

Monthly Update

June 2019

BRM NAV

\$0.70

SHARE PRICE

\$0.63

WARRANT PRICE

\$0.02

DISCOUNT¹

8.9%

as at 31 May 2019

A word from the Manager

Market Overview

Against the backdrop of soft global equity markets, the ASX 200 Index returned a respectable +1.7% in A\$ in May. The market responded positively to a surprise Federal Election victory by the Coalition which was seen as more market friendly in comparison to the Labour Party which had been favoured to win.

Communication Services (+7.3% in A\$) led the month's returns by sector with Healthcare (+3.3%), Materials (+3.2%), Real Estate (+2.8%) and Financials (+2.6%) sectors all performing strongly.

Consumer Staples (-4.2%) and Information Technology (-4.0%) lagged and were weighed down by stock specific factors with some profit warnings and negative trading updates in both sectors.

Portfolio News

Seek (+14.8% in A\$) management presented at a broker conference in May, where they highlighted the large opportunity that Seek has to increase pricing in its core Australian division over the next few years. This avenue for growth has not historically been a big focus for management. Consequently, the market took heart that Seek may have a better ability than previously thought to offset the headwinds to earnings growth posed by a softening domestic jobs listing environment in Australia, in what is a relatively mature, yet meaningful division for the company.

Aristocrat (+12.5%) reported its first half 2019 results toward the end of May. The land based gaming business demonstrated further evidence of growing share in key existing markets and showed early success in expanding into new gaming adjacencies. Aristocrat also delivered on market expectation in its digital gaming division.

oOh! Media (+12.2%) re-affirmed full year guidance at its AGM and further noted that 'since Easter oOh! has seen increased activity for postelection campaigns across multiple oOh! Media formats.' The Federal Election is typically disruptive for outdoor advertising, so it is pleasing to have it in the rear view mirror.

Resmed (+11.5%) reported third quarter (Q3) results during the month. Having disappointed the market with its second quarter (Q2) results in January, primarily as a consequence of soft device sales in markets outside the US, the market was buoyed by the positive growth in ex-US device sales in Q3 relative to Q3 in its 2018 financial year. The comparable growth rates of both Q2 and Q3 this year device sales were impacted by one-off regulatory changes in France and Japan during 2018 (which we wrote about in February). Given the volatility across the two quarters, we do not think the effects of all these changes are necessarily behind us. But it is a transitory factor that should 'work its way through the numbers' in the near-term. The rest of the Q3 result was broadly as expected and it was pleasing to see Resmed continue to take market share in its sale of masks.

Xero (+9.8%) reported a strong full year 2019 result. Its relatively mature NZ division pleasingly showed robust revenue growth. It reported strong subscriber growth in the UK (a key value driver for the company), accelerating subscriber additions internationally and accelerating ecosystem related revenues. This was a pleasing result overall.

It is not often that we see large cap Australian share prices rise close to +10% in a day, yet that is what we saw with our shareholdings in the banks on the Monday following the Federal Election. **NAB (+8.1% in the month)**, **CBA (+5.4%)** and **Westpac (+3.4%)** were all strong beneficiaries of the post election market reaction, and given their index weighting, contributed meaningfully to the ASX200's return in May. With their large residential mortgage books and high dividend yields, the banks benefited from the elimination of Labour's proposals to crack down on the tax deductibility of negative gearing for property, and to remove franking credit tax refunds which had been weighing on the housing market and high dividend yielding equities respectively. The election result and some subsequent policy changes by APRA² and the RBA³ provides a much needed boost to the housing market. We remain cautious on the outlook for banks given they still face a number of headwinds to sustainably lifting their earnings growth rates. These headwinds include

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

² Australian Prudential Regulation Authority.

³ Reserve Bank of Australia.

the persistence of a low interest rate environment, the impact of implementing the royal commission recommendations, and rising capital intensity driven by proposals by the RBNZ for banks to lift the capital buffers of their NZ subsidiaries.

Link Administration (-21.5%) issued a profit warning on the back of Brexit related softness in its UK division. Link also highlighted increased costs related to an earlier than anticipated implementation of new super fund legislation in Australia which has resulted in more work for Link and its customers. Given Link has traditionally been regarded as having a business model with stable and relatively predictable earnings from one year to the next, the profit warning resulted in a large negative reaction by the market. We think both these factors will ultimately prove to be transitory in nature and topped up our position on the sell-off.

Portfolio Changes

We increased our positioning in Domino's during the month. We increased our target weighting in Xero following its earnings result and given increased confidence in management's execution. We also topped up our Link shareholding post the profit warning related sell-off.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited



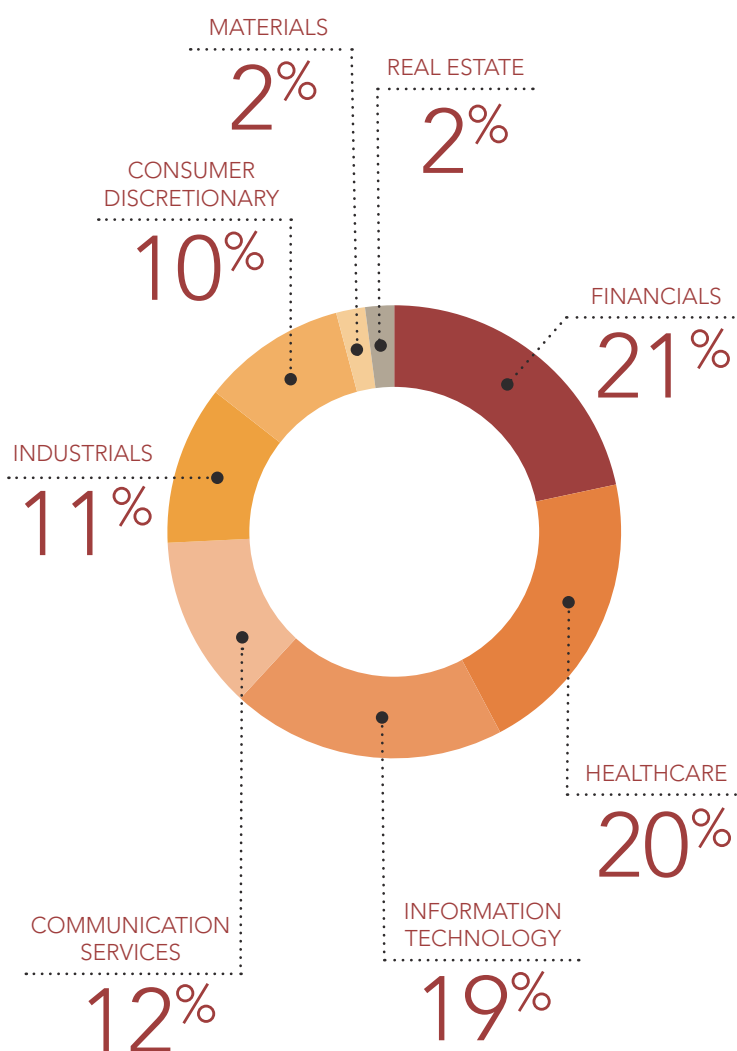
Key Details

as at 31 May 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	171m
MARKET CAPITALISATION	\$108m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 May 2019



The Barramundi portfolio also holds cash.

May's Biggest Movers in Australian dollar terms

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

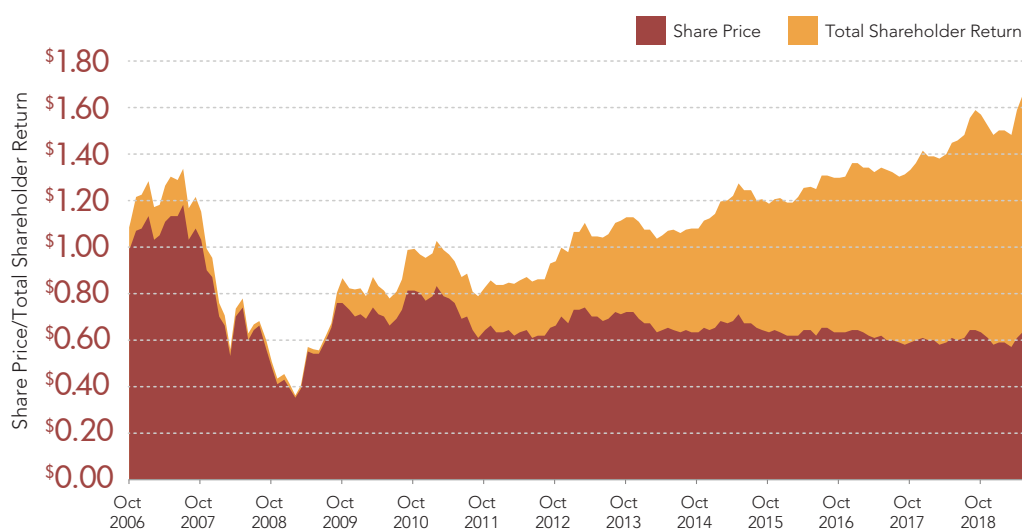
SEEK	ARISTOCRAT LEISURE	OOH! MEDIA	TECHNOLOGY ONE	LINK ADMINISTRATION
+15%	+13%	+12%	-18%	-21%

5 Largest Portfolio Positions as at 31 May 2019

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

The remaining portfolio is made up of another 20 stocks and cash.

Total Shareholder Return to 31 May 2019



Performance to 31 May 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+3.6%	+9.5%	+13.9%	+9.4%	+9.1%
Adjusted NAV Return	+2.8%	+8.6%	+9.1%	+7.9%	+9.2%
Portfolio Performance					
Gross Performance Return	+2.9%	+9.2%	+13.4%	+11.0%	+12.6%
Benchmark Index [^]	+1.9%	+5.5%	+10.8%	+10.9%	+9.7%

[^]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 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. 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.

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**

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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