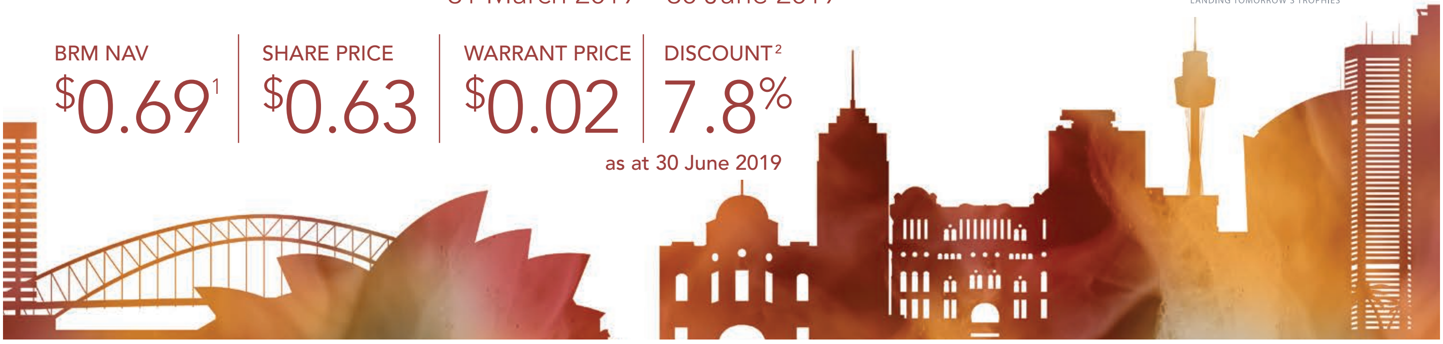
Quarter Update Newsletter

31 March 2019 – 30 June 2019

BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT[2]
$0.69[1]	$0.63	$0.02	7.8%

as at 30 June 2019



» **Continuing the strong start to the calendar year, Barramundi returned +8.3% gross performance for the quarter to 30 June 2019, while the adjusted NAV return was +7.7% and the benchmark return was +8.1%.**

Summary from the June Quarter

The Australian market, along with global equities and particularly interest rate sensitive equities, benefited from the relentless grind lower in interest rates. The Australian government bond rate fell to the lowest levels in history, and closed out June with a 1.3% yield. The RBA joined the ranks of dovish central banks in cutting the cash rate in June for the first time since 2016 to 1.25%, providing some support to the beaten up housing market and the consumer.

The Federal election in May was also a key catalyst supporting the Australian equity rally. In one of the larger political upsets in recent times, the Coalition were returned to power after beating the favoured Labour Party at the polls. The Liberals were seen to have more market friendly policies relative to Labour and this boosted equity sentiment in the weeks following the election.

The election outcome may truncate the economic downside case in Australia. However, the tone of commentary from management teams in recent weeks remains muted. In fact, of the 30+ ASX200 companies providing trading updates in the last two months, over 80% have downgraded earnings. To some extent these updates are backward looking. But it remains to be seen whether the positive post-election market sentiment will translate into a sustained lift in operating performance for businesses.

Navigating Landmines

The majority of our portfolio companies performed well over the June quarter, and as highlighted above, drove a strong portfolio result. That said, it wasn't smooth sailing across all of our portfolio companies. For this quarter's newsletter we give you some insight into our approach to navigating equity market landmines using Link Administration, which slumped -32% in A$ across the quarter, as a live example.

By way of background, we have invested in Link for a number of years. Link's primary operations are located in Australia, and following an acquisition in 2017, in the UK. Amongst other things, it specialises in providing outsourced back office administrative functions for superannuation funds and corporates. Link is a key conduit for managing the interaction between super funds / corporates and their many members or shareholders. Link's moat stems from its position as the scale player, making it the lowest cost provider in its sector. We've liked the traditionally defensive, recurring nature of its revenue and earnings stream.

Notable Returns for the Quarter in Australian dollars

NANOSONICS	ARISTOCRAT LEISURE	XERO	SEEK	LINK ADMINISTRATION
+29%	+26%	+23%	+21%	-32%

So what happened to this predictability?

Firstly, the Australian government, in a surprise move last year, indicated that it would implement legislation to sweep inactive, duplicate super fund accounts to the Australian Tax Office for administration from October 2019. After dragging its feet, parliament rushed this legislation through at the last minute before the federal election in May. This left the super industry scrambling to meet the October deadline in managing this process for their customers. Link, to its credit, has stepped up and thrown additional labour and resource behind this programme on behalf of its customers. This added unexpected but temporary costs to Link's business, while funds have also pre-emptively moved inactive accounts to funds that pay lower fees to Link.

We applaud Link for doing what is necessary to support its clients. This is exactly what we'd expect from our management teams. In helping its customers meet a tight deadline, Link undoubtedly highlights the importance of its services to its clients, and longer term we think this will help with client retention and stickiness.

The second factor contributing to the warning was soft market activity related to 'Brexit', which affected Link's UK operation. Wouldn't it be nice if politicians could get their act together so this word could fade from our lexicon? While the market has been focussed on Brexit for a while, Link had not seen disruption to its business until March / April when management said client activity softened. How long this lasts for and how Brexit evolves from here will likely remain uncertain for a while. Ultimately we see this as a cyclical rather than structural headwind.

Thirdly, Link has been in the headlines in the UK for an oversight role it performed for a fund manager client that ended up suspending redemptions from its investors. While the regulator is looking into the events leading up to the redemption suspension, Link management are satisfied that they met their required obligations in the matter. We note that the regulator has publicly commented that the problem is more a failure of rules than supervision. However, until the investigation is complete, uncertainty will exist over the extent of Link's culpability (if any).

Link management are unable to talk publicly about this issue while the investigation is underway. However, we will speak with them in due course about the risks the company faces in

[1] As at the date of this Newsletter the Barramundi year end NAV has yet to be audited, and therefore it may change.
[2] Share price discount/(premium) to NAV (including warrant price on a pro-rated basis).

performing this oversight role for fund manager customers and the lessons learnt from this experience. While these headlines may impact the degree to which Link wins new business in this division, we think the risk of the company losing existing clients because of this is low.

Taken together with the reasons for the earnings downgrade, while all this detracts from Link's near term earnings and its outlook, these issues do not in our view negate the investment case for Link. From what we can judge, Link's moat and its core economic drivers remain intact, and these earnings headwinds will pass. In fact, the steps Link have taken to help its clients meet tight deadlines in Australia arguably improve its brand equity with its clients.

It clearly feels horrible stepping on this landmine today. However, we think the share price has overreacted. We believe it is time for patience, and that it would be a mistake to sell our shares. We have consequently used this sell-off to top up our shareholding in Link.

We will no doubt write about Link in the future. For now, we leave the last word to Link MD John McMurtrie who commented "*the last couple of weeks have been quite edifying.*"

Edifying indeed!

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
18 July 2019

Performance
as at 30 June 2019

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+13.3%	+10.5%	+9.4%
Adjusted NAV Return	+7.7%	+10.0%	+9.2%
Portfolio Performance			
Gross Performance Return	+8.3%	+13.2%	+12.7%
Benchmark Index[1]	+8.1%	+13.3%	+11.1%

[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,*
- *adjusted NAV return – the return to an investor after fees and tax,*
- *gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before 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 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 27 June 2019

A dividend of 1.31 cents per share was paid to Barramundi shareholders on 27 June 2019, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 35% 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.

Portfolio Holdings Summary
as at 30 June 2019

Company	% Holding
Ansell	3.1%
ARB Corporation	3.3%
Aristocrat Leisure	2.6%
AUB Group	3.3%
Brambles	3.5%
Carsales	7.1%
Commonwealth Bank	5.5%
Credit Corp	4.2%
CSL	7.3%
Domino's Pizza	4.1%
Ingenia Communities	1.5%
Link Administration Holdings	4.3%
Nanosonics	2.5%
National Australia Bank	4.2%
NEXTDC	3.5%
Ooh! Media	4.7%
ResMed	4.1%
Rio Tinto	2.5%
SEEK	7.4%
Sonic Healthcare	3.0%
Technology One	2.0%
Westpac	4.2%
Wise Tech Global	3.9%
Xero Limited	5.3%
Equity Total	**97.1%**
Australian dollar cash	1.3%
New Zealand dollar cash	0.6%
Total Cash	**1.9%**
Centrebet Rights	0.0%
Forward foreign exchange contracts	1.0%
TOTAL	**100.0%**

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