

QUARTERLY NEWSLETTER

1 October 2020 – 31 December 2020



Share Price

\$0.97

Warrant Price

\$0.20

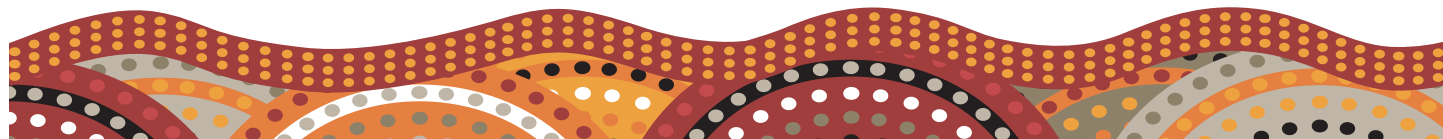
BRM NAV

\$0.80

PREMIUM¹

27.3%

as at 31 December 2020



As the craziest of years has drawn to a close, we tip our hats to the outstanding people working at and running our portfolio companies. They have adapted well to the rapidly shifting sands of the COVID-19 environment and delivered for our investors in a tumultuous year.

In the December quarter Barramundi returned +17.1% (gross performance) compared to the benchmark index which returned +13.2%. For the calendar year, Barramundi returned +26.3% (gross), well in excess of the benchmark index's +2.7%. The Adjusted NAV return for the quarter was +15.1%.

Our investment philosophy of investing in high quality and growing companies run by high calibre people is the bedrock of this performance.

Team Australia has been equal to the COVID-19 challenge throughout the year

The unsettling COVID-19 outbreak in Sydney on the eve of Christmas is a salient reminder that the pandemic is far from over.

On the whole, 'Team Australia' has done a superb job in combatting the pandemic through 2020. The Federal Government, big business (especially the major banks), financial regulators and the Reserve Bank of Australia tackled the challenge in a competent, co-ordinated fashion. This has ameliorated the economic damage wrought by COVID-19. Australia is consequently on a strong footing to recover economically as vaccines are rolled out and the global economy heads towards normalisation in 2021.

The latest salvo in this regard was the stimulatory budget handed down by the Federal Government in October. The sum of all initiatives is expected to result in a -\$214bn fiscal deficit in FY21 (the largest on record). Coupled with previously announced measures, UBS estimates that this brings the total Australian fiscal stimulus response to COVID-19 to a staggering ~17% of GDP. This is well above the 6% delivered during the 2008 financial crisis and is well above global stimulus measures.

Share markets are benefitting from rising optimism about economic normalisation in 2021

This stimulus, a reduction in US election uncertainty and positive COVID vaccine data boosted global equity markets in November. The ASX200 Index rose 10.2%, its best monthly performance in over 30 years (according to Goldman Sachs). This drove the strong quarterly result for the market.

Companies benefitting most from economic normalisation and that have typically lagged in share price performance this year underpinned this performance.

Within our portfolio our financials positions including **Credit Corp** (+75.3% in A\$ over the three months) and the banks, **ANZ** (+34.2%), **NAB** (+29.1%), **CBA** (+29.1%) and **Westpac** (+16.9%) benefitted strongly from this dynamic. The positive impact of the October budget on the domestic economy is likely to improve the banks' bad debt outcomes. In line with this, the interim results reported by the banks in the period continued to show a marked reduction in COVID-19 customer payment deferrals.

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

| | | | | |
|-------------------|------------------------------|------|------------|----------------|
| CREDIT CORP GROUP | LINK ADMINISTRATION SERVICES | XERO | NANOSONICS | AUDINATE GROUP |
| +75% | +49% | +46% | +41% | +41% |

This bodes well for bank earnings and particularly dividends in 2021. Recognising this fact, in December the financial regulator (APRA) announced that the banks will not have restrictions on dividend payments in 2021. This was well received by the market.

oOH!Media (+37.2%), **Audinate** (+41.0%) and **SEEK** (+34.0%) are companies also benefitting from optimism about economic normalisation in 2021. **oOH!Media** stands to benefit from a pick-up in advertising spend as consumer confidence returns. Demand for **Audinate's** professional audio networking equipment is expected to increase as economies open, infrastructure spending picks up and live events (operas, concerts, sport) resume. Recruitment advertiser **SEEK** also continues to benefit from the continuing recovery in employment.

REA Group (+35.4%) similarly has had a strong few months as housing sales activity continues to improve.

Takeover activity influenced portfolio positioning in the December quarter

Earlier in the year, the share market volatility gave us the opportunity to add a number of high-quality companies to the portfolio at opportune pricing. From March to August, we added four new companies to the portfolio. These included **REA Group**, the online real estate advertising portal, supermarket operator **Woolworths**, **Audinate** and insurance claims software provider **Fineos**.

Following the share market rebound during the year, there are fewer bargains to be had. The majority of our portfolio position changes since August have been largely limited to tweaking the sizes of existing positions.

With confidence returning to equity markets, we have recently seen an increase in takeover activity. With ample cheap debt funding at their disposal, private equity and corporate suitors alike have been running the ruler over potential listed acquisition targets.

Within our portfolio, **Link Group** (+49.1%) received a non-binding, indicative proposal from a private equity consortium in October at \$5.20 per share. This was later lifted to \$5.40 per share and the suitors began their due diligence. In December an indicative counter-offer at \$5.65 by another party was submitted to the Board. The potential for a protracted bidding war resulted in the share price rising to the \$5.65 indicative offer price in December.

We capitalised on this increase in the share price bought about by this potential bidding war and sold our shares in December. We re-invested the proceeds by buying shares in other companies in our portfolio where we felt the risk adjusted upside was more compelling. We note that in early January 2021, one of the potential bidders for Link has withdrawn its indicative takeover proposal.

¹ Share price premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places)

All-weather portfolio well positioned for the future

We don't know exactly what 2021 holds in store. This takeover activity may or may not be a persistent theme through the year. We hope that the global vaccine effort is successful in putting us on track for economic normalisation. However, what shape this path to normalisation takes and the timetable is yet to be determined.

We will not second guess what might take place in the coming year. Instead, our focus remains firmly on our investment process which is aimed at constructing an 'all-weather' blend of high quality and growing businesses.

As we have seen during 2020, different portfolio companies performed well at different times as conditions changed. Our healthcare companies

did well in the depths of the pandemic. Latterly the share prices of our banks did better as economic optimism rose.

This all-weather balance to our portfolio reduces our reliance on any one economic or pandemic related scenario. This should stand Barramundi shareholders in good stead in the future.



Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
15 January 2021



PERFORMANCE as at 31 December 2020

| | 3 Months | 3 Years (annualised) | 5 Years (annualised) |
|------------------------------|----------|----------------------|----------------------|
| Company Performance | | | |
| Total Shareholder Return | +36.2% | +30.3% | +21.0% |
| Adjusted NAV Return | +15.1% | +15.5% | +12.7% |
| Portfolio Performance | | | |
| Gross Performance Return | +17.1% | +19.1% | +16.2% |
| Benchmark Index ¹ | +13.2% | +6.7% | +9.1% |

¹ 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 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 newsletter 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/>

COMPANY NEWS

Dividend Paid 18 December 2020

A dividend of 1.45 cents per share was paid to Barramundi shareholders on 18 December 2020, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 37% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on 09 488 8777.

Disclaimer: The information in this newsletter 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 newsletter 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 newsletter 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.

PORTFOLIO HOLDINGS SUMMARY

as at 31 December 2020

| Company | % Holding |
|------------------------------------|---------------|
| Ansell | 3.6% |
| ANZ Banking Group | 4.5% |
| ARB Corporation | 1.3% |
| AUB Group | 3.7% |
| Audinate Group | 2.1% |
| Brambles | 4.0% |
| Carsales | 6.1% |
| Commonwealth Bank | 5.5% |
| Credit Corp | 4.6% |
| CSL | 8.4% |
| Domino's Pizza | 2.3% |
| Fineos Corporation Holdings | 2.6% |
| Nanosonics | 3.0% |
| National Australia Bank | 4.0% |
| NEXTDC | 4.3% |
| Ooh! Media | 1.7% |
| PWR Holdings | 1.8% |
| REA Group | 4.6% |
| ResMed | 3.9% |
| SEEK | 6.8% |
| Sonic Healthcare | 2.2% |
| Westpac | 4.0% |
| Wise Tech Global | 5.7% |
| Woolworths Group | 3.4% |
| Xero Limited | 5.7% |
| Equity Total | 99.8% |
| Australian cash | 0.7% |
| New Zealand cash | 0.5% |
| Total cash | 1.2% |
| Centrebet Rights | 0.0% |
| Forward foreign exchange contracts | (1.0%) |
| Total | 100.0% |