

# Monthly Update

December 2017

BRM NAV	SHARE PRICE	DISCOUNT
\$0.69	\$0.60	13.6%
as at 30 November 2017		

## People update

During the period Fisher Funds' Senior Portfolio Manager Manuel Greenland resigned. Manuel was with Fisher Funds' for five years, three of which he was responsible for managing the Barramundi portfolio. Manuel was a valued member of the Fisher Funds' investment team and navigated Barramundi through a challenging Australian equities environment. We wish him all the best for his future. In the interim, the Barramundi portfolio is being overseen by Frank Jasper, Fisher Funds' Chief Investment Officer working with Terry Tolich, Senior Investment Analyst, and Delano Gallagher, Investment Analyst. A comprehensive search for Manuel's replacement is underway.

## A word from the Manager

Barramundi's portfolio was up 2.2% for November, outperforming the benchmark by 0.9%. The Australian market had a good month, with the ASX200 index reaching its highest level since January 2008. Among Australian sectors, the real estate investment trust sector outperformed while the telecommunication and banking sectors underperformed. Standouts in the Barramundi portfolio included four-wheel drive equipment maker and reseller ARB and data centre owner NextDC.

### Market environment

We have been cautiously optimistic about the outlook for the Australian economy for a while now although there are clearly divergent forces at play.

Businesses are growing increasingly confident and have backed this confidence up with activity. The NAB Survey of Business Conditions for October skyrocketed to an all-time record high of +21.1 from an already-strong +13.9 the previous month. New private real capital expenditure for the third quarter grew an annualised 2.3% over the past year – the first positive annual increase since 2012.

Consumers on the other hand are more circumspect. Retail sales for the recently released September month were flat versus August 2017 and up 1.4% on an annual basis – the weakest annual growth rate since June 2013. Employment growth for October was also weaker than forecast as was the wage price index which was only up 0.5% for the quarter.

Overall we expect a slight upwards inflection in growth going into 2018 led by resurgent business spending.

### Portfolio news

November was a fairly quiet month for the Barramundi portfolio companies. Online car selling platform Carsales.com bought out the balance of its South Korean joint venture SK Encar. This was a strategically important move for Carsales as it gives the company more exposure to the rapidly growing South Korean online car market. It also means Carsales has full control of the business and can pivot the Encar business model towards pay per lead which we believe will result in material earnings upside.

Credit Corp, renowned for upgrading profit guidance, is staying true to its reputation. Over the month the company increased profit guidance for the 2018 year citing productivity improvements in the US and the acquisition of a consumer lending book. Credit Corp has spent a number of years building its US capability during a tepid debt purchasing environment – the result of regulatory uncertainty. We now expect the US operation to boost growth over the next two or three years and we believe Credit Corp has a positive medium term outlook.

In a classic case of be careful of what you wish for the 'big four' banks sent a letter to Australian Treasurer Scott Morrison urging him to "ensure a properly constituted inquiry into the financial services sector is established to put an end to the uncertainty and restore trust, respect and confidence". Several hours later, Prime Minister Malcolm Turnbull ordered a Royal Commission into alleged "misconduct in the banking, superannuation and financial services industry". Oops. While another significant regulatory inquiry is hardly a positive outcome for the Australian banking sector, we don't believe the downside risk from this development is material. That said, with more regulatory oversight, a weakening housing market and tepid credit growth, we are happy with our lower than market exposure to the banks.

Wisetech upgraded revenue guidance at its AGM which was held in November. Wisetech has been a standout performer for the Barramundi portfolio this year and is benefiting from the ecommerce tailwind. Ecommerce benefits the company given the increased focus of its customers on the speed, accuracy, efficiency and transparency of parcel shipments. Wisetech is also benefiting from recent strong growth in air

and sea freight volumes which are driven by the improved global economy. Higher volumes by Wisetech's customers should translate into higher revenue given the company's transaction based model.

The key portfolio change over the month was the decision to exit private health insurer Medibank. In mid-October the Australian Government announced its reform package to make private health insurance "simpler and more affordable". After reviewing this we formed the view that the reform package was unlikely to materially encourage younger people to participate in health insurance and that, allied with major step-up in age-related costs for the healthcare system in the next 10 years, there remains a fundamental problem of private health insurance sustainability.

This is our last monthly update for 2017 and we look forward to updating you again in February next year. We hope you have a wonderful summer holiday break.

Frank Jasper | Chief Investment Officer

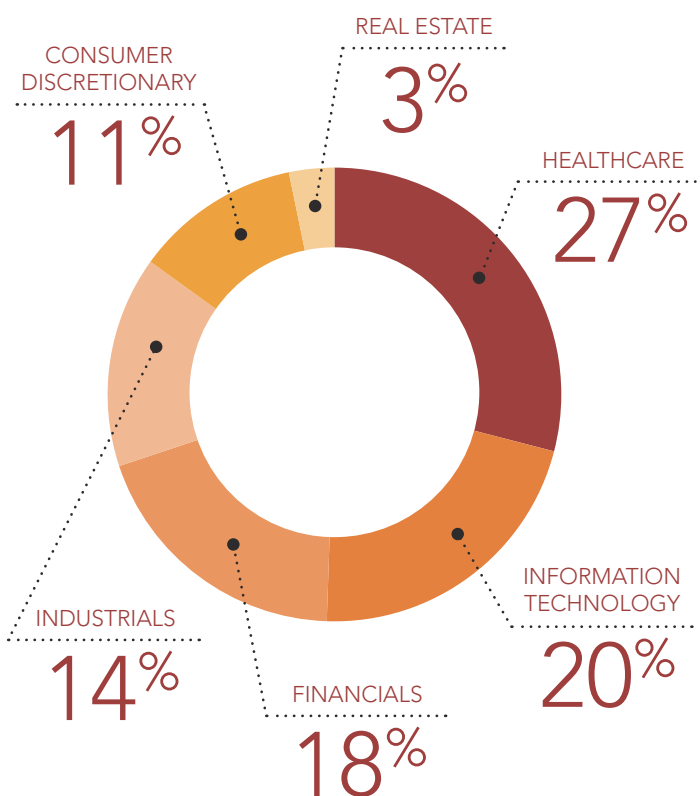
## Key Details

as at 30 November 2017

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 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 BENCHMARK	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE HURDLE	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$0.57
SHARES ON ISSUE	163m
MARKET CAPITALISATION	\$98m
GEARING	None (maximum permitted 20% of gross asset value)

## Sector Split

as at 30 November 2017



The Barramundi portfolio also holds cash.

## November's Biggest Movers in Australian dollar terms

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

CREDIT CORP	NEXTDC	GATEWAY LIFESTYLE GROUP	ARB CORPORATION	NANOSONICS
+14%	+13%	+10%	+9%	-15%

# 5 Largest Portfolio Positions

as at 30 November 2017

CSL LIMITED

7%

SEEK

7%

CARSALES.COM

7%

COMMONWEALTH  
BANK OF AUSTRALIA

5%

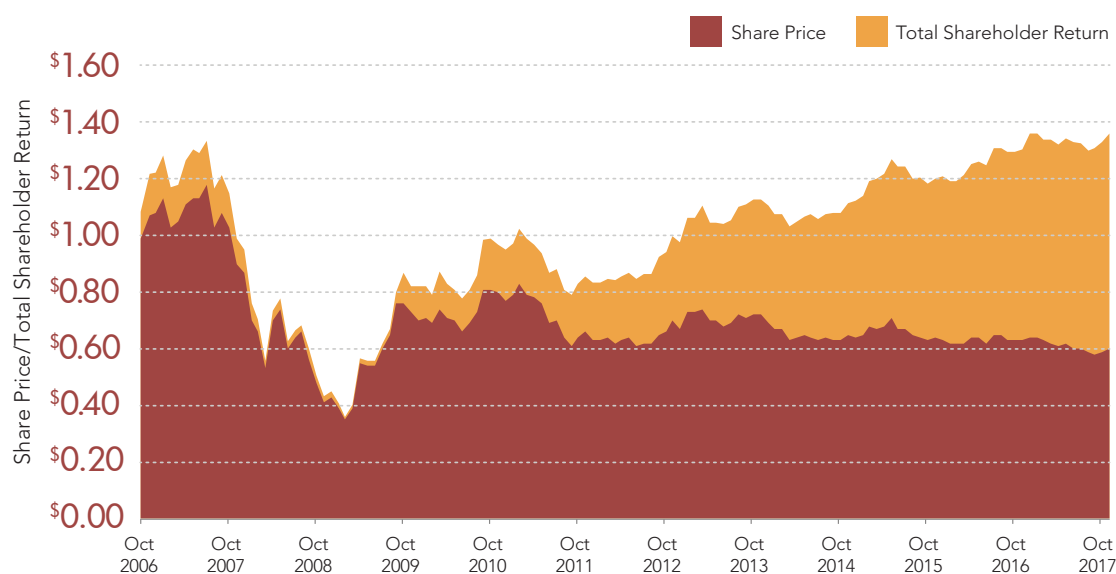
NATIONAL  
AUSTRALIA BANK

5%

The remaining portfolio is made up of another 22 stocks and cash.

## Total Shareholder Return

to 30 November 2017



## Performance

to 30 November 2017

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
<b>Corporate Performance</b>					
Total Shareholder Return	+2.4%	+4.7%	+4.3%	+6.9%	+2.8%
Adjusted NAV Return	+1.9%	+9.2%	+17.0%	+10.2%	+3.9%
<b>Manager Performance</b>					
Gross Performance Return	+2.2%	+10.2%	+20.0%	+13.8%	+7.2%
Benchmark Index <sup>^</sup>	+1.3%	+5.8%	+17.3%	+11.6%	+2.8%

<sup>^</sup>Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX 200 Index (hedged 70% to NZD)

### Non-GAAP Financial Information

Barramundi uses non-GAAP measures, including adjusted net asset value, 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,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, and
- » total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

All references to adjusted net asset value, 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 Management Board

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 25 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.

Barramundi's portfolio is managed by Fisher Funds Management Limited. Frank Jasper (Chief Investment Officer), 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.

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 and Andy Coupe; and non-independent director 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 up to 7.4m of its shares on market in the year to 31 October 2018
- » 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 and to pay performance fees

### Warrants

- » On 24 November 2017, Barramundi warrant holders had the right to convert their warrants into ordinary Barramundi shares, at an exercise price of \$0.58 per warrant. On the same day, Barramundi shares were trading on-market at \$0.60, a 3.4% premium to the exercise price.
- » 14,832,269 warrants out of a possible 36,471,368 warrants (41%) were converted into Barramundi ordinary shares.
- » The new shares were allotted to warrant holders on 28 November 2017. All new shares have the same rights as current Barramundi shares, including participating in the company's quarterly dividend policy.

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.



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