

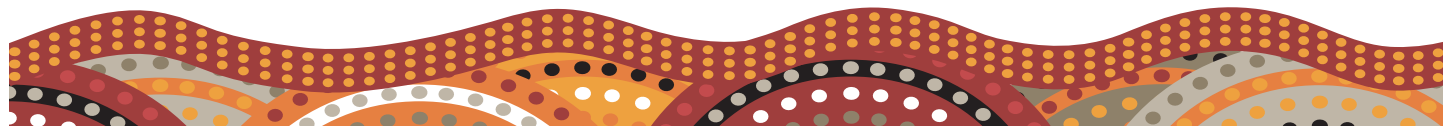
QUARTERLY NEWSLETTER

1 October 2022 – 31 December 2022



Share Price	Warrant Price	BRM NAV	PREMIUM ¹
\$0.71	\$0.00	\$0.65	8.6%

as at 31 December 2022



Barramundi's gross performance was +4.8% for the December quarter, while the adjusted NAV return was +3.3%. The benchmark ASX200 index rose +9.2% in Q4 (70% hedged into NZ\$), buoyed by indications that China is abandoning its zero-COVID policy. This supported commodity prices which underpinned a 15% rise in the materials sector in Q4.

Slowing global economic growth weighed on shares in Q4

Globally, central banks continued to increase interest rates to slow economic growth to help combat high inflation. The effects of higher interest rates were reflected in commentary by companies that experienced a slowdown in sales or customer orders during Q4.

This was most visible in **James Hardie** (-14.4% in A\$ in Q4), a manufacturer of fibre cement siding used in housing construction. James Hardie's latest trading update underwhelmed expectations and it reduced earnings guidance for FY23. This was primarily because of a rapidly slowing housing construction market in the US (its largest market). In response to this slowdown, James Hardie reduced its workforce in December. It is pleasing to see the company move quickly to adjust its cost base and protect its profitability. However, the job cuts have left investors wondering how severe the downturn will be. These concerns will linger for a while, but we do not think it alters the strong, longer term growth prospects of the company.

Real estate classified advertising business, **REA Group** (-3.5%) was also impacted by the cyclical downturn in housing activity induced by the increase in interest rates. Its share price fell sharply in December following a pre-Christmas profit warning by Australian competitor, Domain Holdings. Domain has seen real estate advertising volumes fall faster than expected into year-end. REA is not immune to this dynamic. However, with its dominant presence, we think REA is better placed to weather this downturn. It will continue investing in its growth initiatives and we suspect will emerge from this downturn in a stronger competitive position.

Xero's (-4.4%) share price was also weighed down by the sluggish environment in the UK, a key growth region for the company. It was also impacted by a 2-year delay (announced in December) in the deadline for small businesses to digitise their tax filings in the UK. This may slow the pace of subscriptions growth for Xero's products. However, we note that Xero expects some of these headwinds to fade and its growth momentum to pick up during 2023.

Don't 'throw the baby out with the bathwater'

Media headlines during 2022 were dominated by concerns about inflation, interest rates and the potential for a global economic slowdown. This has been reflected in the share prices of companies many of which are lower than they were a year ago.

As long-term shareholders, a key investment consideration for us is where a company will be in 3, 5 or 7 years' time, rather than what happens in the next 3-6 months. Where we think a company's long-term return prospects are sound, we are careful about how we react to near-term negative news.

The value of this approach was evident in Q4. We had several portfolio holdings report adequate, but not spectacular earnings updates. Yet their share prices rose meaningfully on this news. This highlights how much

pessimism was 'already in the price'. Had we sold these shares earlier in the year because we were concerned about the near-term general economic outlook, we would likely have missed out on these gains.

Domino's is a case in point. Its share price rebounded +28.6% in Q4. The company provided a tepid trading update at its Annual General Meeting (AGM) in November. Yet it reconfirmed that its same store sales growth and organic store rollout for FY23 are both expected to meet their medium-term targets (+3-6% and +8-10% pa respectively). It also raised A\$165m of equity to fund the purchase of shares from an option it had over the residual 33% stake in Domino's very successful German business. None of this news was transformative for the company, but it was sufficient to drive the sharp rebound in its share price.

Our Australian bank shareholdings including **Westpac** (+16.3%), **CBA** (+13.1%), **ANZ** (+6.9%) and **NAB** (+7.0%) also rose strongly over Q4. The results delivered by the banks were in line with market expectations. However, the banks share prices were buoyed by the Reserve Bank of Australia's ("RBA") perceived slightly dovish decision to raise the cash rate by 0.25% rather than by the 0.5% expected by the market during October. In its fight against inflation the RBA still increased interest rates in both November and December. But the mere tempering of the pace of increases was sufficient to send the bank share prices higher.

Culture: Difficult to define, but a critical ingredient in high performing businesses

As travel restrictions eased during 2022, we have enjoyed reconnecting with companies in person for the first time since the onset of the pandemic. These meetings have reinforced how much our portfolio companies have invested in their people and culture. This doesn't translate into profit growth immediately. But it is a key factor in a company's development and resilience and this ultimately influences the long-term success and value creation of a company.

Most recently, in December we met executives from **Xero**, **Audinate** (+3.5%), and **Fineos** (+22%). At Fineos, we were impressed with the breadth of talent and the collegiality and cohesiveness of team members who have worked with each other for over 20 years. At Xero and Audinate we met with executives who are recent additions to both companies. What stood out for us was how quickly and strongly they have already been imbued with the culture of both organisations.

A standout for us in Q4 was also spending time with a range of **PWR Holding's** (+27%) management team and board members when we attended their AGM in November. The company has had a good year, and their team has done an outstanding job. PWR is having to move to larger premises to cater for its expanding order book – a nice problem to have. Underpinning this growth is a strong culture of excellence and 'can-do' across the organisation. Touring PWRH's factory the pride across all levels of organisation is strongly evident.

We believe our portfolio companies are in good hands and well positioned to handle whatever surprises 2023 has in store for them.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
16 January 2023



¹ Share price premium 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).

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

DOMINO'S	PWR HOLDINGS	NANOSONICS	FINEOS	AUB GROUP
+29%	+27%	+24%	+22%	+19%

PERFORMANCE

as at 31 December 2022

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+1.4%	+10.2%	+14.1%
Adjusted NAV Return	+3.3%	+7.4%	+9.2%
Portfolio Performance			
Gross Performance Return	+4.8%	+9.6%	+12.0%
Benchmark Index ¹	+9.2%	+6.8%	+7.6%

¹ 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 capital allocation decisions after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV value,
- » 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 newsletter 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/>

COMPANY NEWS

Dividend Paid 16 December 2022

A dividend of 1.39 cents per share was paid to Barramundi shareholders on 16 December 2022, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 36% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on 09 488 8777.

FOREIGN TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARD (CRS)

As a result of the New Zealand Government agreeing to participate in the exchange of information with other jurisdictions under the Foreign Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), Financial Institutions are required to undertake due diligence to determine the account holders' jurisdiction of tax residence. If shareholders have not previously self-certified, they will receive a Tax Residency Self-Certification form from Computershare depending on when they first purchased their securities. Please ensure you complete and return this important document if you have not already done so. For more information please visit the IRD website: <https://www.ird.govt.nz/international-tax/exchange-of-information/crs/registration-and-reporting> or contact Computershare if you are unsure of whether you have completed your form.

Disclaimer: The information in this newsletter 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 newsletter 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 newsletter 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.

PORTFOLIO HOLDINGS SUMMARY

as at 31 December 2022

Company	% Holdings
Ansell	2.5%
ANZ Banking Group	2.3%
AUB Group	5.6%
Audinate Group	1.7%
Brambles	3.9%
Carsales	5.7%
Cochlear	2.0%
Commonwealth Bank	5.0%
Credit Corp	3.8%
CSL	9.4%
Domino's Pizza	4.8%
Fineos Corporation Holdings	1.7%
James Hardie Industries	2.5%
Macquarie Group	4.1%
Nanosonics	2.5%
National Australia Bank	3.3%
NEXTDC	3.8%
Ooh! Media	3.2%
PWR Holdings	2.5%
REA Group	4.2%
ResMed	3.4%
SEEK	4.3%
Westpac	2.8%
WiseTech Global	6.0%
Woolworths Group	2.6%
Xero Limited	4.3%
Equity Total	97.9%
Australian cash	0.7%
New Zealand cash	1.3%
Total cash	2.0%
Forward foreign exchange contracts	0.1%
Total	100.0%