QUARTERLY NEWSLETTER

1 April 2020 – 30 June 2020

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	PREMIUM[1]
$0.69	$0.68	1.8%

as at 30 June 2020

Over the June quarter, Barramundi returned +25.6% (gross performance) compared to +18.0% for the ASX 200 Index (70% hedged into NZ$) and the Adjusted NAV return for the quarter was +25.0%. Over the last 12 months Barramundi's gross performance is up +13.5%, compared with our market benchmark which was down (6.6%).

Assisted by significant fiscal and monetary policy stimulus, and better than originally anticipated COVID-19 healthcare outcomes, this proved to be a strong quarter for the Australian equity market, with all sectors finishing the period in the green.

The Australian fiscal stimulus alone has totalled A$165bn or a whopping 9% of GDP, most of which is being dispensed over the six months to September 2020. A lot of it is being used to help businesses pay salaries of employees. The Reserve Bank (RBA) has grudgingly added to this firepower by embarking on quantitative easing measures for the first time. This has lowered interest rates, reducing the mortgage and borrowing costs for households and businesses. We have not witnessed policy stimulus of this magnitude in our lifetime.

These actions have laid a foundation for an economic recovery in Australia. It is too early to judge whether these efforts are enough to 'win the war'. After all, we have more recently seen signs of a resurgence in COVID-19 cases in pockets across the world. This includes an unsettling surge in Victorian cases in Australia.

High Quality & Growing Companies Have Performed Well

Against this backdrop, Barramundi had a pleasing performance in the period. The share prices of all our portfolio companies rose over the quarter.

Feedback from a number of our companies suggests that the early signs of recovery seen in April have continued to broaden out and strengthen in May and June. Offsetting this good news is that individual company fortunes will likely continue to be buffeted, to varying degrees, by localised virus outbreaks.

Sound, sensible leadership is critical in this environment and this has been no more evident than at **AUB Group (+51% in A$ over the quarter)**. AUB was in the midst of completing an acquisition of one of its insurance broking partners when the COVID-19 crisis hit in March. AUB acted decisively in terminating the acquisition. This enabled them to retain millions in cash which would otherwise have been paid out, and enabled both parties to focus on their own businesses and not be distracted by the transaction. AUB also withdrew earnings guidance given the uncertain environment.

Since then, feedback from AUB and the insurance broking industry indicates that broking activity has been resilient and insurance premiums have continued to tick higher through the quarter. In a trading update in late June, AUB reinstated earnings guidance, (it now expects profit growth of 12-14% for the year ending June 2020).

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

AUB GROUP LTD	CARSALES.COM LTD	SEEK LTD	OOH! MEDIA LTD	REA GROUP LTD
+51%	+51%	+48%	+42%	+40%

Given the improved and more settled conditions we may soon hear more about a resumption in acquisition discussions with its partner.

Improvement in consumer spending has driven a strong rebound in Australian house and car sales activity. We've also seen job advertisements starting to pick up in Australia. This has buoyed the share prices of our classified advertising companies, **Carsales (+51%)**, **SEEK (+48%)** and new addition to the portfolio, property advertiser **REA Group** which rose +40% in the period. In fact REA had 109 million visits to its website in May, an all time monthly record for the company. By REA's measure this included a significant uptick in active buyer enquiry.

Glove and protective equipment manufacturer **Ansell (+35%)**, has done an exceptional job navigating the crisis. It has successfully kept its employees safe while its manufacturing facilities have largely remained open throughout. It has continued to source the raw material inputs required for protective equipment production despite disruption to supply chains.

The company continues to benefit from the sustained focus on hygiene standards globally across the industrial sector and particularly within healthcare. This is likely to drive increased demand for its gloves and protective equipment for a long time to come.

Portfolio Changes

Our investment philosophy is grounded in investing in high quality companies, run by sound management teams that have favourable long-term growth prospects. This stood us in good stead going into the COVID-19 crisis. It has also served our investors well as the economic recovery has taken root.

As we wrote about in the March quarterly, during the sell-off we tilted the weighting of our portfolio positions in favour of our highest quality businesses, strengthening the mix of our portfolio. As part of this we added REA Group to the portfolio in March. It has had a good start for our investors, rising +40% in the quarter.

We have continued this process by adding **Woolworths** to the portfolio in May. Since then it has returned +9.1% (A$), ahead of the ASX 200 Index. Woolworths is not as fast growing as some other portfolio holdings, but Woolworths is a high-quality dominant supermarket operator in Australia and has a strong presence in New Zealand. It benefits from a broad scale advantage. Along with a rational, duopolistic competitive

[1] Share price premium to NAV (using NAV to four decimal places)

structure in both countries this is supportive of the company's pricing power and profitability. Under CEO Brad Banducci, Woolworths has developed a credible track record over a number of years.

An economic recovery does seem to be underway in Australia, but the journey is likely to remain volatile and uneven. Being invested in high quality businesses with defensive earnings streams like Woolworths is important in building an all-weather portfolio for this environment.

In May, we also exited our position in **Technology One**. In this instance, we like the Technology One business and business model. It provides mission critical software to its customers including local council and government, and higher education organisations. Revenue from these customers is recurring and reliable.

However, the company's growth is slow relative to what is required in order to meet management's stated longer-term growth objectives. Linked to this, its valuation is stretched in our view. Should management execution improve and/or valuation adjusts to be reflective of this lower growth, we could well see Technology One back in the portfolio in the future.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
20 July 2020

PERFORMANCE
as at 30 June 2020

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+35.2%	+15.6%	+10.5%
Adjusted NAV Return	+25.0%	+12.7%	+9.3%
Portfolio Performance			
Gross Performance Return	+25.6%	+15.8%	+12.8%
Benchmark Index[1]	+18.0%	+5.8%	+7.0%

[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 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 26 June 2020

A dividend of 1.28 cents per share was paid to Barramundi shareholders on 26 June 2020, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 36% 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 2020

Company	% Holding
Ansell	3.2%
ANZ Banking Group	4.3%
ARB Corporation	3.1%
AUB Group	4.5%
Brambles	4.0%
Carsales	7.5%
Commonwealth Bank	6.5%
Credit Corp	3.6%
CSL	7.2%
Domino's Pizza	2.7%
Link Administration Holdings	2.2%
Nanosonics	2.6%
National Australia Bank	3.5%
NEXTDC	3.5%
Ooh! Media	1.7%
PWR Holdings	2.2%
REA Group	5.0%
ResMed	3.6%
SEEK	7.2%
Sonic Healthcare	3.2%
Westpac	4.0%
Wise Tech Global	4.1%
Woolworths Group	3.1%
Xero Limited	6.0%
Equity Total	**98.5%**
Australian cash	1.3%
New Zealand cash	0.4%
Total Cash	**1.7%**
Centrebet Rights	0.0%
Forwards foreign exchange contracts	(0.2%)
TOTAL	**100.0%**

Barramundi

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