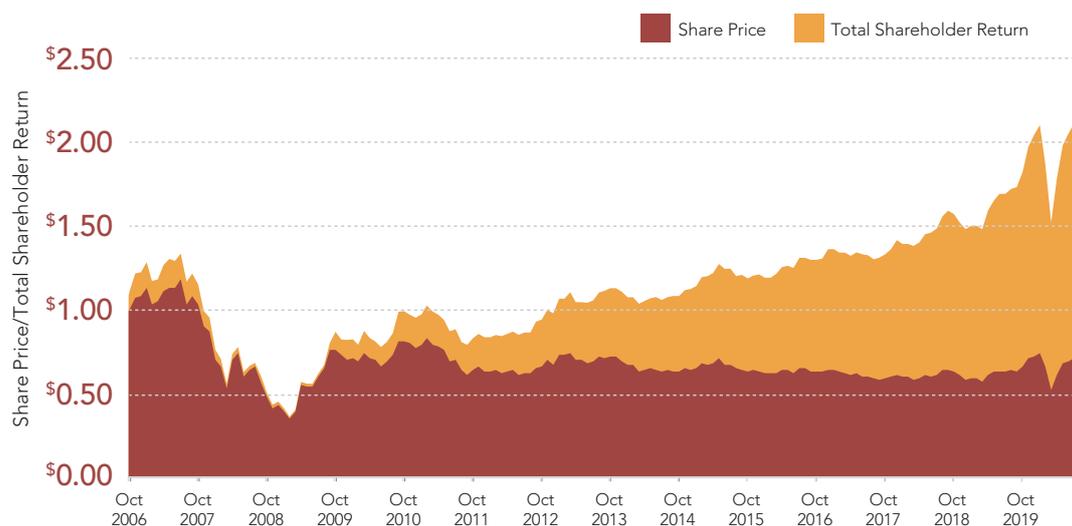


## 5 LARGEST PORTFOLIO POSITIONS as at 31 August 2020



The remaining portfolio is made up of another 22 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 August 2020



## PERFORMANCE to 31 August 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+7.0%	+13.9%	+31.5%	+20.2%	+13.5%
Adjusted NAV Return	+7.6%	+12.8%	+13.4%	+14.6%	+11.7%
<b>Portfolio Performance</b>					
Gross Performance Return	+7.7%	+13.3%	+16.4%	+17.9%	+15.1%
Benchmark Index <sup>^</sup>	+3.4%	+6.8%	(3.9%)	+6.3%	+8.3%

<sup>^</sup>Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 31 January 2015 & 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 capital allocation decisions, after expenses, fees and tax,
- » 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 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 <http://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

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.

## BOARD

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, Andy Coupe and 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 its shares on market
- » 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

### Warrants

- » On 26 August 2020 a new issue of warrants (BRMWF) was announced
- » The warrants will be issued at no cost to eligible shareholders and in the ratio of one warrant for every four Barramundi shares held
- » The warrants will be allotted to shareholders in October 2020 and the warrants will be listed on the NZX Main Board from October 2020. (Information pertaining to the warrants will be mailed/emailed to shareholders in September 2020)
- » The Exercise Price of each warrant will be \$0.70, to be adjusted down for dividends declared during the period up to the announcement of the Exercise Price
- » The Exercise Date for the new warrants (BRMWF) will be in **October 2021**
- » The final Exercise Price will be announced and an Exercise Form will be sent to warrant holders in **September 2021**

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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