MONTHLY UPDATE

February 2024

Share Price	Warrant Price	BRM NAV	DISCOUNT[1]
$0.72	$0.08	$0.76	3.2%

as at 31 January 2024

A WORD FROM THE MANAGER

Barramundi's gross performance return for January was 1.6% and the adjusted NAV return was up 1.4%. This compares to the S&P/ASX200 Index (70% hedged into NZ$) which rose 1.2% over the month.

During the month the market reacted particularly sharply to weak trading updates from Domino's and Nanosonics (see below). Despite this, the portfolio delivered a respectable return overall. This highlights the benefits of the diversification we have in the portfolio both by company and across sectors.

Portfolio News

Resmed's share price rose 15% (in A$) in January from the combination of a healthy Q2 FY24 earnings result and further positive news associated with the travails of Philips, its major competitor in the sleep and respiratory market. On the earnings front, Q2 FY24 underlying after tax profit was up 13% on the comparable period. This was driven by a 12% lift in revenue and a solid expansion of the profit margin. The margin benefitted from both a higher gross margin (aided by a price rise) and lower operating costs relative to revenue (operating leverage & recent cost saving initiatives). With respect to Philips, it announced cessation of sales in the US of a range of sleep and respiratory products. It subsequently announced finalisation of a consent decree with the Food and Drug Administration in response to its various major product recalls over the last two and a half years. The terms of the consent decree are yet to be disclosed but until they are met Philips will remain out of the US market for sleep therapy and other respiratory devices. It will continue to sell masks and other consumables. In our view, Philips is unlikely to compete with Resmed in the US devices market before 2025 at the earliest.

While there was no company specific update from **Johns Lyng Group**, its share price rose +11% on the news of the higher-than-expected summer storms experienced on the east coast of Australia. Johns Lyng Group performs cleanup and repair and restoration work for catastrophe events. As the largest national provider of repair and restoration work in Australia Johns Lyng Group will likely play a key role in the repair and restoration work on the east coast of Australia caused by any summer storms.

As signalled last October, **Credit Corp** (+6%) reported a loss for H1 FY24 due to a material (14%) impairment of its US Purchased Debt Ledger ("PDL") book reflecting a rise in payment delinquency. On an underlying basis H1 earnings were up by 5%. This was driven by a three-fold increase in Consumer Lending earnings from strong credit demand, which is expected to continue over H2 FY24. On an underlying basis (ex-impairment), US PDL earnings were flat. However, the opportunity for Credit Corp to deploy further capital in this business is currently attractive with the supply of PDLs increasing and their prices (30% lower) now reflecting current collection conditions. Australia and New Zealand (ANZ) PDL earnings were down 37% due to further run-off in this book as PDL supply remains well below historical norms (reflecting bank forbearance over COVID & generally more responsible lending). Current ANZ PDL purchases approximately match amortisation of the book, so FY24 should be the earnings trough for this business. We expect to see good growth in FY25 from the capital currently being deployed in Lending and US PDLs, and no further run-off in ANZ PDL earnings.

Woolworths (-3%) provided a mixed 1H24 trading update, with a strong result from its Australian Food business more than offset by weak results from its New Zealand Food and Big W businesses. The New Zealand Food business continued to struggle, with 1H24 operating profit (excluding costs of its transformation program) falling -31% on the prior corresponding period. The weak performance was likely a result of a tough economic environment, but also good execution from its competitors. Encouragingly Woolworths made positive early progress in its multi-year transformation program to turn around its New Zealand business. Highlights of the transformation program are the refresh of its oldest 80 stores, opening a fresh distribution centre in Christchurch, and the launch of its Everyday Rewards program. Despite this, based on Woolworths' expectations over the next few years, it wrote down its New Zealand business by NZ$1.6bn.

Nanosonics (-32%) provided the market with a weak first half update. This included also retracting its full year guidance (revenue growth of +15-20%). First half revenues fell -4.3% in constant currency compared to the prior corresponding period primarily related to lower-than-expected Trophon unit replacements in its North American markets. Management attributed the slowdown to ongoing capital budgetary pressures in the North American hospital system. This meant several hospital customers delayed replacing their existing Trophon 1 units despite the age of the units and benefits of upgrading to the new Trophon 2. Encouragingly, Nanosonics has seen 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.

[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).

Domino's (-33%) delivered a disappointing trading update in advance of reporting H1 earnings in February. The market took umbrage at disappointing same store sales ("SSS") outturns from Europe (+0.6%) and Asia (-8.9%), both of which represented a marked slip from the preceding update delivered in late 2023. In Europe, perennial problem child France remains the issue. In Asia, the peak Christmas/New Year trading period for Japan did not go as well as hoped and sales in Malaysia are being impacted by negative sentiment towards brands associated with the US (due to the Gaza conflict). The ANZ division was a standout, with SSS growth strengthening to 8.2%. As the ANZ playbook is being followed in Europe and Asia, its performance is tentative evidence that improved traction can eventually be delivered in these other markets as well. Domino's is now guiding to underlying H1 EBIT 14-17% lower than a year ago versus previous inferences of a flat result. It has also retracted its implicit full year earnings guidance as well. Although frustrated, we consider its long-term growth prospects as attractive, particularly relative to the current lower share price.

Portfolio Changes

We reduced our position in Audinate (+2%) in the month (on valuation grounds).

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

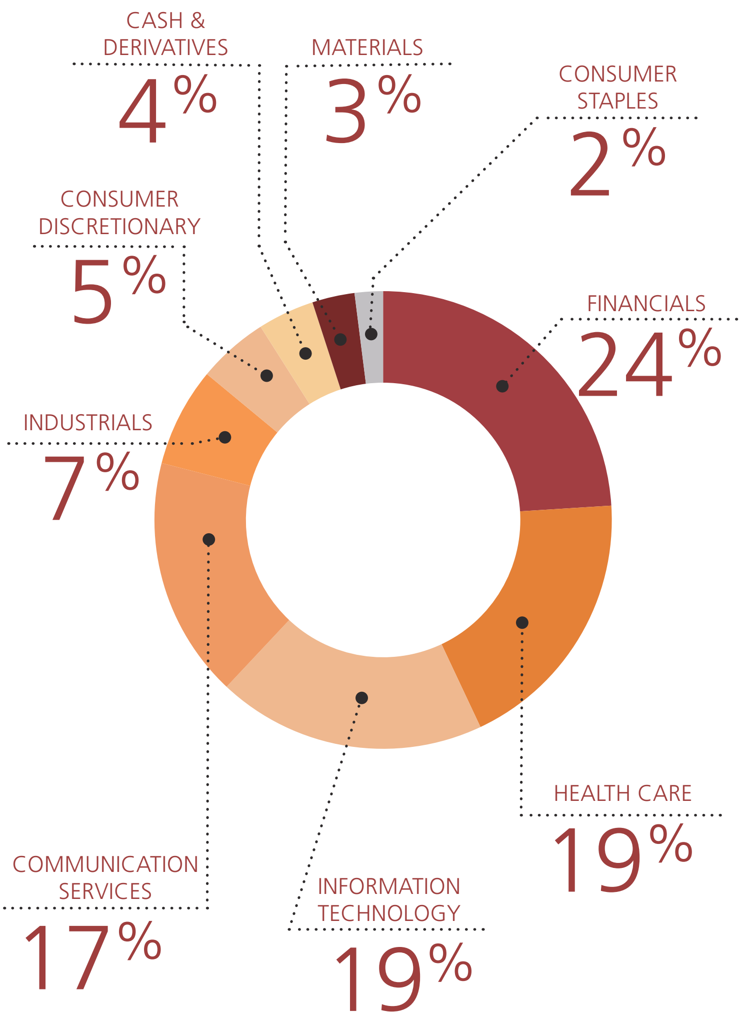
KEY DETAILS

as at 31 January 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	$0.69
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	280m
MARKET CAPITALISATION	$202m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 January 2024



JANUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month in Australian dollar terms

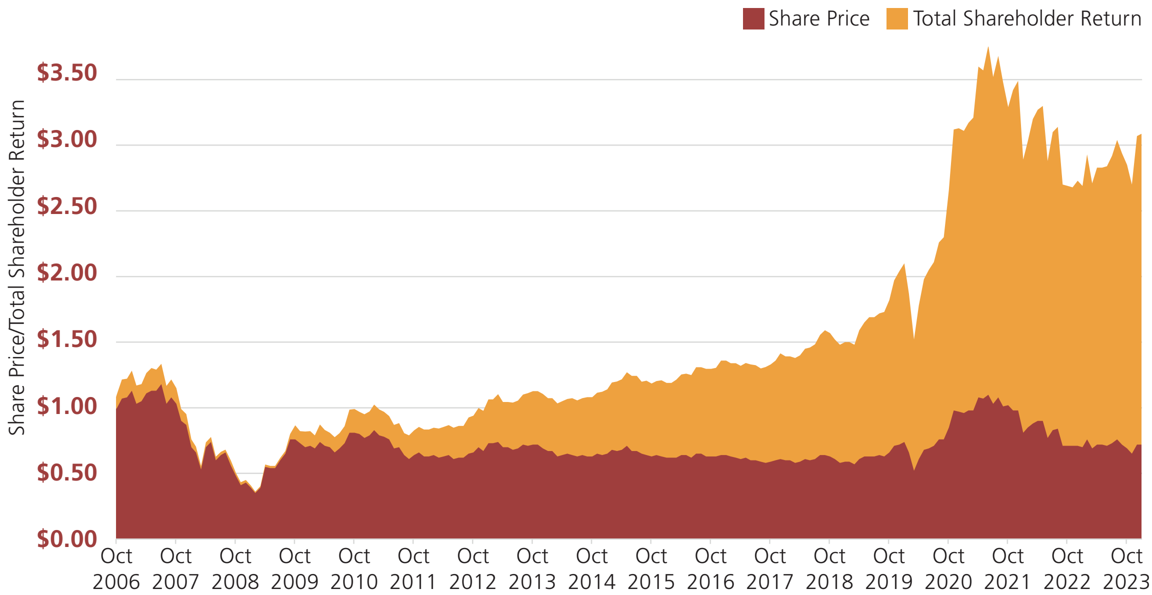
RESMED	JOHNS LYNG GROUP	AUB GROUP	NANOSONICS	DOMINO'S PIZZA
+15%	+11%	+11%	-32%	-33%

5 LARGEST PORTFOLIO POSITIONS as at 31 January 2024

CSL LIMITED	WISETECH	RESMED	SEEK	CARSALES.COM
10%	7%	5%	5%	5%

The remaining portfolio is made up of another 20 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 January 2024



PERFORMANCE to 31 January 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.5%	+8.6%	+14.7%	(0.2%)	+15.4%
Adjusted NAV Return	+1.4%	+18.7%	+15.0%	+9.0%	+14.5%
Portfolio Performance					
Gross Performance Return	+1.6%	+19.5%	+18.4%	+11.1%	+17.3%
Benchmark Index^	+1.2%	+13.7%	+7.5%	+10.2%	+10.3%

^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.

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

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

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

Barramundi
LANDING TOMORROW'S TROPHIES

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