

# MONTHLY UPDATE

November 2021



Share Price

\$1.02

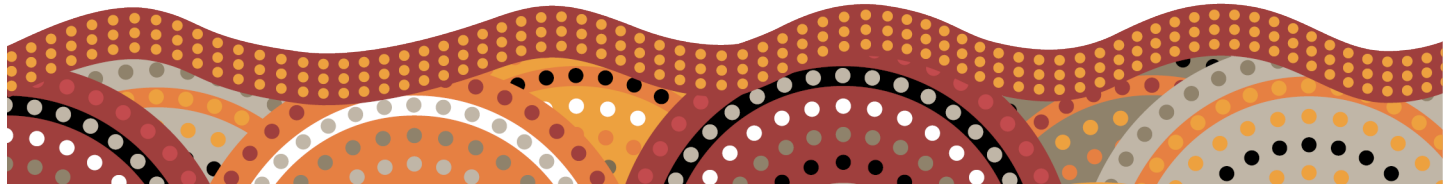
BRM NAV

\$0.90

PREMIUM<sup>1</sup>

13.5%

as at 31 October 2021



## A WORD FROM THE MANAGER

In October Barramundi returned a gross performance loss of (1.5%) and an adjusted NAV loss of (1.6%). This compares to the ASX200 Index (70% hedged into NZ\$) which had a flat month and returned (0.0%).

In the face of robust Australian inflation data, October saw the Reserve Bank of Australia (RBA) effectively remove its policy to keep the three year government bond yield at 0.1%. This was officially confirmed in early November at the RBA's meeting. This saw volatility emerge in the Australian bond market. From 0.04% at the start of the month the three year yield had risen to 0.78% by month end. Longer dated bonds also rose sharply, with the ten year government bond yield increasing to 2.09% during the month as well.

The interest rate moves, along with volatile energy and commodity markets contributed to a mixed month for the ASX200 Index. The Information Technology sector (+2.1% in the month), Healthcare (+1.0%) and Financials (+0.8%) led the market's returns. Industrials (-3.3%), Energy (-2.7%) and Consumer Staples (-2.3%) lagged.

### Portfolio News

**PWR Holdings** (+7.2% in A\$) had its AGM in October. There it updated the market on further contract wins in its fast-growing Emerging Technologies division. It also announced a contract to manufacture cooling products for the super luxury, limited production hypercar, the Koenigsegg Jesko. PWR is in discussions with another five similar, limited production hypercar manufacturers to supply cutting edge cooling products.

**SEEK** rose (+5.1%) in October. October data showed job ad volumes are up +57% on the prior comparable period, and +25% when compared to 2019. It is expected that job ad volumes will rise further following the easing of restrictions in New South Wales and Victoria.

**CSL** was up (+2.4%) for the month. Plasma collections continued to recover in the US. CSL also held its annual Research & Development Day in October. CSL spends 10% of its sales on R&D each year and in 2021 it spent US\$1b on researching novel therapies. It used the R&D Day to update the market on ongoing trials. This included the eloquently named AEGIS-II trial which is looking to reduce the risk of recurrent cardiovascular events following a heart attack. It also included an update on its IMAGINE trial which is aiming to reduce the complications in

stem cell transplants. CSL also announced it is trialling its existing immunoglobulin therapy for use in new indications. This was all well received by the market.

**oOh!Media** returned +2.3% over October reflecting the relaxation of lockdowns in NSW and Victoria in response to increasing vaccination levels. This should mean that audiences for most of its out of home advertising formats will be at close to normal levels for the seasonally important December quarter. Easing travel restrictions will also see the start of a long delayed recovery in revenue from its Airport-related assets.

**ResMed** (-0.2%) reported a better than expected quarterly result in October. Both revenue and earnings were 20% up on the same quarter last year. There was far less benefit from COVID-related sales this quarter. However, this was more than offset by revenue gains from major competitor, Philips Respironics, being absent from the market due to a major product recall. After excluding these various "one-off" effects, underlying revenue growth was still 14% which points to a successful launch of the new AirSense 11 CPAP platform in the US market, with other markets still to come. We do note that supply chain constraints, particularly for semiconductors, are curtailing ResMed's ability to take maximum advantage of its competitor's current difficulties.

**ANZ** (-0.04%) reported a solid half year result, broadly in line with market expectations. ANZ has ceded market share to competitors in mortgages in the past year because it has had a slow system for processing mortgage applications. ANZ was surprised by the extent of the increased demand for new mortgages in the past year. ANZ has taken steps to address its mortgage processing challenges. ANZ's Institutional (large business) division has been performing well, and bad debt levels remain low.

**Ansell's** share price fell 7.9% in October. The scramble for protective equipment that characterised the peak of the COVID pandemic has now passed. In particular, the single use exam glove segment saw large increases in both volume and price but is now suffering an inevitable hangover. The recent quarterly results from Malaysian glove manufacturers, who dominate the commodity-end of this segment, and some of whom supply Ansell, have confirmed large drops in both price and volume. Ansell will not be immune to this fallout. Ansell appears to have anticipated this trend in setting a broad FY22 earnings guidance range for the market.

<sup>1</sup> Share Price Premium to NAV (using NAV to four decimal places).

**Audinate** (-15.1%) announced that it expects its profit growth in FY2022 to be lower than originally expected. Demand for its products is high and its order backlog remains at record levels. However, supply chain constraints related to silicon chips that are used in Audinate's products will impact Audinate's ability to fulfil all its customer orders. Audinate is working hard to mitigate the chip shortage, including through re-designing some components to reduce its reliance on the pertinent silicon chip. While this impacts Audinate's earnings growth near-term, it does not detract from the longer-term demand for Audinate's industry leading networked audio technology products.

Having reached all-time highs in September, **Domino's** share price fell by 15.6% in October. With people in many countries now able to return to dining at restaurants and cafes, the COVID-related tailwind Domino's had been receiving from its strength in delivery will have lessened. That said, many of the customers it has gained

over the last 18 months will be likely to continue to consume its products. Domino's long-term prospects remain attractive. The investor day it held in mid-October covering its European business reinforced the potential of this region where the company expects to add close to 1,800 stores over the next decade.

## Portfolio Changes

We had no material changes to our portfolio positioning in the month.



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



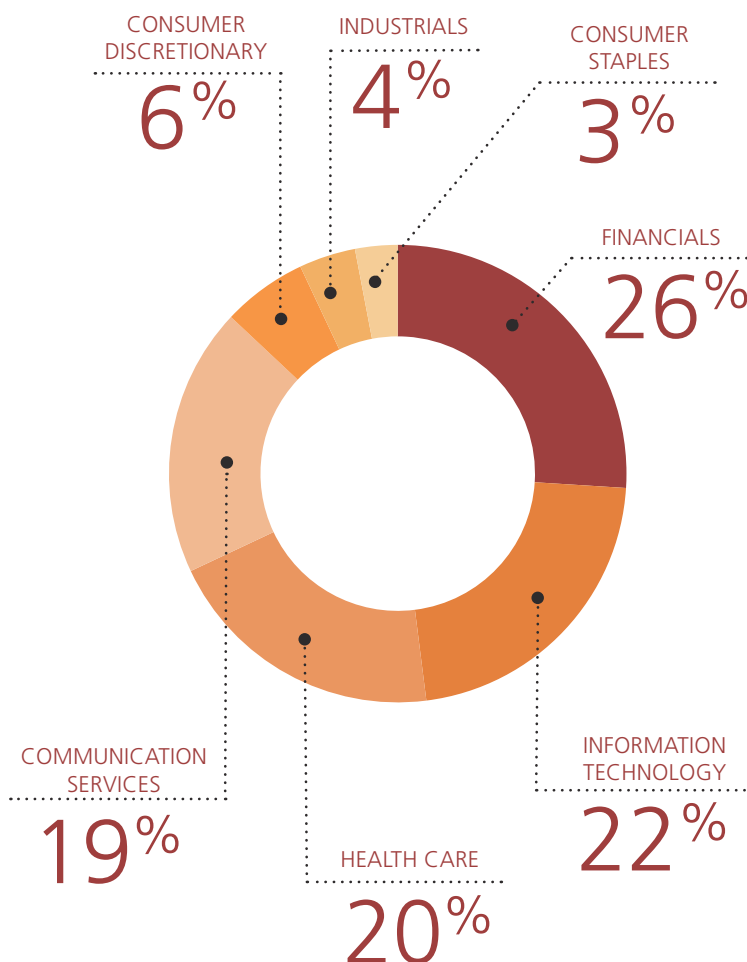
## KEY DETAILS

as at 31 October 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	\$0.85
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	215m
MARKET CAPITALISATION	\$219m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 October 2021



The Barramundi portfolio also holds cash.

# OCTOBER'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.

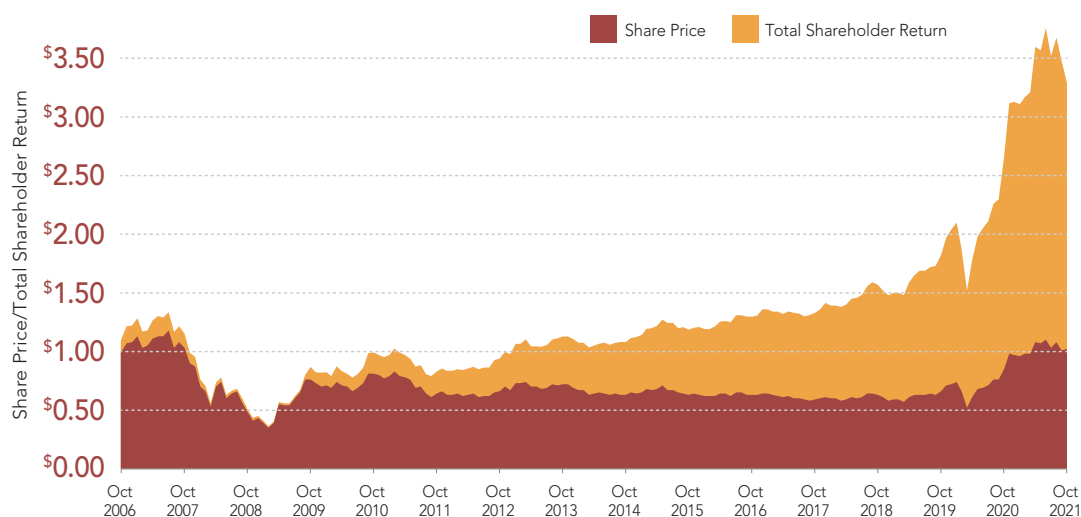
DOMINO'S	AUDINATE GROUP	AUB GROUP	ANSELL	FINEOS
-16%	-15%	-10%	-8%	-8%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 October 2021

CSL LIMITED	WISETECH	CARSALES.COM	SEEK	CBA
8%	7%	7%	5%	5%

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

## TOTAL SHAREHOLDER RETURN to 31 October 2021



## PERFORMANCE to 31 October 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(5.5%)	(6.5%)	+23.9%	+28.1%	+20.5%
Adjusted NAV Return	(1.6%)	+6.5%	+31.3%	+21.8%	+16.4%
<b>Portfolio Performance</b>					
Gross Performance Return	(1.5%)	+7.1%	+35.1%	+25.4%	+19.8%
Benchmark Index <sup>^</sup>	(0.0%)	+0.4%	+27.6%	+11.8%	+11.1%

<sup>^</sup>Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 31 January 2015 & 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 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

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 Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

## 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

- » Warrants put Barramundi in a better position to grow further, operate efficiently, and pursue other capital structure initiatives as appropriate.
- » A warrant is the right, not the obligation, to purchase an ordinary share in Barramundi at a fixed price on a fixed date.
- » There are currently no Barramundi warrants on issue.

### 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

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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