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Barramundi Limited Annual Meeting

Chair's Address from Alistair Ryan

[Slide: Barramundi Limited Annual Meeting of Shareholders]

Welcome to the 13th Barramundi Annual Meeting of Shareholders. I am Alistair Ryan, Chair of Barramundi.

We are duly convened as a notice of meeting has been circulated to shareholders and I can confirm that a quorum is present so I declare the meeting open.

Please note that the exits are at the back and front of the room. Please ensure you turn off your cell phones.

At the conclusion of the meeting there will be a light lunch. We look forward to meeting many of you after the meeting.

[Slide: Agenda]

To briefly cover off preliminary matters:

- The minutes of the 2018 annual shareholders' meeting held on 19 October 2018 are available at the registration desk and are also on the Barramundi website.
- The 2019 annual report has been circulated to shareholders – additional copies are available at the registration desk.

Today I'll give a brief update on the Barramundi 2019 financial year, and then Barramundi's Senior Portfolio Manager, Robbie Urquhart will review the Barramundi portfolio.

After the Manager's Review, we will have a Q&A session, and will then move to the formal business of the meeting. There are four resolutions for you to consider and vote on today, which are set out in the notice of meeting.

[Slide: Introductions]

Let me introduce the front table.

Firstly, the directors. To my right is Carmel Fisher, then Andy Coupe and Carol Campbell.

Next to Carol is Robbie Urquhart, Senior Portfolio Manager for Barramundi. Next to Robbie, is Wayne Burns the Corporate Manager for Barramundi.

Also here today are Senior Investment Analyst, Terry Tolich and Investment Analyst, Delano Gallagher who are in the audience, please stand up Terry and Delano.

We are also pleased to have representatives from our share registrar, Computershare, auditor, PricewaterhouseCoopers, our tax agent, Deloitte and our legal advisors, Bell Gully in the audience today.

[Slide: Chair's Overview]

Shareholders, it is my pleasure to again present the Chair's Overview at this meeting.

[Slide: Barramundi's Investment Objective]

Before we begin the review of the year ended 30 June 2019, it is useful to refresh ourselves as to the key investment objectives of Barramundi, namely:

- to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the directors; and
- to provide access to a diversified portfolio of Australian quality, growth stocks through a single tax-efficient investment vehicle.

Both of these objectives were achieved for the 2019 financial year.

[Slide: Corporate Governance]

The Board is committed to strong governance principles and to overseeing the Manager's portfolio performance on behalf of shareholders. The Investment Committee generally meets twice a year, on a six monthly basis, to hear from the Manager about what has gone well and what has disappointed, and to engage in a comprehensive review session covering key performance metrics, some of which we will go through on the following slides. The Audit and Risk Committee meets at least twice a year to review not only the financial accounts, but also all internal control structures, risk management systems and the external audit function. Thereby ensuring full financial and regulatory compliance.

The Board generally meets formally six times per annum plus other meetings as required.

Further details with regards to the corporate governance can be found in the Barramundi Annual Report.

As announced to the market on 20 August this year, the Board has negotiated a 33% reduction to the performance fee earn rate (above the performance hurdle) from 15% to 10% together with the introduction of a cap (1.25%) on the total performance fee amount. In conjunction with this change any future performance fees will be settled 100% in cash rather than 50% cash and 50% shares. The changes took effect from 1 July 2019.

The Barramundi board wishes to acknowledge the positive response from Fisher Funds Management Limited to enter into fee discussions and for agreeing to these changes which will be of significant benefit for Barramundi shareholders in the circumstances where a performance fee has been earned by the Manager.

There has been no change to the fulcrum fee, where the base management fee can be reduced on a sliding scale below 1.25% to as low as 0.75% depending on the performance of the fund.

The combination of the fulcrum fee, (down to as low as 0.75% for lower performance) along with the potential for the Manager to receive upside benefit for performance above the nominated threshold level, is a good fee combination.

[Slide: 2019 Overview]

So how has 2019 treated shareholders?

Barramundi has performed well for shareholders against a challenging market backdrop. It's worth noting that the volatile market conditions reduced Barramundi's half year (31 December 2018) NPAT to a loss of (\$12.2m), which was turned around in the second half of the financial year to a full year NPAT of \$7.4m, a recovery of almost \$20m. This significant turnaround and the difference between the first half and second half shows the volatility of equity markets but also, we believe, the underlying quality of Barramundi's portfolio.

The first half loss meant that the portfolio was not then able to match last year's very strong full year NPAT performance of \$20.5m.

We are pleased with the total shareholder return of 15.5% for the period, which was ahead of the 2018 total shareholder return of 10.1%.

Barramundi's regular dividends continued to contribute to the total shareholder return with 5.38 cents per share paid in dividends during the 2019 financial year, which is equivalent to a dividend return of +9.0% (2018: +8.9%).

The NAV per share at year end was \$0.69, slightly down on the previous year end NAV per share of \$0.71, but that was of course after dividends were paid out.

The Adjusted NAV return for the year was +5.6%, being the net return to an investor after expenses, fees and tax. This was behind the very strong 2018 adjusted NAV return of +22.6%.

Over the 2019 financial year, the share price to NAV discount narrowed from 15.5% (30 June 2018) to be 8.7% at 30 June 2019. However, for a reasonable part of the year the discount was below 8%. Since year end, the share price to NAV discount has continued to fluctuate. Total shareholder return is a combination of the adjusted NAV return and the share price discount to the adjusted NAV. The narrowing of the discount helps explain why the total shareholder return is higher than the adjusted NAV return.

The Board has a number of initiatives in place to help manage the share price to NAV discount including the buyback programme. Over the 12 months to 30 June 2019, 672k Barramundi shares were purchased under the buyback programme when the shares were trading at sufficiently deep discounts. Shares purchased under the buyback programme are held as treasury stock and primarily utilised under the dividend reinvestment plan. In the first quarter of the new financial year (that is to 30 September 2019) the company has purchased an addition 244k shares under the buyback programme.

[Slide: 2019 Overview - Continued]

As mentioned in the previous slide the Adjusted NAV return was +5.6% for the period which represents the net return to an investor after expenses, fees and tax.

This slide compares that return to Barramundi's benchmark, which rose by 10.2% over the same period. Robbie will discuss the Australian market dynamics and how the portfolio performed shortly in the Manager's Review.

[Slide: Movements in Shareholders' Funds]

The chart shows the Barramundi NAV of \$117m as at June 2018, increased \$1m to \$118m at the end of the June 2019 reporting period.

The movements during the year as represented by the green and orange columns were:

- plus \$7.4m net profit,

And movements due to our capital management initiatives:

- less \$9m dividends paid, and
- adding back \$3m for dividends reinvested by shareholders.

[Slide: Quarter 1, 2020]

The first quarter of Barramundi's 2020 financial year has been relatively settled and markets have risen slightly.

This slide provides a snapshot of the first three months of the current financial year to 30 September 2019:

- Total shareholder return for the quarter was +2.7% - primarily driven by dividend paid during the quarter.
- Barramundi's unaudited net profit for the three months to 30 September was \$9.0m.
- As at 30 September, the NAV per share of \$0.73 was consistent with that at 30 June, i.e. a flat result as the 3 month net profit was offset by the dividend payment of 1.39 cents per share (paid on 26 September) and share buybacks whilst the discount was wider than 8%. The share price to NAV discount widened to 13.1% at 30 September, from 8.7% at 30 June.
- Barramundi's adjusted NAV return for the first three months of the 2020 financial year was +7.6%, which represents the net return to an investor after expenses, fees and tax. The adjusted NAV return compared favourably to the benchmark index.

[Slide: Warrants]

Warrants give holders the right, but not the obligation, to purchase additional shares in Barramundi at a discounted exercise price, in this instance \$0.59.

Warrant holders have the option to exercise their warrants, sell their warrants on market or let their warrants lapse.

All warrants must be exercised by 25 October 2019. Any warrants not exercised by then will lapse.

Closing remarks

In closing, on behalf of the Board, thank you shareholders for your continued support of Barramundi. I will now hand over to Robbie Urquhart, Senior Portfolio Manager of Barramundi, who will discuss the key performance drivers for this year's performance.

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