

QUARTERLY NEWSLETTER

1 April 2021 – 30 June 2021



Share Price

\$1.10

Warrant Price

\$0.35

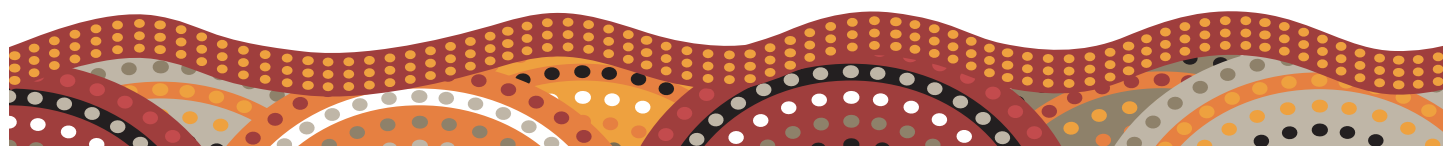
BRM NAV

\$0.87

PREMIUM¹

36.8%

as at 30 June 2021



Barramundi had a good June quarter, with gross performance of +10.5% and an Adjusted NAV return for the period of +9.9%. This was ahead of the benchmark ASX200 Index (70% hedged into NZ\$) which returned +7.9%. Market concerns about the risk of rising inflation, which dominated sentiment in the first few months of the year, abated in the June quarter. Linked to this, interest rates, which had risen strongly at the start of the year stabilised. In fact, the Australian Government 10 year bond yield fell from 1.79% in March to 1.53% by the end of June.

The rotation in sector leadership observed earlier in the year, where 'value' shares outperformed 'growth' shares reversed with this stabilisation in interest rates. The Information Technology sector (+12.1% in the period) led market returns alongside the Consumer Discretionary (+11.1%) and Communication Services (+10.6%) sectors. In contrast, the Utilities (-5.8%) and Energy (-2.9%) sectors were the only two sectors to deliver negative returns in the June quarter.

Merger and Acquisition ("M&A") activity helped underpin the share rally in the June Quarter

These low interest rates (and ample government and central bank stimulus) have enabled companies and investors to borrow heaps of money cheaply. This has spurred a boom in acquisitions that has also helped underpin this recent rally in Australian shares. According to JP Morgan, year to date there have been around 80 acquisitions amongst the ASX200 companies. At an average size of A\$1.6bn each, this is well ahead of the value of acquisition related activity in recent years.

Core portfolio shareholding, **Carsales** (+12.8% in A\$) contributed to this activity in acquiring 49% of Trader Interactive ("TI") for \$800m in May. TI owns a number of leading online classified advertising websites in the US for recreational vehicles (campervans), commercial trucks, powersports (jet skis and snowmobiles) and industrial equipment. This was a sizeable acquisition for Carsales and \$600m of the cost was funded from an equity raising.

As we commented in May's monthly update, we participated in this equity raising and are supportive of this transaction. Carsales has significant experience in supplementing its earnings growth through strategic acquisitions in new geographies. It is applying the same playbook with TI. Doing so opens up the US as another (large) market opportunity which diversifies and expands Carsales' runway for growth.

The source of Barramundi's return was broad based across the portfolio

Most of our portfolio companies delivered positive returns in the period. Only one of our portfolio companies, **Credit Corp** (-9.0%) saw its share price fall over the past three months. There was no notable negative company development associated with this fall.

Our best performing company, **Resmed**, rose +30% (in A\$) in the period. It has been helped through a voluntary recall of sleep and respiratory care products by Philips, its main competitor. Philips has discovered a quality issue with a component in these products and may have to replace or repair 3-4 million devices. Much of Philips' production capacity will need to be devoted to delivering replacement devices to those affected by the recall. This will impair Philips' ability to sell products to new customers.

This gives Resmed a great opportunity to grow its market share and fill the void left in the market by Philips.

In addition to Resmed, our higher growing companies such as **PWR Holdings** (+23.7%), **REA Group** (+19.3%), **SEEK** (+17.0%) and **Audinate** (+15.7%) also delivered strong returns in the period. The underlying business environment for each of these businesses continues to improve as the global economy edges towards 'normality'. In line with the sector rotation discussed above, higher growth companies have also benefitted from the abatement in inflation concerns. Simplistically, if interest rates edge lower, the large, but more distant cash flows of these businesses are discounted at lower rates, driving up their present value.

Similarly our Australian bank shareholdings, **ANZ** (+2.5%), **CBA** (+16.0%), **NAB** (+3.2%) and **Westpac** (+8.2%) also had a solid June quarter. All four banks provided earnings updates to the market. The banks noted credit impairments are improving (fewer customers are struggling to repay their loans). The banks are also focussed on reducing costs and improving their operating efficiency. Bank management teams and regulators have become increasingly comfortable with the state of the underlying Australian economy. In line with this, analysts have been upgrading earnings expectations in recent months and the banks have increased their dividends which was welcomed by shareholders.

Xero (+8.4%) reported a strong set of financial results for the year ending 31 March 2021. Having reined in marketing costs in the first half of the year as COVID descended on the world, Xero went on the offensive and increased marketing expenditure in the second half of the year. We were pleased to see the company step on the accelerator in growing its customer base. This drove an outstanding six months of subscriber growth for Xero, but came at the short-term cost of suppressing near-term profitability. While the market was initially disappointed with this, it quickly 'changed its mind' and this saw Xero's share price rally into June.

Portfolio Changes

It's been a quiet period of portfolio activity for Barramundi. Our only material change included topping up our Woolworths shareholding in June.

In June, **Woolworths** (+9.8% over the three months) completed the de-merger of its Endeavour retail drinks and hospitality (pubs/clubs) business in Australia. For each share we owned in Woolworths, we received one Endeavour share as part of the de-merger.

We own Woolworths primarily because we like the strong position of its core supermarket division (Woolworths supermarkets in Australia and Countdown in New Zealand). Endeavour was not a core part of our investment thesis. Once it listed, we sold our Endeavour shares and reinvested the proceeds into topping up our Woolworths shareholding.

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



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

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

RESMED	DOMINO'S PIZZA	PWR HOLDINGS	REA GROUP	SEEK
+30%	+25%	+24%	+19%	+17%

PERFORMANCE as at 30 June 2021

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+16.9%	+37.1%	+24.7%
Adjusted NAV Return	+9.9%	+17.2%	+15.1%
Portfolio Performance			
Gross Performance Return	+10.5%	+20.9%	+18.4%
Benchmark Index ¹	+7.9%	+9.7%	+11.7%

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 25 June 2021

A dividend of 1.63 cents per share was paid to Barramundi shareholders on 25 June 2021, 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.

FOREIGN TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARD (CRS)

As a result of the New Zealand Government agreeing to participate in the exchange of information with other jurisdictions under the Foreign Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), Financial Institutions are required to undertake due diligence to determine the account holders' jurisdiction of tax residence. All shareholders will have received a Tax Residency Self-Certification form from Computershare depending on when they first purchased their securities. Please ensure you complete and return this important document if you have not already done so. For more information please visit the IRD website: <https://www.ird.govt.nz/international-tax/exchange-of-information/crs/registration-and-reporting> or contact Computershare if you are unsure of whether you have completed your form.

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 a 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 30 June 2021

Company	% Holding
Ansell	3.7%
ANZ Banking Group	4.1%
AUB Group	4.6%
Audinate Group	1.9%
Brambles	4.2%
Carsales	6.9%
Commonwealth Bank	5.5%
Credit Corp	3.1%
CSL	8.5%
Domino's Pizza	2.7%
Fineos Corporation Holdings	2.6%
Nanosonics	2.3%
National Australia Bank	3.5%
NEXTDC	4.2%
Ooh! Media	2.0%
PWR Holdings	2.7%
REA Group	4.1%
ResMed	4.7%
SEEK	6.0%
Sonic Healthcare	2.7%
Westpac	4.1%
Wise Tech Global	5.7%
Woolworths Group	3.6%
Xero Limited	5.3%
Equity Total	98.7%
Australian cash	0.0%
New Zealand cash	0.5%
Total cash	0.5%
Centrebet Rights	0.0%
Forward foreign exchange contracts	0.8%
Total	100.0%