Barramundi
LANDING TOMORROW'S TROPHIES

Monthly Update

March 2019

BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT[1]
$0.65	$0.59	$0.01	9.5%

as at 28 February 2019

A word from the Manager

Market Overview

The ASX 200 returned +5.98% (in A$) in February, the strongest monthly return since July 2016. Financials (+9.1%) led the index higher, enjoying a relief rally following the release of the Royal Commission's final report. All sectors bar Consumer Staples (-1.5%) finished the month in the green as global equity markets continued to rebound from the tough finish to 2018.

Portfolio News

February was dominated by reporting season with 14 of our companies reporting results. These included the usual mixed bag of strong results, middle of the road 'as expected' results and a few that 'missed', whether on the result itself or on management guidance. We've highlighted some of the notable results below.

Nanosonics (+24.3% in A$ for the month) reported a strong result, at both the revenue and profit lines. Management's focus on developing its disinfection technology for ultrasound probes and in scaling the distribution of its products globally continues to gain traction. Nanosonics released the second generation trophon during the half year which drove solid unit placements. However, the most pleasing aspect of the result was the growth in the (recurring) consumable revenues, a benefit from the tripling of its installed base of trophons since full year 2015.

Resmed (+11.3%) rebounded after its share price had been marked down in January following its quarterly result (which we wrote about last month).

Brambles' (+10.5%) result included modest improvement in underlying profit guidance for the full year as cost headwinds seem to be moderating and have been enhanced by cost recovery in pricing. Of greater consequence, Brambles announced the sale of its IFCO plastic crates division in the month which will release more than US$2.3bn of capital, the majority of which will be used for a share buyback.

Seek (+8.4%) reported a strong result that included revenue growth of over 10% in its core Australian division despite a tepid employment advertising market. This points to the resilience of the business model as price increases and depth penetration drove the majority of the division's growth. Seek's Chinese subsidiary, Zhaopin, is reaping the benefits of the decision taken during 2017 to shift to a freemium based business model. This change underpinned an increase of +38% in online users in the half year, which has meaningfully improved its market position relative to its key competitor in China.

CBA (+8.8%), NAB (+5.3%) and WBC (+9.8%) all benefitted from a relief rally following the release of the Royal Commission's final report. The final recommendations corroborated the measured sentiment struck in the interim report, and removed a key area of uncertainty and downside risk for the banks. That said, the CBA interim result highlighted that the operating environment still remains challenging for the main banks. Soft lending growth, margin pressures, and elevated remediation costs continue to weigh on earnings growth.

Structural growth in outdoor advertising relative to other advertising mediums was evident in **Ooh! Media's (-0.8%)** full year result. Management has been cautious in its outlook for 2019, because of uncertainty around advertising spend given the timing of a state (NSW) and Federal elections, both of which will be held in the next few months. Elections typically have a negative effect on outdoor advertising. The market was disappointed by the disclosure that the management of recently acquired Adshel had signed a major contract on less profitable terms than Ooh! Media's management had originally envisaged.

With two large acquisitions in outdoor media having taken place in 2018 (Ooh! Media's acquisition of Adshel, and JC Decaux's acquisition of APN Outdoor), this year is likely to be one in which both management teams are focussed on integration. Looking further out, we expect that both companies will continue to benefit from the structural trends in outdoor advertising and a more consolidated competitive environment.

Wisetech (-5.3%) delivered a credible performance with +68% revenue growth generated in the half year. The market seemed disappointed that full year guidance was not upgraded materially. Wisetech announced at the result that it will look to roll out a new product (CargoWiseNexus) which will connect its current logistics customers to their clients. While Wisetech will not look to drive revenue from this product in the near future, it potentially opens up a whole new market to the company

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

for a relatively low incremental cost of development. This could be an exciting driver of future value generation for the company and we will watch the development and progress of CargoWiseNexus over the next few years with interest.

Dominos (-8.0%) disappointed the market with its result and in guiding to the lower end of their previous forecast range for the full year. By geography, Japan was a bright spot for the company. Emerging signs of improved operating performance was evident at the full year result in August and continued through to the latest period. Europe continues to be a region in transition as the integration of Hallo Pizza in Germany is completed during 2019. While he still has some way to go, the new French CEO is evidently starting to lift performance across this division as well. The Australian and New Zealand division's performance mimicked that of the national rugby teams with NZ performing strongly, offset by Australia where performance did not meet management expectations.

Next DC's (-8.9%) result was largely in line with our expectations. The market penalised the business for the slow sell through in the M2 Melbourne data centre and a change in accounting policy which contributed to a negative net profit for the half year. We suspect there is a timing element to the lack of sell through in M2. Management is pushing ahead with the roll-out of additional data halls at M2, which is usually an indicator that they are making progress in signing up new customers to absorb the additional capacity. The longer run fundamentals for Next DC's business remain sound.

Portfolio Changes

After its strong recent share price performance, we reduced our positioning in Technology One during the month on valuation grounds.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

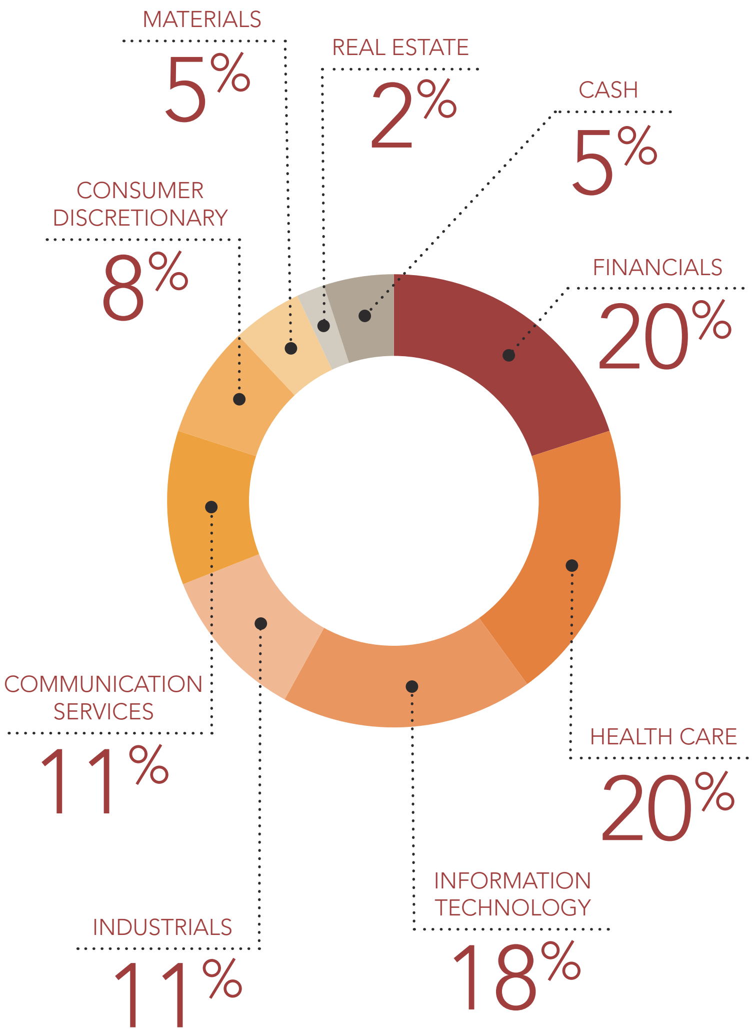
Key Details

as at 28 February 2019

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	$0.67
SHARES ON ISSUE	170m
MARKET CAPITALISATION	$100m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 28 February 2019



February's Biggest Movers in Australian dollar terms

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

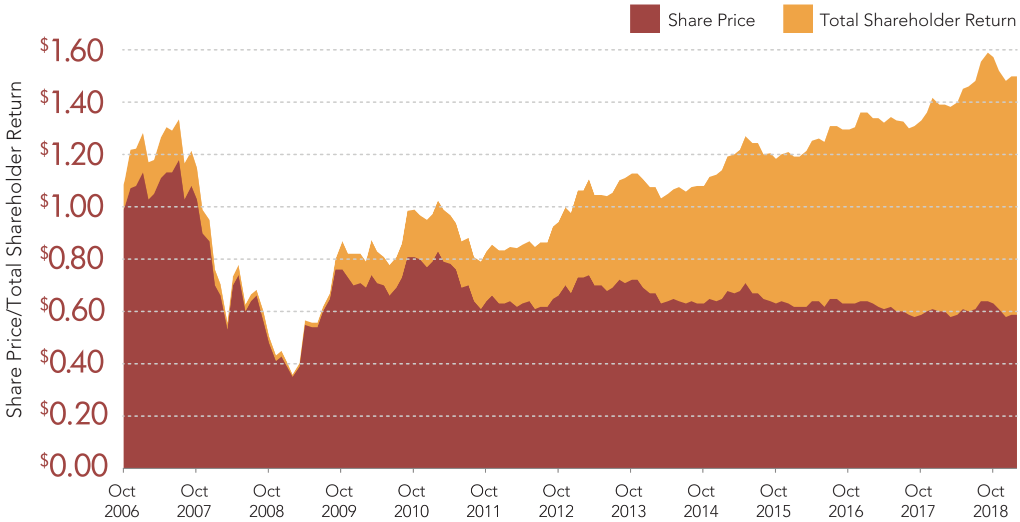
NANOSONICS	RESMED INC	BRAMBLES	RIO TINTO	WESTPAC
+24%	+11%	+11%	+10%	+10%

5 Largest Portfolio Positions as at 28 February 2019

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

The remaining portfolio is made up of another 21 stocks and cash.

Total Shareholder Return to 28 February 2019



Performance to 28 February 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	0.0%	(0.9%)	+8.0%	+8.1%	+3.4%
Adjusted NAV Return	+3.8%	+5.1%	+4.6%	+8.1%	+3.9%
Portfolio Performance					
Gross Performance Return	+4.1%	+5.9%	+7.9%	+11.5%	+7.2%
Benchmark Index^	+5.7%	+9.3%	+6.2%	+12.9%	+3.1%

^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, Andy Coupe and 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

Barramundi Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 489 7074 | Fax: +64 9 489 7139
Email: enquire@barramundi.co.nz | www.barramundi.co.nz

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777 | Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz | www.computershare.com/nz