MONTHLY UPDATE

September 2021

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	Warrant Price	PREMIUM[1]
$1.08	$0.94	$0.33	24.0%

as at 31 August 2021

A WORD FROM THE MANAGER

In August Barramundi returned gross performance of +9.7% and an adjusted NAV return of +9.2%. This compares to the ASX200 Index which returned +2.1% (70% hedged into NZ$).

Returns across the market were strongly influenced by individual company financial results released during the reporting season. Led by Wisetech (see below), and the acquisition of Afterpay (which we wrote about last month) the Information Technology (+16.8% in A$) sector led the market higher in the month. Healthcare (+6.8%) and Consumer Staples (+6.5%) companies also delivered strong returns. The falling iron ore price helped drag Materials (-7.9%) lower. The Energy sector (-5.1%) also lagged.

Portfolio News

August was a great month for Barramundi. The majority of our companies that reported are navigating this complex business environment very well and delivered strong financial results.

Wisetech (+57% in A$), which provides critical software to the logistics industry, delivered an outstanding FY21 financial result. Wisetech's core revenue grew around 25% in the last year. The largest freight and logistics companies globally (its key customers) such as DHL and DSV continue to grow strongly and have also benefitted from the rebound in global trade.

The positive surprise was the +63% increase in Wisetech's EBITDA (a key measure of pre-tax profits). EBITDA grew faster than revenue for three key reasons. First: product development costs are increasing at a slower rate than revenue growth. This is a function of Wisetech's scale. Wisetech is also automating and reducing the amount of development expenditure allocated to old legacy products of companies it has acquired in the past. Second: sales and marketing costs fell over the year. This is partly because there was less marketing related travel, and fewer trade shows due to COVID-19. Some of this expenditure is expected to return in the future. Wisetech has also been disciplined in focussing its marketing efforts on large logistics companies and reducing its focus on the smaller customers which have absorbed a disproportionate amount of marketing spend historically. Third: general expenses are rising more slowly than revenue which is also a function of Wisetech's increased scale.

Investors responded positively to the result given this increased profit margin is seen as an inflection point in Wisetech's profitability. The company expects its profit margin to increase further through FY22.

Reflecting fewer COVID-related trading restrictions, **Domino's** (+35.2%) reported a +29% increase in underlying earnings for its June 2021 year, helped by strong growth in new stores as well as an increase in sales growth across its existing store network. The company has increased its long-term store target across its various regions to 6,650 stores – over twice its current number of stores. It is also accelerating the speed with which it is rolling out these new stores, adding to its overall growth rate.

Nanosonics (+24.7%) results showed that in its core US market, increased access to hospitals and a recovery in ultrasound appointments saw revenues increase +54% on the previous six months. It saw a similar recovery in its other geographies. Management also gave further detail on its long-awaited new product. Coris is a decontamination device for use on reusable endoscopes. More healthcare-associated outbreaks have been linked to contaminated endoscopes than many other medical devices. As such, if Nanosonics can successfully establish Coris as the standard of care for endoscope decontamination, the revenue opportunity will be significant.

The market reacted positively to **Fineos'** (+18.1%) strong financial results and to management's expectation that revenue growth will continue to be supported by demand from new clients. Many of Fineos' insurance provider customers had frozen their budgets at the start of the pandemic. As global economies have reopened, investment spending has recommenced which is encouraging.

PWR Holdings (+16.0%) released another set of excellent results in August. Its key divisions grew revenues despite disruptions caused by lockdowns and supply constraints. Its Emerging Tech and Automotive Aftermarket divisions did particularly well. Demand for PWR's innovative emerging tech products in non-auto and auto-markets continues to strengthen. PWR has also invested strongly in its aftermarket division, adding extra colleagues and it recently released an online store for aftermarket sales. Aftermarket sales grew +29% in FY21.

There were no major surprises in **Carsales** (+14.7%) financial result. Carsales generated respectable earnings growth in its key divisions. The company announced a few growth initiatives which the market liked. In particular, Carsales has launched an online car selling service called Carsales Select. Through this platform, car dealers can sell their vehicles online via the Carsales website. This opens up a significant new revenue opportunity for Carsales longer term. Car dealers are no longer limited to selling vehicles at their

[1] Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

physical dealerships. Carsales is also countering the potential threat to traditional dealers posed by large international online-only car dealers that have sprung up in recent years such as Cazoo and Carvana. Investors will no doubt watch the development of this initiative closely.

Credit Corp's (+11.5%) underlying earnings were up +11% for the June 2021 year, meeting its earnings guidance. US Debt Buying was a standout, doubling its contribution. Credit Corp has guided to FY22 earnings being in a range of -4% to +8% relative to FY21. This is driven by further expected growth in the US Debt Buying market and recovery in its lending book. The AU/NZ Debt Buying is expected to be subdued.

Ansell (-6.8%) has been a clear COVID-19 beneficiary. For its June 2021 year it reported +23% and +49% growth respectively in underlying sales and earnings. Unsurprisingly, its Healthcare business was particularly strong. Although it had slower growth, the Industrial business benefitted from improving economic conditions in the second half as COVID restrictions eased. For the 2022 year it is likely that there will be lower demand and price increases for products that have benefitted the most from COVID-related demand. This resulted in relatively tepid earnings growth guidance being given for 2022 and resulted in the share price falling. For us, the more important observation is that Ansell's sustainable earnings now sit well above their pre-COVID level.

Portfolio Changes

We increased our positions in three of our Australian bank shareholdings (**ANZ** (+0.5%), **NAB** (+6.9%) and **Westpac** (+5.3%) during the month. The bad debt experience at the banks has been significantly better than expected a year ago. Coupled with their strong capital positions, three of the four major banks have announced share buybacks and are increasing dividends, both of which are supportive for bank share prices. To help fund these increased weightings, we reduced our weighting in **Sonic Healthcare** (+8.5%).

We also increased our weighting in data centre operator, **Next DC** (+3.8%). It continues to benefit from the structural growth in demand for data centre capacity as computer services are increasingly shifted to the cloud.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

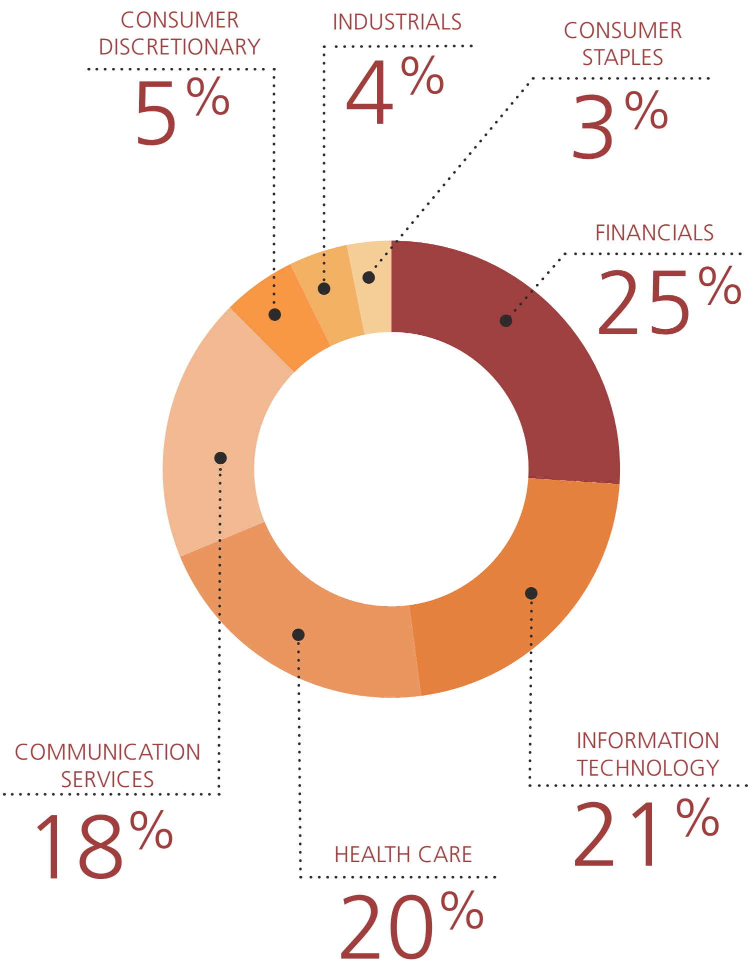
KEY DETAILS

as at 31 August 2021

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	\$0.87
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	214m
MARKET CAPITALISATION	\$231m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 August 2021



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.

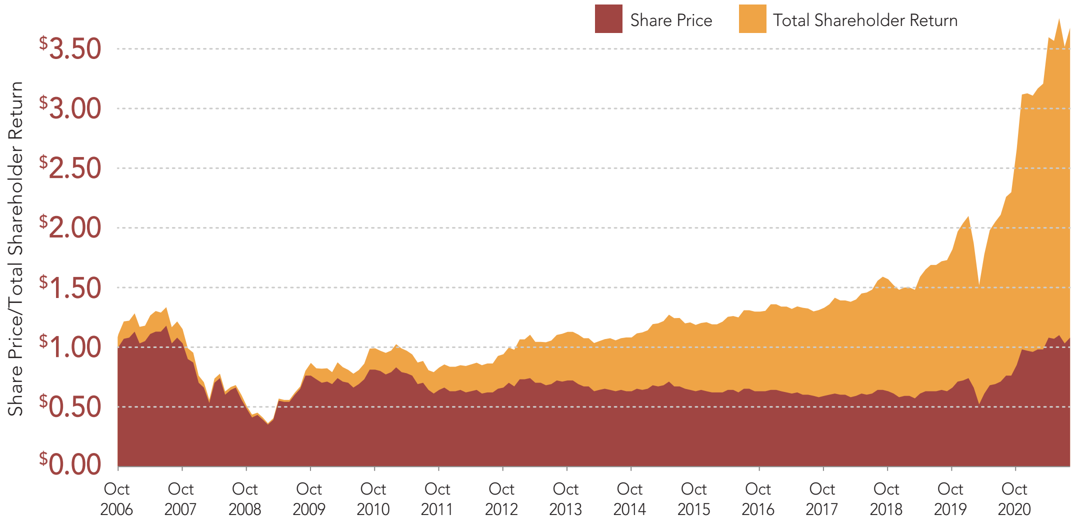
WISETECH	DOMINO'S PIZZA	NANOSONICS	FINEOS	PWR HOLDINGS
+57%	+35%	+25%	+18%	+16%

5 LARGEST PORTFOLIO POSITIONS as at 31 August 2021

CSL LIMITED	CARSALES.COM	WISETECH	SEEK	CBA
8%	7%	7%	5%	5%

The remaining portfolio is made up of another 20 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 August 2021



PERFORMANCE to 31 August 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+4.6%	+3.2%	+63.0%	+33.2%	+23.0%
Adjusted NAV Return	+9.2%	+14.0%	+36.6%	+18.2%	+16.0%
Portfolio Performance					
Gross Performance Return	+9.7%	+15.1%	+41.9%	+21.8%	+19.4%
Benchmark Index^	+2.1%	+5.3%	+26.3%	+9.6%	+11.3%

^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

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 (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 Board of Barramundi comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

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 were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held
- The warrants were allotted to shareholders in October 2020 and the warrants listed on the NZX Main Board from early October 2020. (Information pertaining to the warrants was mailed/emailed to shareholders in September 2020)
- The Exercise Price of each warrant is $0.70, 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. Dividends totalling 6.35 cents per share have been declared to date and there are no more dividend expected to be declared in the remaining period, before the final Exercise Price is announced by Barramundi.
- The Exercise Date for the new warrants (BRMWF) is **29 October 2021**
- The final Exercise Price will be announced and an Exercise Form sent to warrant holders in September **2021**

Barramundi
LANDING TOMORROW'S TROPHIES

Barramundi Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 489 7074 | Fax: +64 9 489 7139
Email: enquire@barramundi.co.nz | www.barramundi.co.nz

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777 | Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz | www.computershare.com/nz