

Quarter Update Newsletter

30 June 2017 – 30 September 2017



BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT
\$0.64	\$0.58	\$0.002	9.5%

as at 30 September 2017

- » The Reserve Bank of Australia points to emerging signs of an economic uptick
- » Company performance through results season was somewhat pedestrian
- » The Australian / New Zealand Dollar exchange rate remained volatile

Over the quarter the Barramundi portfolio was up 3.1%¹, comparing favourably with the portfolio benchmark² which was up 1.8% in New Zealand dollars. Barramundi's positive relative performance over the quarter was broad based, seeing out-performance across most market sectors. This points to the continually improving performance environment for the STEEPP investment approach. Barramundi's currency hedge cost some performance as the New Zealand dollar lost ground to its Australian counterpart on uncertainty related to the New Zealand general election.

Australia's fortunes, at least over the short-run, have been heavily dependent on the direction of the key commodities it sells. Since 2012, weakness in the prices of these commodities has pressured economic growth rates, income and demand for goods and services. In New Zealand Dollars Australian annual share market returns of 5.8%² since the end of 2012 to 30 September 2017 have lagged those of New Zealand (+15.1%), the United States (+18.4%) and Europe (+11.3%)³. So investors in Australian shares have been keenly waiting for signs of improving conditions.

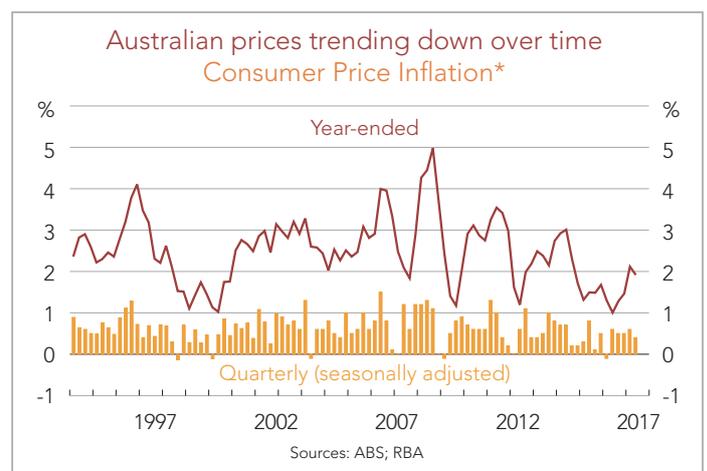
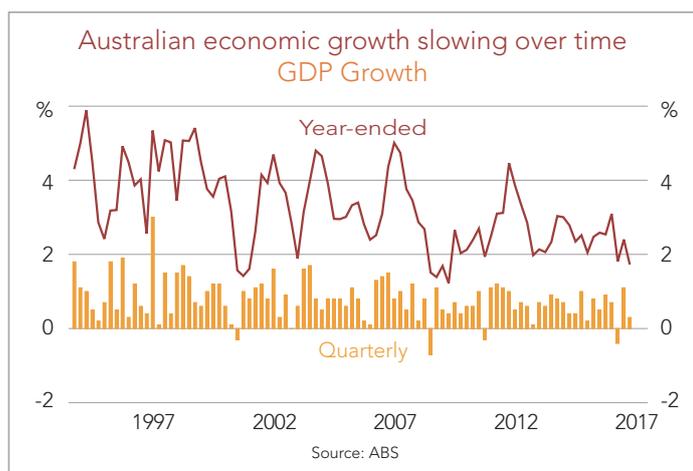
Notable Returns for the Quarter in Australian dollars

WISETECH GLOBAL	BHP BILLITON	CARSALES.COM	RAMSAY HEALTHCARE	BABY BUNTING
+26%	+14%	+13%	-14%	-18%

Reasons to be optimistic

In his most recent statement on monetary policy, the Reserve Bank of Australia ("RBA") Governor, Dr. Philip Lowe, outlined some reasons for optimism. Dr. Lowe pointed to an improving global economy, stronger global labour markets and a normalisation of monetary policy in the United States. He particularly emphasised the strength in the economies of Australia's key trading partners. More encouragingly he predicted that growth rates in Australia will begin to pick up, that investment levels have improved and that business conditions are strong, citing high levels of residential construction activity and a pick up in retail sales. Importantly he spoke to an ever stronger labour market, and the prospect for wage growth on the horizon.

While we saw scant evidence of a strong improvement in conditions when analysing full year company results, it is worth noting that conflicting signals are typical of turning points in the economic cycle. Corporate earnings would usually follow rather than lead an upswing.



* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999-2000

¹ Gross of fees and tax and adjusting for capital management initiatives

² S&P/ASX 200 Index (hedged 70% to NZD)

³ S&P/ASX 200 Index, S&P/NZX50, S&P 500 Index and STOXX Europe 600 Index respectively

Manuel Greenland
Senior Portfolio Manager



Muddying the positive outlook is the high level of debt Australians have assumed to buy houses. Should house prices fall Australian banks risk losses related to the falling value of their collateral, and households risk their principal asset losing value. Perhaps most importantly, even if house prices do not fall, Australians pay a record proportion of their income servicing mortgages instead of spending in other parts of the economy or saving. Servicing lofty mortgages crimps demand and investment just like a tax. It is likely for this reason that the RBA chose to leave interest rates at a record low 1.5% for now, notwithstanding the early signs of an improving outlook.

Portfolio Outlook

Among Barramundi's largest positions are CarSales.com, Seek, ARB and the large banks, all of which will fare well should interest rates remain low and demand steadily improve. Growing earnings and low financing costs could provide for buoyant share prices, and provide a very welcome reprieve for investors after the difficulties of the last few years. Returns in the Australian share market may well begin to catch up with global peers.



Manuel Greenland

Senior Portfolio Manager, Fisher Funds Management Limited
25 October 2017

Performance

as at 30 September 2017

	3 Months	3 Years (accumulated)	Since Inception October 2006 (accumulated)
Corporate Performance			
Total Shareholder Return	(1.5%)	+20.9%	+30.6%
Adjusted NAV Return	+2.9%	+19.8%	+38.6%
Manager Performance			
Gross Performance Return	+3.1%	+32.4%	+96.9%
Benchmark Index ¹	+1.8%	+25.6%	+27.5%

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, 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,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, 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, 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 Global Non-GAAP Financial Information Policy. A copy of the policy is available at <http://barramundi.co.nz/about-barramundi/barramundi-policies>

Portfolio Holdings Summary as at 30 September 2017

COMPANY	% Holding
ANSELL	4.0%
APN OUTDOOR	1.6%
ARB CORPORATION	4.4%
AUB GROUP	3.6%
BRAMBLES	3.2%
CARSALES	6.2%
COMMONWEALTH BANK	4.4%
CREDIT CORP	3.3%
CSL	7.0%
DOMINO'S PIZZA	2.1%
GATEWAY LIFESTYLE GROUP	1.6%
INGENIA COMMUNITIES	1.6%
LINK ADMINISTRATION HOLDINGS	4.2%
MEDIBANK PRIVATE	1.8%
NANOSONICS	2.1%
NATIONAL AUSTRALIA BANK	4.5%
NEXTDC	2.6%
OOH! MEDIA	2.2%
RAMSAY HEALTH CARE	3.0%
RESMED	3.1%
SEEK	6.6%
SONIC HEALTHCARE	3.8%
TECHNOLOGY ONE	2.9%
TOXFREE SOLUTIONS	2.4%
VIRTUS HEALTH	2.7%
WESTPAC	3.0%
WISE TECH GLOBAL	4.3%
EQUITY TOTAL	92.2%
AUSTRALIAN DOLLAR CASH	5.7%
NEW ZEALAND DOLLAR CASH	1.0%
TOTAL CASH	6.7%
CENTREBET RIGHTS	0.2%
FORWARD FOREIGN EXCHANGE CONTRACTS	0.9%
TOTAL	100.0%

Company News

Dividend Paid 29 September 2017

A dividend of 1.30 cents per share was paid to Barramundi shareholders on 29 September 2017, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 38% 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.



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The Barramundi quarter update newsletter is produced for the March and September quarters only. The annual and interim reports cover the June and December periods. If you would like to receive future newsletters electronically please email us at enquire@barramundi.co.nz