Barramundi
LANDING TOMORROW'S TROPHIES

Monthly Update

December 2018

BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT[1]
$0.64	$0.61	$0.01	4.3%

as at 30 November 2018

A word from the Manager

ASX 200 Market Performance

Equity market volatility from October continued in November with the ASX200 Index returning –2.2% (in A$) for the month.

Only the Financials (+1.4%) and the Information Technology (+1.0%) sectors edged into the green during the month. Affected by the negative swings in crude oil prices, Energy was the worst performing sector closing down -10.3% for the month. The Consumer Discretionary (-5.2%), Materials (-4.8%) and Healthcare (-4.0%) sectors also weighed on the index's return.

Portfolio News

Our investment team travelled to Sydney in early November and caught up with a number of our portfolio company management teams at an investor conference. As a generalisation, although there were pockets of caution evident in the rhetoric from the management teams that we met with, the tone was generally constructive, and provided our team with plenty of food for thought.

Dominos (-14.9% in A$) our worst performer in the month traded down off the back of soft AGM commentary regarding their current trading conditions, albeit management re-affirmed guidance for FY19. Overall same store sales growth for the group is tracking slightly behind expectation. A hot summer negatively impacted their European operations. Commentary around the Australian and NZ operations was also muted, albeit they do have some cost tailwinds which should help their first half performance. Their Japanese operation continues to improve as new management in that division gains traction with their initiatives. While it would be great if all geographies could fire on all cylinders all the time, some of this softness is transitory, and we're excited by the longer-term growth opportunity across their different jurisdictions.

Aristocrat (-10.7%) missed market expectation in announcing its full year result in the month. The result included double digit underlying earnings growth for the year. This was driven by a strong performance within its land-based gaming operations. But this was offset by a messy result from the digital division as recent acquisitions were integrated into the group. The digital division nevertheless grew profitability strongly during the year and management expects this to continue into FY19. The scheduled timing of new game releases means that this growth will be skewed towards the second half of the financial year. Management is maintaining its focus on investing in innovation, design and development which has historically underpinned its growth in profitability.

OML (-8.9%) was negatively impacted by concerns around the potential for weaker consumer spending to translate into a weaker advertising environment. In addition, OML, through its recently acquired subsidiary Adshel, was materially exposed to the renewal of a street furniture contract with Brisbane City Council (BCC). This contract renewal was expected to be finalised in October and a dearth of information relating to the renewal led to speculation that OML had potentially lost the contract. This also weighed on the share price which was down as much as -16% during the month. Late in November OML pleasingly confirmed the BCC contract had been renewed with Adshel and this saw the share price recover some lost ground into month end.

AUB (-8.3%) suffered from some capital raising indigestion after issuing equity to fund an increase in its shareholding of one of its brokerage subsidiaries. Proceeds from the capital raising were also used to de-gear AUB's balance sheet. This provides AUB with additional funding headroom and increased capability to continue growing through acquiring new stakes and/or adding to their existing holdings in insurance brokerages. Given management's successful track record over many years of building on their 'owner-driver' model through acquisition, this seems to us like a sensible step for them to take.

Link (-6.8%) disappointed the market at its AGM with 'mild' first half outlook commentary predicated on lower non-recurring revenue in funds administration, coupled with Brexit related uncertainty leading to delays in on-boarding clients in its UK division. Link also pointed to a second half skew to the realisation of cost benefits from acquisition related integration programmes.

Xero (+0.25%) reported an uneventful full year result during the month, with evidence of pricing power in the ANZ markets, and some early encouraging signs of subscription growth in Canada.

[1] Share Price Discount to NAV (including warrant price on a pro-rated basis)

In **Next DC's** (+9.7%) presentation at the investor conference in Sydney, management announced their latest (and largest) contract win with a hyperscale customer equating to 9MW of capacity. This contract win alleviated some market concerns over Next's ability to sell the capacity it has been building out across a number of Australian cities, and provided further evidence of the structurally rising demand for data centre capacity in Australia. Management took the opportunity to also re-affirm FY19 guidance.

Technology One (+16.0%) delivered a solid FY18 result in November. The result saw Technology One return to mid double digit earnings growth after a weaker FY17. This was driven by strong growth in annual recurring revenues which now make up 57% of total revenues. The signing of new SaaS customers in addition to migrating existing desktop customers to the cloud continues to be a key driver of margin expansion. The business continues to invest in its current and next generation SaaS offerings which should drive future customer wins, and management seems committed to expanding their presence in the UK after a few years of teething issues in this market.

Wisetech (+16.5%) continued its volatile journey, rebounding strongly after a weak October, and we suspect was assisted by improving sentiment to the information technology sector after October's sell-off. There was no major news linked to the company in the month.

Portfolio Changes

We used the opportunity provided by the equity market driven softness in Resmed's share price to increase our weighting in the company. Management continues to execute well and we have increased confidence in the earnings outlook for the next few years given the recent favourable regulatory outcome in the latest round of the competitive bidding process in the US.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

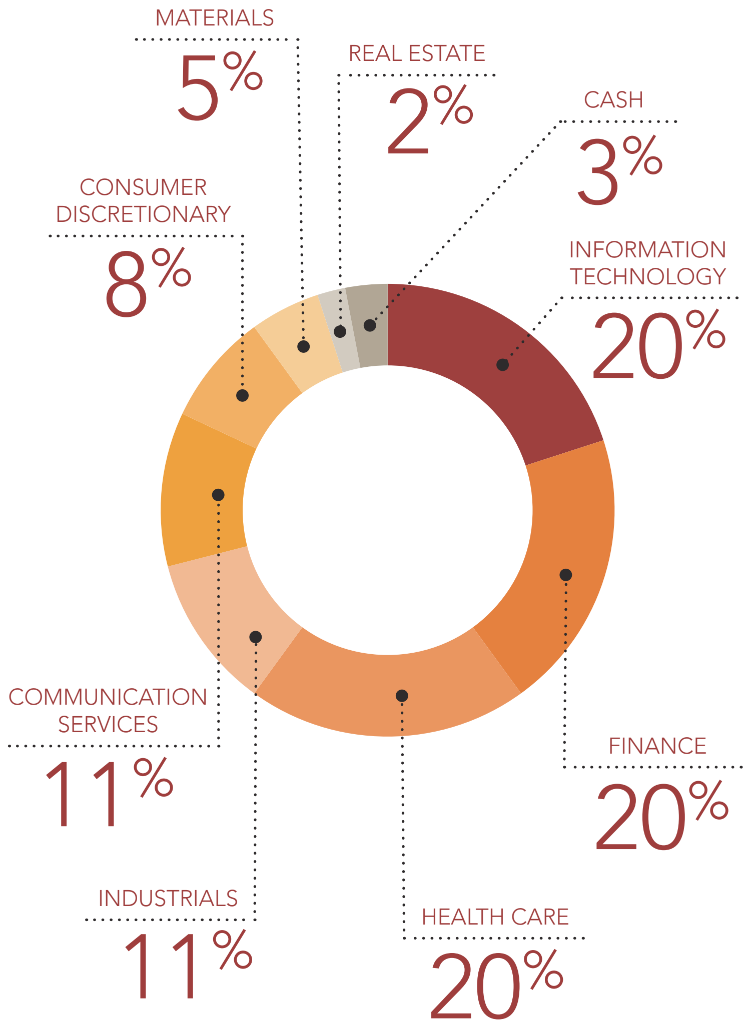
Key Details

as at 30 November 2018

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	$0.69
SHARES ON ISSUE	168m
MARKET CAPITALISATION	$103m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 November 2018



November's Biggest Movers in Australian dollar terms

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

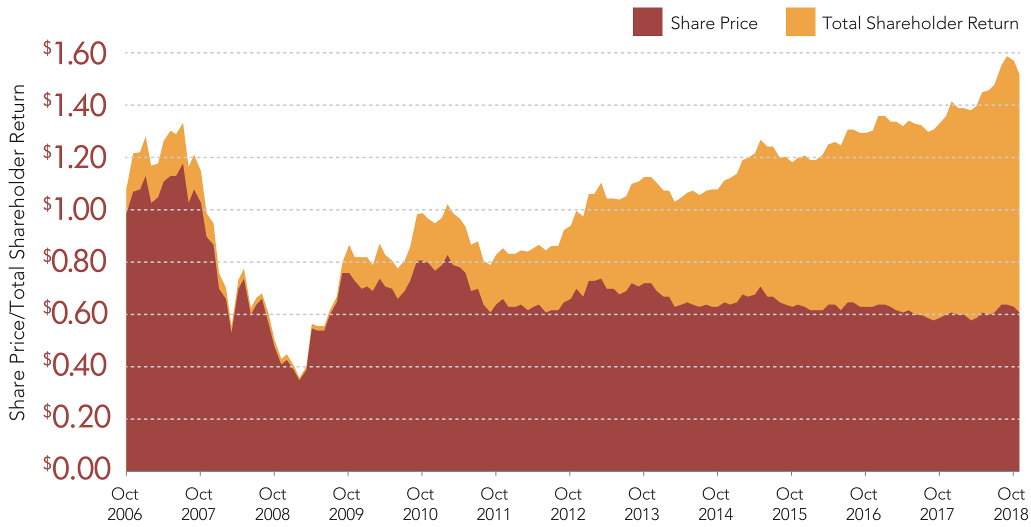
WISETECH GLOBAL	TECHNOLOGY ONE	NEXTDC	ARISTOCRAT LEISURE	DOMINO'S PIZZA
+17%	+16%	+10%	-11%	-15%

5 Largest Portfolio Positions as at 30 November 2018

SEEK	CARSALES.COM	CSL LIMITED	COMMONWEALTH BANK OF AUSTRALIA	WISETECH
8%	7%	7%	5%	5%

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

Total Shareholder Return to 30 November 2018



Performance to 30 November 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	(3.2%)	(2.5%)	+11.5%	+8.0%	+3.5%
Adjusted NAV Return	(1.9%)	(12.6%)	(0.3%)	+5.7%	+3.5%
Portfolio Performance					
Gross Performance Return	(1.4%)	(11.8%)	+2.9%	+9.1%	+6.9%
Benchmark Index^	(2.8%)	(9.9%)	(1.8%)	+7.8%	+2.4%

^Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX 200 Index (hedged 70% to NZD) from 1 October 2015

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,
» adjusted NAV return – the return to an investor after fees and tax,
» gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before fees and tax, 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, 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 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.

Management

Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), 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.

Board

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 8.4m of its shares on market in the year to 31 October 2019

» 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 16 October 2018, a new issue of warrants (BRMWE) was announced

» The warrants were issued 1 November 2018 at no cost to eligible shareholders and in the ratio of one warrant for every four Barramundi shares held

» Exercise Price = $0.64 per warrant, to be adjusted down for dividends declared during the period up to the Exercise Date.

» Exercise Date = 25 October **2019**

» The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in September **2019**

Barramundi

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