QUARTERLY NEWSLETTER

1 October 2023 – 31 December 2023

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	Warrant Price	BRM NAV	DISCOUNT[1]
$0.72	$0.06	$0.75	2.4%

as at 31 December 2023

A volatile Q4 drove home the wisdom of the late and great Charlie Munger's comment that "The big money is not in the buying and selling, but in the waiting."

Barramundi's +9.4% gross performance in Q4, and adjusted NAV performance of +8.8%, was slightly ahead of the benchmark index return of +8.7%. This capped a strong year for the portfolio which finished the 2023 calendar year with gross performance up +28.1%, well ahead of the +13.6% benchmark index return.

Adding to Charlie Munger's comment, the past few years have shown how timing investment decisions based on short term market predictions is an exercise fraught with regret.

In Q4 Barramundi's gross performance first fell - 7% over October before rebounding +18% over the last two months of the year. A lot of the volatility was driven by gyrations in global interest rates as inflation concerns rose, then ebbed.

Reacting to market pessimism in October could have proved costly. Rather than investing based on short term predictions, we stay focussed on our investment process. We cross check our long-term investment theses for each company we hold in the portfolio to gauge whether something has changed in order to warrant buying or selling shares in a company.

We don't predict short term share price movements, but we will take advantage when attractive share prices marry up with our investment process of investing in high quality and growing companies. Q4 provided us with some good opportunities in this regard (see below).

However, in the main, our research suggested that not much fundamentally changed for many of our portfolio holdings during Q4. The returns generated by particularly our larger holdings such as WiseTech (+16% in A$ in Q4), CSL (+14%) and Carsales (+11%) lay more in the 'waiting' rather than the 'buying' or 'selling'.

Companies with economically cyclical earnings benefitted from the improving inflation and interest rate backdrop in Q4

James Hardie (+38% in Q4) delivered earnings guidance that exceeded market expectations. It is outperforming the broader building products market in the US. It has increased its selling prices and is benefitting from falling input costs translating into record profit margins and cash generation. It is well positioned to benefit from an improvement in US and Australasian housing construction and renovation activity.

SEEK (+21%) and **REA** (+17%) were also beneficiaries of the improving outlook which is deemed to be positive for employment activity and, through falling interest rates, the housing market. oOH!Media, likewise benefitted from easing concerns about the economic slowdown, rising 17% in Q4.

The profitability of these companies is partially tied to the economic cycle. However, each of these businesses also benefits from an economic moat, providing protection for profits in economic downturns. These businesses also benefit from structural earnings growth tailwinds. This means that even if their earnings have some cyclicality, their profits should continue growing through time.

James Hardie benefits from a scale advantage as the largest fibre cement siding manufacturer in the US and Australia. This provides it with a cost advantage over smaller competitors. In addition, fibre cement as a product is taking structural share from other house cladding products such as vinyl.

SEEK and REA benefit from having strong network effect moats. Employers and house vendors have to advertise through SEEK & REA because that's where all 'the eyeballs' of job seekers and house buyers are. This provides both companies with pricing power which assists with their earnings growth through the economic cycle.

Growing pains weighed on the performance of some portfolio companies

Credit Corp (-16%) and **PWR Holdings** (-11%), our worst performers in Q4 were both impacted by disappointing market updates.

Credit Corp buys portfolios of bad debts incurred by consumers (Purchased Debt Ledgers or "PDLs") from the likes of banks and utilities. Well established in Australia, Credit Corp has been expanding into the US. In October it announced a A$64m impairment to the carrying value of its US PDL assets. The share price initially fell 38%, reducing its equity value by A$500m. We discussed the cause of the impairment with management. The impairment was contained to US PDLs purchased during 2022, prior to the deterioration in economic conditions. Management has taken prudent steps since then to adapt to the economic environment. As such, we think Credit Corp retains good medium term growth prospects in the US market. We took advantage of the fall in the share price to add to our position.

PWR Holdings withdrew from commercial negotiations with a European customer after two years of discussions because commercial terms acceptable to PWR could not be reached with the customer. While disappointing, we think PWR has shown ironclad commercial discipline in withdrawing from this contract. PWR has numerous other programmes at various stages of negotiation in its growth pipeline and we expect these contracts to underpin earnings growth in future years.

Portfolio changes

Share price volatility provided us with the opportunity to add PEXA to the portfolio.

PEXA operates the only e-conveyancing property exchange in Australia. The vast majority of property transactions (sales and mortgage refinancing) are processed through PEXA's platform. PEXA also has a nascent presence in the UK market. The market was disappointed by the slow pace of expansion in the UK evident in a Q4 trading update which led to a sharp fall in its share price. We bought shares following this fall. To help fund the PEXA purchases we exited our Westpac shareholding.

The investment opportunity in PEXA proved fleeting. The share price rapidly rose circa 20% after we began buying shares, to a level that we felt priced in a strong acceleration in UK growth prospects. We think this earnings growth is likely to be harder won and will take time. Unusually for us, we therefore banked the profits and exited the position after this rebound.

Following the strong share price performance, we trimmed our shareholdings in James Hardie, REA, Carsales and Audinate (+20%).

Conversely, we added to our Credit Corp and CSL shareholdings when the equity market fell during October.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
19 January 2024

[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).

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

JAMES HARDIE	SEEK	PEXA	AUDINATE GROUP	REA GROUP
+38%	+21%	+20%	+20%	+17%

PERFORMANCE
as at 31 December 2023

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+4.4%	(0.6%)	+15.7%
Adjusted NAV Return	+8.8%	+8.0%	+15.3%
Portfolio Performance			
Gross Performance Return	+9.4%	+10.2%	+18.1%
Benchmark Index[1]	+8.7%	+9.8%	+10.9%

[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 barramundi.co.nz/about-barramundi/barramundi-policies.

COMPANY NEWS
Dividend Paid 15 December 2023

A dividend of 1.44 cents per share was paid to Barramundi shareholders on 15 December 2023, 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.

PORTFOLIO HOLDINGS SUMMARY
as at 31 December 2023

Company	% Holdings
Ansell	1.8%
ANZ Banking Group	2.2%
AUB Group	4.4%
Audinate Group	1.4%
Brambles	3.3%
Carsales	4.9%
Commonwealth Bank	4.6%
Credit Corp	4.6%
CSL	10.1%
Domino's Pizza	4.0%
Fineos Corporation Holdings	2.8%
James Hardies Industries Plc	3.1%
Johns Lyng Group	2.5%
Macquarie Group	4.7%
Nanosonics	1.4%
National Australia Bank	2.9%
NEXTDC	3.7%
oOh! Media	3.3%
PWR Holdings	1.9%
REA Group	3.8%
ResMed	4.8%
SEEK	5.6%
WiseTech Global	7.0%
Woolworths Group	1.8%
Xero Limited	4.2%
Equity Total	**94.8%**
Australian cash	4.7%
New Zealand cash	0.3%
Total cash	**5.0%**
Forward foreign exchange contracts	0.2%
Total	**100.0%**

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: 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.

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