QUARTERLY NEWSLETTER

1 January 2024 – 31 March 2024

Share Price	Warrant Price	BRM NAV	DISCOUNT[1]
$0.73	$0.07	$0.80	6.0%

as at 31 March 2024

Robust earnings growth from our technology companies, and a resilient global economy underpinned the performance of the Barramundi portfolio which produced gross performance of +8.6% in Q1. The Adjusted NAV return for the quarter was +7.6%. This compares to the benchmark index which rose 6.0%.

Devoid of macro-economic shocks, Q1 saw further stabilisation of macro-economic indicators. The Australian 10yr Government bond yield ended March at 3.96%, in line with where it started the year. The March reading pointed to a 3.7% unemployment rate in Australia – relatively well contained. Unsurprisingly the Reserve Bank of Australia (RBA) left interest rates unchanged at 4.35% with the debate shifting squarely to the timing of the first rate cut rather than 'whether' the RBA will increase interest rates again this cycle.

Against this stable backdrop, earnings reported by companies were the predominant driver of share prices in Q1. A small handful of our portfolio companies including Domino's (-25% in A$ in Q1) and Nanosonics (-38%) fell on disappointing earnings updates. This was more than offset by strong earnings growth and positive outlooks from a number of our technology and internet related businesses. These companies are well positioned to benefit from the continued growth in demand for software solutions and the increased adoption of artificial intelligence (AI) by businesses globally.

We have consequently increased our weighting in companies such as Wisetech (+25%) and Xero (+19%).

The stable economic environment also supported our bank shareholdings with ANZ (+13%), NAB (+13%) and CBA (+10%), with all rising strongly in the period. The banks are benefitting from a favourable interest rate backdrop, coupled with a benign economic environment which is keeping bad debts in check.

A tough period for Domino's and Nanosonics

Our portfolio laggards were impacted by company rather than market specific factors. The respective management teams are working hard to address this weak performance.

Nanosonics reported 1H24 revenues that fell -4% compared to the prior corresponding period. This was related to lower-than-expected Trophon unit replacements in its key North American market. This slowdown is attributed to ongoing capital budgetary pressures in the US hospital system. This led to hospitals deferring medical equipment purchases. Encouragingly, Nanosonics saw some of those customers replace their units in January. Management nevertheless remains cautious on seeing a full recovery in the run rate of Trophon replacements in the near term.

Domino's poor earnings result was a consequence of soft trading conditions in particularly two key markets for the company, Japan, and France. The weakness of the Japanese division was put down to poor execution by the Domino's team. In talking to management, we have taken some comfort from the steps they've taken to remediate this. We expect better performance from this division in the next 12 months. Weakness in the French division reflects a challenging and competitive operating environment for fast food operators, exacerbated by local challenges with the company's French management team. Domino's has taken steps to address these shortcomings, albeit any meaningful recovery is likely to take time. We are spending time with Domino's European management team in May to explore these challenges with them in more depth.

Domino's has been successful at prosecuting its 'high volume, great value' franchised growth strategy in multiple countries over many years. Indeed, the ANZ and German divisions have registered strong growth in same store sales in recent months. Successfully addressing the operational challenges in both Japan and France could drive meaningful longer-term earnings upside for the company.

Robust earnings growth evidence of the wide economic moats underpinning our tech investments

Our technology and internet investments had a particularly pleasing Q1.

Wisetech's revenue grew 32% in 1H24. This reflects the increased use of its core Cargowise software platform amongst its core freight forwarder customer base. In signs that its economic moat continues to widen, Wisetech signed three more customers up to global rollouts of Cargowise including with another top 25 freight forwarder, Sinotrans. Wisetech now counts 13 of the top 25 global freight forwarders as customers. Wisetech highlighted how these companies are performing substantially better than peers that do not use its software. This bodes well for additional customer contracts in the future.

Xero held its (well received) inaugural investor day a year after CEO Sukhinder Singh Cassidy began with the company. Xero has sharpened its focus as an organisation. It is targeting three key products (core accounting, payments, and payroll solutions) in three key growth markets (US, UK and Australia) for businesses with 1-20 employees. It is more confident in investing in the US market given the substantial progress in product development that has been achieved in a short space of time under Diya Jolly, Xero's new head of product. Xero has also begun integrating AI based tools into its product suite in the form of JAX (Just Ask Xero). JAX is expected to significantly improve productivity for customers when it is commercially released after its testing phase.

NextDC's (+30%) share price benefitted from the rapid rise in demand for data centre capacity as AI functionality continues to be developed for businesses. Reflecting this, in the last year NextDC has signed additional deals with leading cloud computing platforms. It grew its contract book by +76%. This has helped the company deliver strong revenue growth of +31% in 1H24.

Our internet classified advertising investments in **CAR Group** (+17%) and **REA Group** (+3%) also performed well as they delivered solid earnings growth. This was aided by strong price increases (reflective of their broad economic moats) and good cost control by the management teams. Employment advertising company **SEEK** (-6%) also delivered a credible result, although near term concerns about rising unemployment weighed on its share price performance. Pleasingly, SEEK completed a major unification of its underlying software platform across its ANZ and Asian divisions ahead of time and on budget. This increases its flexibility to speedily roll out innovations developed in one geographic market into other jurisdictions in which it is present. This bodes well for future growth.

[1] Share price discount to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

Portfolio changes

During Q1 we increased our weightings in Wisetech as we've seen further evidence of the economic moat widening for the company. We also increased our weighting in Xero as the new management team looks increasingly settled and focussed on delivering the next leg of growth for the company.

We have trimmed our weightings in REA, SEEK, NextDC and Audinate on valuation grounds and also reduced our weighting in Resmed following its share price rebound. We have increased our weighting in Johns Lyng and Ansell also on valuation grounds. We note that in Ansell's case, there are increasing signs that the worst of the pandemic-related earnings disruption is now behind it.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
12 April 2024

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

NEXTDC	AUDINATE GROUP	WISETECH	DOMINO'S PIZZA	NANOSONICS
+30%	+29%	+25%	-25%	-38%

PERFORMANCE
as at 31 March 2024

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+3.8%	(0.3%)	+16.5%
Adjusted NAV Return	+7.6%	+9.9%	+14.6%
Portfolio Performance			
Gross Performance Return	+8.6%	+12.3%	+17.4%
Benchmark Index[1]	+6.0%	+10.2%	+9.9%

[1] Benchmark Index: 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 percentage change in the adjusted NAV value,*
- *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 barramundi.co.nz/about-barramundi/barramundi-policies.

COMPANY NEWS
Dividend Paid 28 March 2024

A dividend of 1.45 cents per share was paid to Barramundi shareholders on 28 March 2024, 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 31 March 2024

Company	% Holdings
Ansell	1.9%
ANZ Banking Group	2.4%
AUB Group	4.8%
Audinate Group	0.9%
Brambles	4.1%
CAR Group	5.2%
Commonwealth Bank	4.7%
Credit Corp	4.0%
CSL	10.4%
Domino's Pizza	3.8%
Fineos Corporation Holdings	2.3%
James Hardies Industries Plc	3.2%
Johns Lyng Group	3.2%
Macquarie Group	4.9%
Nanosonics	1.4%
National Australia Bank	3.1%
NEXTDC	3.9%
oOh! Media	3.2%
PWR Holdings	2.1%
REA Group	2.9%
ResMed	4.9%
SEEK	4.3%
WiseTech Global	8.0%
Woolworths Group	1.5%
Xero Limited	5.0%
Equity Total	**96.1%**
Australian cash	4.5%
New Zealand cash	0.4%
Total cash	**4.9%**
Forward foreign exchange contracts	(1.0%)
Total	**100.0%**

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.

Barramundi

Barramundi Limited
Private Bag 93 502, Takapuna, Auckland 0740, New Zealand
Phone: +64 9 489 7074
Email: enquire@barramundi.co.nz | www.barramundi.co.nz

If you would like to receive future newsletters electronically please email us at enquire@barramundi.co.nz