

# MONTHLY UPDATE

February 2021



Share Price

\$0.96

BRM NAV

\$0.79

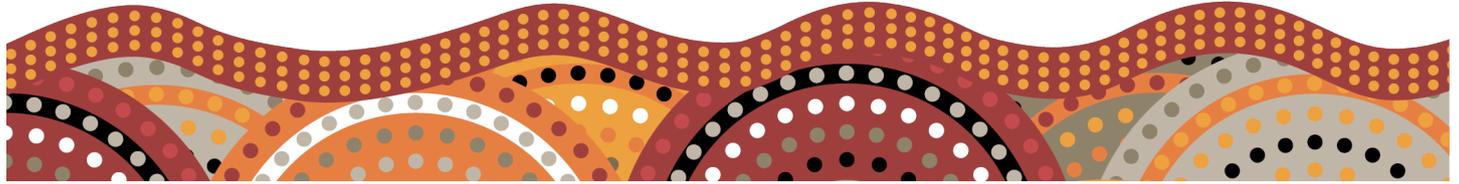
Warrant Price

\$0.21

PREMIUM<sup>1</sup>

27.9%

as at 31 January 2021



## A WORD FROM THE MANAGER

In January Barramundi returned a gross performance loss of (0.9%) and an Adjusted NAV loss of (1.2%). This compares to the ASX200 Index which returned +0.1% (70% hedged into NZ\$).

January was a relatively benign month for the ASX share market. Strong consumer spending through Christmas and into the new year resulted in a number of positive trading updates from retailers in the month. This resulted in the consumer discretionary sector (which returned +7.5%) leading the market performance in January.

This was closely followed by the financials sector which returned 6.0% in the month. Financials were helped by an improving earnings outlook (see portfolio news below) as well as rising interest rates. In line with international trends, the Australian 10yr government bond yield rose from 0.97% to 1.13% in the month.

Conversely, this move in rates had a dampening effect on the real estate sector which lagged the market, falling -3.3% in the month. Expectations surrounding the speed with which COVID related travel restrictions could be lifted were also tempered in the month. Along with the interest rate move, this negatively impacted the likes of Sydney Airport (-10.8%) and Qantas (-7.2%) which contributed to the -1.5% fall in the industrials sector overall.

### Portfolio News

January tends to be a relatively quiet month on the news front for our portfolio companies although we did have a few trading updates and notable announcements.

**ARB** (+14.1% in A\$) provided a positive trading update. Sales of ARB vehicle accessories grew +21.6% in the 6 months to December 2020 as it benefitted from border closures and increased domestic tourism related demand. December was a record sales month, and its customer order book remains strong.

Our bank shareholdings **Westpac** (+9.1%), **ANZ** (+4.5%), **NAB** (+4.2%) and **CBA** (+1.7%) also performed strongly in the month. The Australian economy has continued to rebound from the pandemic which has translated into expectations for lower bad debt provisions for the banks than originally anticipated. Coupled with rising interest rates, a strong housing market and the aforementioned strength in consumer spending, this has underpinned a round of upgraded earnings forecasts by bank analysts and bolstered their share prices.

In late January **Ansell** (+5.8%) upgraded its June 2021 year earnings guidance for the second time in recent months. When the company delivered its FY20 result in August it anticipated FY21 earnings growth of 3% to 13%. It is now signalling an 11% to 19% increase driven by the ongoing need for personal protective equipment in response to the COVID-19 pandemic. Taking a long-term view we expect current elevated levels of protective equipment demand to abate. But we do believe hygiene practices have been fundamentally changed which should benefit Ansell's sustainable earnings.

Industry feedback points to **Woolworths** (+3.9%) having had a strong trading period through December and January. Woolworths is another beneficiary of border closures, increased domestic tourism and higher in-home consumption of food. Its early and continued investment in its online business has also seen it take market share from competitors.

**AUB Group** (+0.2%) announced the sale of its shareholding in Altius Group. This completes AUB's exit from its Health and Rehabilitation operations. Under relatively new CEO Mike Emmett, AUB has simplified and concentrated its focus on its core insurance broking and underwriting agency businesses. Cash proceeds from the Altius sale will be around \$57m which will be used to reduce debt and provide balance sheet capacity for future acquisitions in AUB's core operations.

**Resmed** (-0.04%) delivered another solid result for its December 2020 quarter. Normalised earnings were 17% higher than in the December 2019 quarter. This was despite the absence of any COVID-related ventilator sales in the quarter. In addition, Resmed faced a major headwind from lower new patient setup volumes because potential CPAP users remain cautious about visiting doctors and sleep labs for diagnosis in the COVID-19 environment. In this context Resmed's Americas devices revenue growth of +1% was credible. Americas masks & accessories revenue was also 8% higher showing the on-going benefit of efforts to improve distributors' patient resupply programmes and CPAP users' heightened focus on respiratory health in the current environment.

Internationally, there was healthy growth in 'Rest of World' revenue for both devices (up +10% constant currency) and masks & accessories (up +12%). The next few quarters may see Resmed report declines in devices revenue as the on-going recovery in new patient setup volumes is unlikely to offset the US\$200m of COVID

<sup>1</sup> Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

related ventilator sales that occurred over the March to September quarters of 2020. But Resmed's longer-term underlying prospects remain sound. It has a long growth runway remaining in its core sleep business. It is also expanding its presence in respiratory care (COPD) and SaaS software for out-of-hospital healthcare services.

**Fineos** (-2.8%) gave a market update in late January. Calendar 2020 was a record year, with 10 major North American insurance carriers going live with Fineos software. While the outlook for further customer contracts remains strong, the timing of new deals will likely be impacted by the economic uncertainty associated with COVID-19.

In mid-December **oOh!media** (-4.5%) had given a trading update that guided to revenue of \$420-430m for 2020. This is a 35% decline on 2019 revenue reflecting the flow-on impact of COVID-related lockdowns on audience levels for outdoor advertising. Based on broader industry statistics released in January oOh!media does not seem to have ceded any market share. Also, on a more encouraging note, outdoor advertising spend continues to recover

as evidenced by December spend being "only" 25% down on a year ago. At its worst back in May 2020, monthly spend had plunged by 71%.

There was no company specific news for either **Nanosonics** (-14.9%) nor **Xero** (-11.5%) during the month. Both companies have delivered strong share price performance over the latter part of 2020 on the back of credible earnings results and trading updates. Xero had also been added to the MSCI Global Standard Index in November which was supportive.

## Portfolio Changes

There were no material portfolio changes during the month.



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



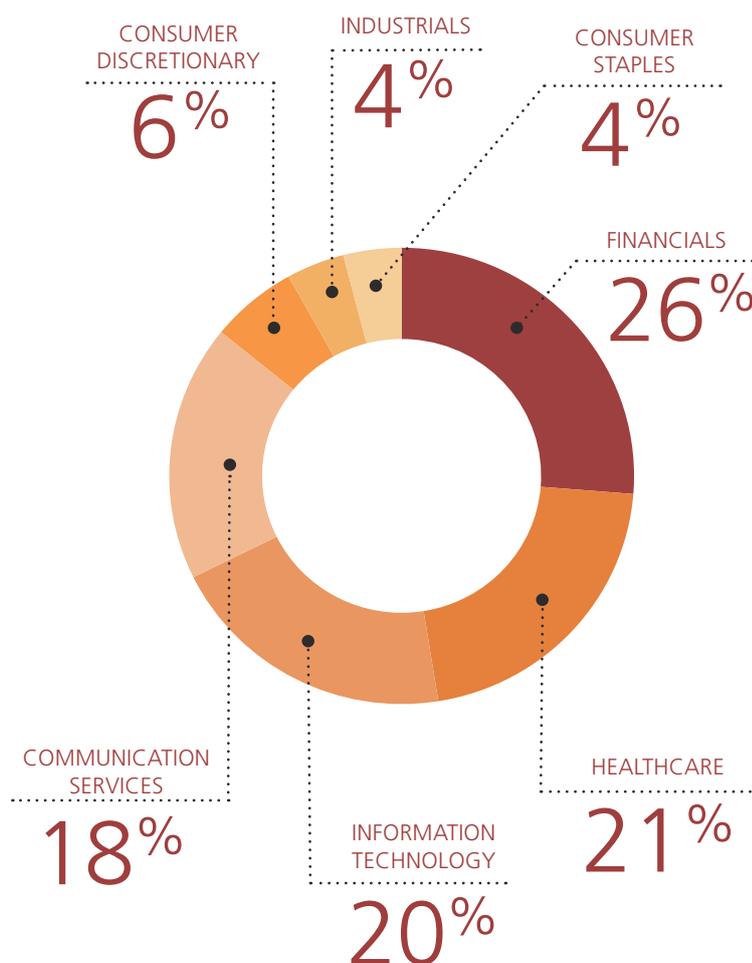
## KEY DETAILS

as at 31 January 2021

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	\$0.65
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	211m
MARKET CAPITALISATION	\$203m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 January 2021



The Barramundi portfolio also holds cash.

# JANUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month in Australian dollar terms

Typically the Barramundi portfolio will be invested 90% or more in equities.

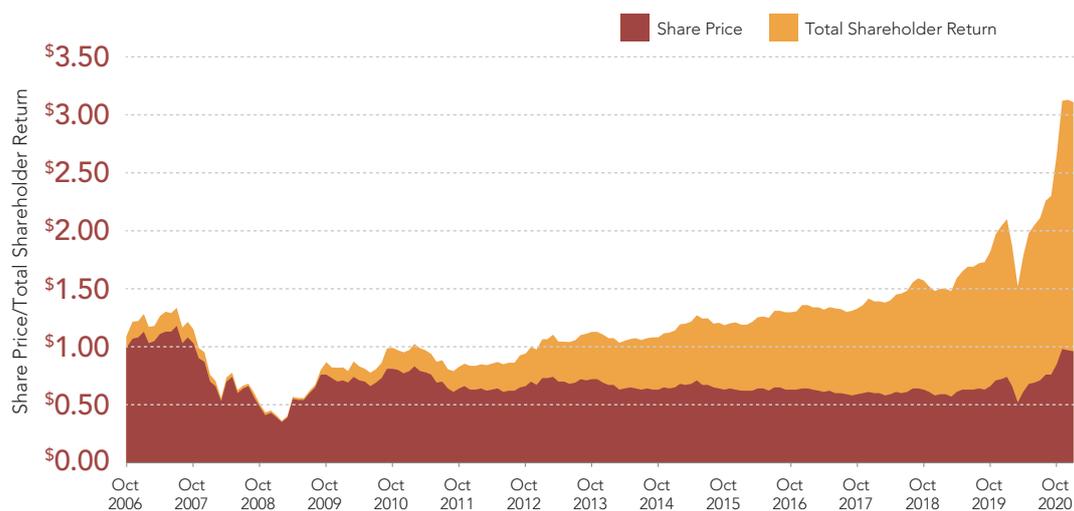
ARB	WESTPAC	AUDINATE	XERO	NANOSONICS
+14%	+9%	-9%	-12%	-15%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 January 2021

CSL LIMITED	WISETECH	SEEK	CARSALES.COM	CBA
8%	6%	6%	6%	5%

The remaining portfolio is made up of another 21 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 January 2021



## PERFORMANCE to 31 January 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(0.7%)	+17.1%	+48.2%	+30.8%	+21.2%
Adjusted NAV Return	(1.2%)	+9.7%	+15.0%	+14.8%	+12.7%
<b>Portfolio Performance</b>					
Gross Performance Return	(0.9%)	+10.9%	+17.8%	+18.4%	+16.2%
Benchmark Index <sup>^</sup>	+0.1%	+11.9%	(1.8%)	+7.0%	+10.2%

<sup>^</sup>Benchmark index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX200 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 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 <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

Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), Terry Tolich (Senior Investment Analyst) and Delano Gallagher (Investment Analyst) 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 Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Barramundi comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and Carmel Fisher.

## 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

### 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 re-issued for the dividend reinvestment plan

### Warrants

- » On 26 August 2020 a new issue of warrants (BRMWF) was announced
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held
- » The warrants were allotted to shareholders in October 2020 and the warrants listed on the NZX Main Board from early October 2020. (Information pertaining to the warrants was mailed/emailed to shareholders in September 2020)
- » The Exercise Price of each warrant is \$0.70, adjusted down for dividends declared during the period up to the announcement of the final Exercise Price. Dividends totalling 1.45 cents per share have been declared to date and there are three more dividends expected to be declared in the remaining period up to the announcement of the 29 October 2021 exercise price
- » The Exercise Date for the new warrants (BRMWF) is **29 October 2021**
- » The final Exercise Price will be announced and an Exercise Form sent to warrant holders in **September 2021**

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 an authorised 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.



Barramundi Limited  
Private Bag 93502, Takapuna, Auckland 0740  
Phone: +64 9 489 7074 | Fax: +64 9 489 7139  
Email: [enquire@barramundi.co.nz](mailto:enquire@barramundi.co.nz) | [www.barramundi.co.nz](http://www.barramundi.co.nz)

Computershare Investor Services Limited  
Private Bag 92119, Auckland 1142  
Phone: +64 9 488 8777 | Fax: +64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)