

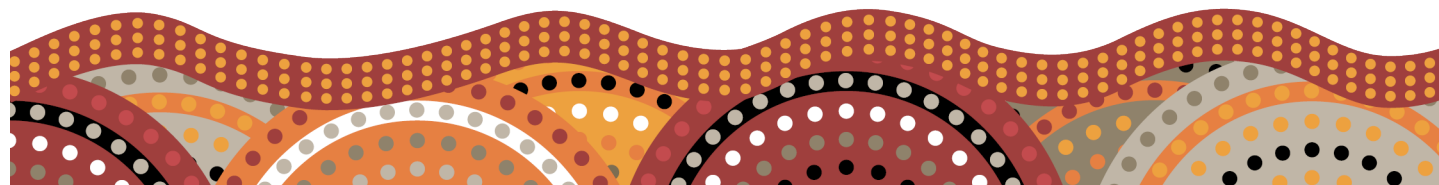
# MONTHLY UPDATE

August 2024



Share Price	Warrant Price	BRM NAV	DISCOUNT <sup>1</sup>
\$0.73	\$0.06	\$0.79	5.5%

as at 31 July 2024



## A WORD FROM THE MANAGER

Barramundi's gross performance return for July was up +3.4% and the adjusted NAV return was up +3.2%. This compares to the S&P/ASX200 Index (70% hedged into NZ\$) which rose +4.6% over the month.

Ahead of reporting season, which kicks off in earnest in August, company specific news flow was light during July. Most of the share price moves were therefore influenced by market rather than company specific factors in the month. The majority of market sectors registered gains during the month with Consumer Discretionary (+9%), Real Estate (+7%) and Financials (+6%) leading the gains. The Utilities (-3%), Energy (-0.5%) and Materials (0%) sectors lagged.

### Portfolio News

**Credit Corp** (+16.4%) delivered earnings towards the lower end of its guidance range for FY24. Banks have been selling off lower amounts of defaulted debt as default rates have been low. This caused Credit Corp's Australian purchased debt ledger ("PDL") book to shrink. Encouragingly, at its result release it signalled that PDL volumes have now stabilised in Australia. In addition, Credit Corp has improved the operational efficiency of its US PDL division which has increased its confidence when bidding for PDLs in the US. It has been successful in purchasing a good volume of PDLs in July and has guided for US related earnings to increase by 25% in FY25, which the market liked. Its consumer lending division also has momentum going into FY25 with lending earnings expected to grow 27% in 2025. Overall, Credit Corp starts the year with good momentum and has guided for after tax profits at the group level to rise between 11-23% in FY25.

**Resmed's** share price rebounded by 11.7% in July having suffered a 7.3% fall in June when expanded data from Eli Lilly's SURMOUNT-OSA trial on the use of tirzepatide (the active ingredient in its diabetes/obesity drugs) to treat obstructive sleep apnea ("OSA") was published. The initial kneejerk response to this data was fear that a significant proportion of OSA patients might have "disease resolution" (Lilly's press release terminology) and therefore not require other treatment, including the gold standard positive airway pressure ("PAP") treatment Resmed's devices provide. Subsequently, more measured scrutiny of the data has dissipated this fear. Most trial participants' OSA, while significantly reduced in severity, would still warrant treatment. Recent channel checks we have participated in have suggested that increasing awareness of GLP-1 weight loss drugs is bringing more people into primary caregivers. This is leading to increased diagnosis of OSA which has a strong correlation with obesity. Certainly, Resmed's Q4 FY24 result, released in early August, shows no ill effects from GLP-1s. The company reported a

10% (constant FX) increase in revenue against a very demanding comparable period (Q3 FY23 +23% constant FX). Bottom line earnings for the quarter jumped by 30% as the increase in revenue was boosted by materially better gross margins and lower operating costs relative to sales. Resmed has signalled further gross margin improvement in FY25.

During the month **Fineos** (-1.8%) announced it had signed one new US customer, while being named the preferred vendor for a further two smaller insurance vendors. Somewhat offsetting this, two customers chose to terminate their contracts citing the Fineos' product was no longer aligned to the nature of their business requirements. Also, in the month Fineos announced ACC New Zealand and a Canadian based customer had signed agreements to migrate from Fineos' on-premise product to its Cloud-based product. This is part of an on-going process of migrating its customers to its Cloud product. Once complete, it will allow Fineos to fully focus its R&D spend on its Cloud-based product.

During July **Domino's** (-8.7%) updated the market on steps it is taking to remediate performance in its two problematic regions, France and Japan. This includes closing a significant number of underperforming stores. Up to 80 Japanese stores will be shut. This is 20% of openings over the last four years and 8% of total stores. With hindsight, Domino's badly misjudged how much of its Japanese sales surge when COVID restrictions were in place, would prove to be sticky. The savings from closing these stores, many of which are owned by Domino's (not franchisees), will be reinvested in marketing which will help drive sales for the rest of the network. In France, 20-30 stores (mainly franchised) will be closed, 5% of the network. This will improve Domino's French earnings. Store count growth will lag its medium-term target of 7-9% pa for the next couple of years. The medium-term target of 3-6% pa same store sales growth has been retained. This latest announcement is obviously disappointing. However, having taken these difficult, yet sensible decisions, management's attention should now be laser focused on driving same store sales performance. This ultimately determines franchisee profitability, which in turn encourages them to open new stores. We, and the market, will be looking for same store sales to improve over FY25 to restore our dented confidence in management and in Domino's long-term prospects.

### Portfolio Changes

After having been invested in **Nanosonics** (flat for the period we held it in the month) for over 14 years, we reduced our holding over the year and completely exited our shareholding in July. Nanosonics has performed well over the time that we've been shareholders. Its novel technology has revolutionised the industry standard for high

<sup>1</sup> 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).

level disinfection of ultrasound probes. However, based on the track record of the past few years we think its core market, the US is now a mature market for Nanosonics. For its earnings growth to continue at the pace we've seen in the past decade, it needs to replicate its US success in European and Asian markets. Despite the clear benefits to using Nanosonics' products, for a variety of reasons (many outside of its control), the company has been unable to sustainably ramp up its expansion in these markets. Until this changes, we do not see a clear path for Nanosonics to sustainably increase its pace of earnings growth looking forward.

The company has developed a new product that could transform the way reusable endoscopes are cleaned in hospitals. This could provide Nanosonics with a new avenue to reinvigorate earnings

growth. However, this product is still going through the regulatory approval processes, and it will take several years before it makes any meaningful difference to earnings.

We also increased our weighting in SEEK and reduced our weighting in CBA during the month – both on valuation grounds.



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



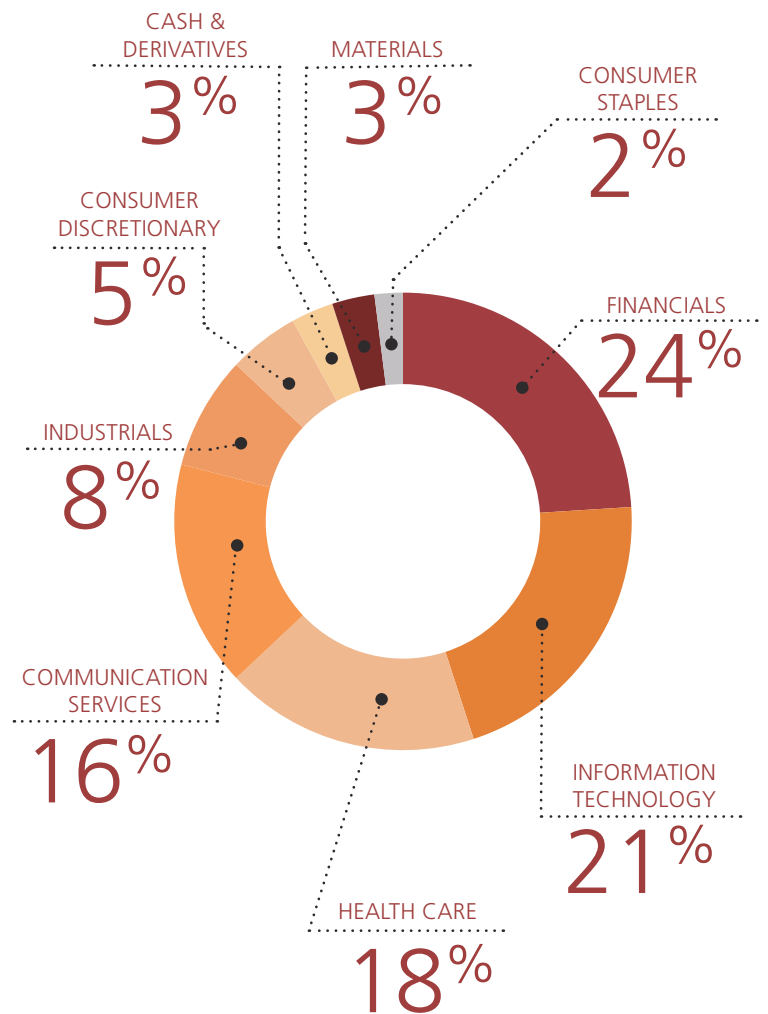
## KEY DETAILS

as at 31 July 2024

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment Entity (PIE)
MANAGER	Fisher Funds Management Limited
MANAGEMENT FEE RATE	1.25% of gross asset value (reduced by 0.10% for every 1% of underperformance relative to the change in the NZ 90 Day Bank Bill Index with a floor of 0.75%)
PERFORMANCE FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$0.76
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	283m
MARKET CAPITALISATION	\$206m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 July 2024



# JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month in Australian dollar terms

CREDIT CORP GROUP

+16%

JAMES HARDIE

+16%

RESMED

+12%

PWR HOLDINGS

+8%

DOMINO'S

-9%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 July 2024

CSL LIMITED

11%

WISETECH

8%

SEEK

6%

AUB GROUP

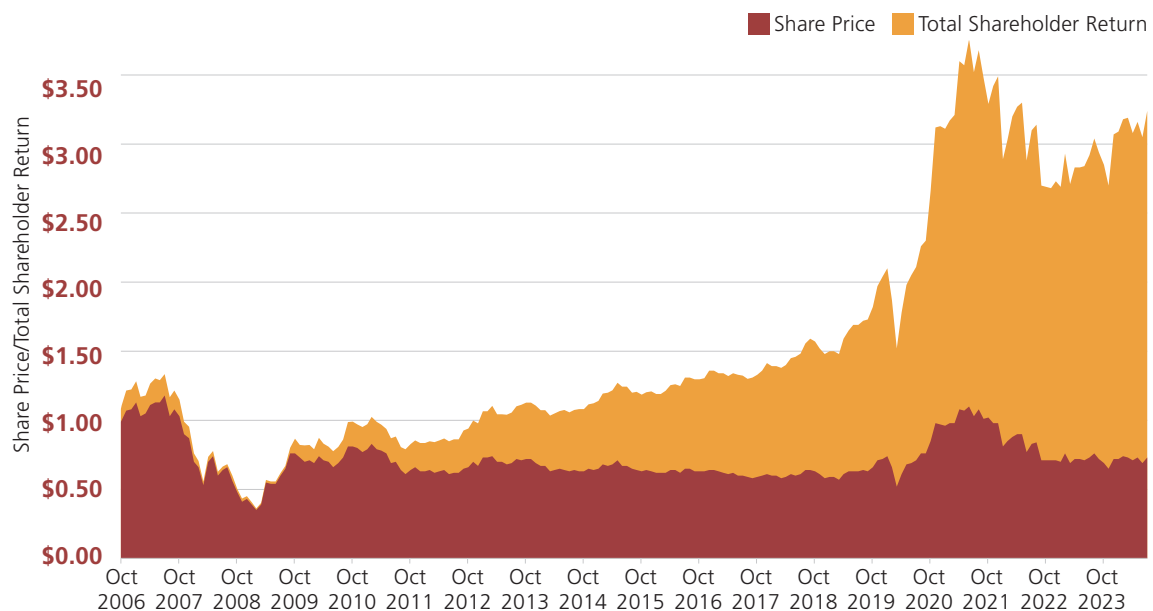
5%

XERO

5%

The remaining portfolio is made up of another 19 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 July 2024



## PERFORMANCE to 31 July 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+6.4%	+5.2%	+10.9%	(2.7%)	+13.9%
Adjusted NAV Return	+3.2%	+4.8%	+13.9%	+7.2%	+12.2%
<b>Portfolio Performance</b>					
Gross Performance Return	+3.4%	+5.3%	+16.7%	+9.3%	+14.8%
Benchmark Index <sup>^</sup>	+4.6%	+6.4%	+15.0%	+8.5%	+8.4%

<sup>^</sup>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 dividends (and other capital management initiatives) and after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV,
- » 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 monthly update 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](http://barramundi.co.nz/about-barramundi/barramundi-policies).

## ABOUT BARRAMUNDI

Barramundi is an investment company listed on the New Zealand Stock Exchange. The company gives shareholders an opportunity to invest in a diversified portfolio of between 20 and 35 quality growing Australian companies through a single, professionally managed investment. The aim of Barramundi is to offer investors competitive returns through capital growth and dividends.

## MANAGEMENT

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), Terry Tolich and Delano Gallagher (Senior Investment Analysts) have prime responsibility for managing the Barramundi portfolio. Together they have significant combined experience and are very capable of researching and investing in the quality Australian companies that Barramundi targets. Fisher Funds is based in Takapuna, Auckland.

## BOARD

The Board of Barramundi comprises independent directors Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

## CAPITAL MANAGEMENT STRATEGIES

### Regular Dividends

- » Quarterly distribution policy introduced in August 2009
- » Under this policy, 2% of average NAV is targeted to be paid to shareholders quarterly
- » Dividends paid by Barramundi may include dividends received, interest income, investment gains and/or return of capital
- » Shareholders who prefer to have increased capital rather than a regular income stream have the opportunity to participate in the company's dividend reinvestment plan (DRP)
- » Shares issued to DRP participants are at a 3% discount to market price
- » Barramundi became a portfolio investment entity on 1 October 2007. As a result, dividends paid to New Zealand tax resident shareholders have not been subject to further tax

### Warrants

- » Barramundi announced an issue of warrants (BRMWH) on 9 October 2023
- » Information pertaining to the warrants was mailed/ emailed to all shareholders on Tuesday 17 October 2023
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held, based on the record date of 25 October 2023
- » The warrants were allotted to shareholders on 26 October 2023 and listed on the NZX Main Board from 27 October 2023
- » The Exercise Price of each warrant is \$0.69, adjusted down for the aggregate amount per Share of any cash dividends declared on the shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Barramundi
- » The Exercise Date for the warrants is 25 October 2024

### Share Buyback Programme

- » Barramundi has a buyback programme in place allowing it (if it elects to do so) to acquire its shares on market
- » Shares bought back by the company are held as treasury stock
- » Shares held as treasury stock are available to be utilised for the dividend reinvestment plan

Disclaimer: The information in this update 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 update 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 update 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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