MONTHLY UPDATE

May 2020

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	DISCOUNT[1]
$0.61	$0.62	1.7%

as at 30 April 2020

A WORD FROM THE MANAGER

In April Barramundi returned gross performance of +12.3% and an Adjusted NAV return of +12.4%. This compares to our benchmark, the ASX200 Index (70% hedged into NZ$), which returned +9.9%.

Buoyed by significant fiscal and monetary policy stimulus measures, along with improving COVID-19 data, global equity markets rebounded strongly in April. All sectors in the ASX200 index finished the month in positive territory. The Energy (+24.8% in A$), Information Technology (+22.5%), Consumer Discretionary (+16%) and Materials (+14.2%) sectors led the market. Consumer Staples (+2.4%), Utilities (+2.7%) and Financials (+2.8%) lagged the overall market.

Portfolio News

Barramundi's positive return in the month was broad based. The majority of our companies contributed strongly to the result with a good number rising well over 10% each in the month. Some of the worst performers in March such as oOH!Media and Credit Corp rebounded the most in April as the market responded positively to both companies' capital raisings.

oOH!Media (+61.7% in A$) strengthened its balance sheet in March through an equity raising, the proceeds of which were used to repay debt. This was well received by the market and underpinned its rebound in April. Advertising conditions are likely to remain poor in the near-term. However, with less debt, oOH!Media is better positioned to manage this downturn.

Credit Corp (+21%) undertook a $150m equity raising in late April. We participated in this equity raising. The business was tracking well through to March. In April, the economic impact of Australia's COVID-19 lockdown began to be felt. Management noted that April collections on purchased debt ledgers had slipped, consumer lending enquiries had fallen, and repayment arrears had risen but remained within expectations. None of this is a great surprise to us given the nature of Credit Corp's customer base. Its services are priced to reflect this risk. By participating in the equity raising we are backing what we regard as a terrific management team. The additional funding will primarily give Credit Corp the capacity to take advantage of the defaulted consumer debt buying opportunities that must inevitably arise from an economic downturn. It will also provide extra resilience for an already sound balance sheet in the event of a deep, protracted slowdown.

Nanosonics (+23.4%) had a business update in early April. Sales for the first three months of 2020 were significantly up on the same period in 2019. However, Nanosonics highlighted that as hospitals work to control COVID-19, direct access to hospitals is becoming more limited. This may impact sales of its Trophon device in the short-term. Trophon units already in hospitals have been redeployed to ICU and emergency departments to help deal with the increased volume of COVID-19 driven procedures. Nanosonics has also placed additional Trophons free of charge in some Spanish ICU departments to help cope with the increased volume of procedures during COVID-19.

None of this detracts from Nanosonics' long-term growth opportunity. It is also pleasing to see Nanosonics take steps in the near-term to help hospitals where they can. It reflects well on the calibre of the management team.

Some of the fund's strongest performers in March gave back some of the returns in April. This included the likes of **Resmed (-5.2%)** and **Next DC (-0.6%)**. There was no negative material news on either company in the month. Both companies continue to benefit from the COVID-19 crisis. Next DC because of an accelerating demand for more cloud-based data storage. And in Resmed's case, they're benefitting from increased demand for their ventilators because of COVID-19.

The share price performance of our bank shareholdings was weighed down by the prospect of rising impairments and dividend deferrals. This was a focus for both **NAB (+1.7%)** and **ANZ (-0.4%)** when they announced results late in the month. The financial performance for the six months ending March was solid for both banks. However, the market was rightfully focussed on the future and how the banks will be impacted by the ensuing economic downturn.

The financial results gave the first insight into the economic turndown as both banks applied a significant COVID-19 related overlay to their debt provisioning. This overlay is forward looking and captures their best estimate of how the economic downturn will collectively impact their bad debts in the future. NAB's bad debt provisioning was more than double the provisioning for the previous six months. ANZ's provisioning and **Westpac's (-1.3%)** pre-announced provisioning were both a bit higher in percentage terms than NAB's. In all cases provisioning was roughly in line with market expectations, and can be readily absorbed and managed by the banks. If anything, NAB's

[1] Share Price Discount to NAV (using NAV to four decimal places).

provisioning was seen as being on the optimistic side. NAB sensibly undertook a $3.5bn equity raising to bolster its capital position which was well received by the market. We participated in this equity raising.

Although ANZ did not raise equity, it did defer the payment of its interim dividend until there is more visibility on how the economy performs as Australia and NZ come out of lockdown.

The range of economic outcomes over the next year in Australia remains broad. The banks' management teams are being prudent in strengthening their capital positions further through taking steps such as raising equity in NAB's case or deferring the payment of dividends in ANZ's case. This positions them well to weather this downturn and to benefit when the economy does eventually begin recovering.

Portfolio Changes

We participated in the NAB and Credit Corp equity raisings in the month and re-balanced some positions. However there were no other material portfolio changes in the month.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

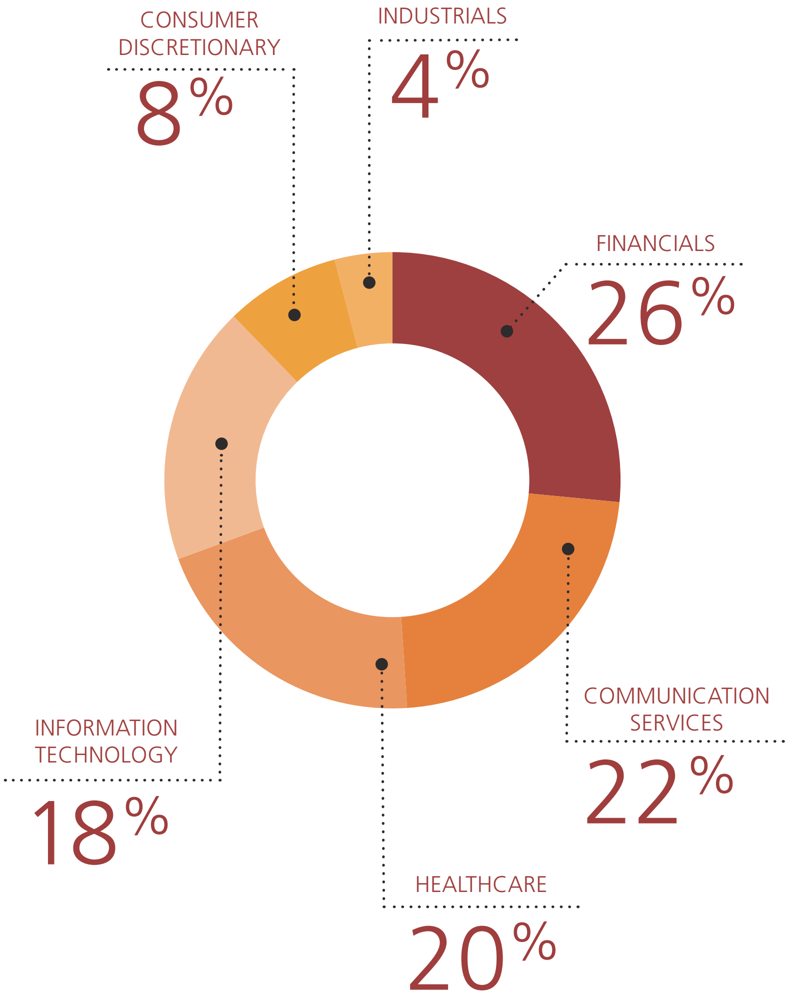
KEY DETAILS

as at 30 April 2020

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 FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	$0.58
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	207m
MARKET CAPITALISATION	$126m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 30 April 2020



The Barramundi portfolio also holds cash.

APRIL'S BIGGEST MOVERS in Australian Dollar Terms

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

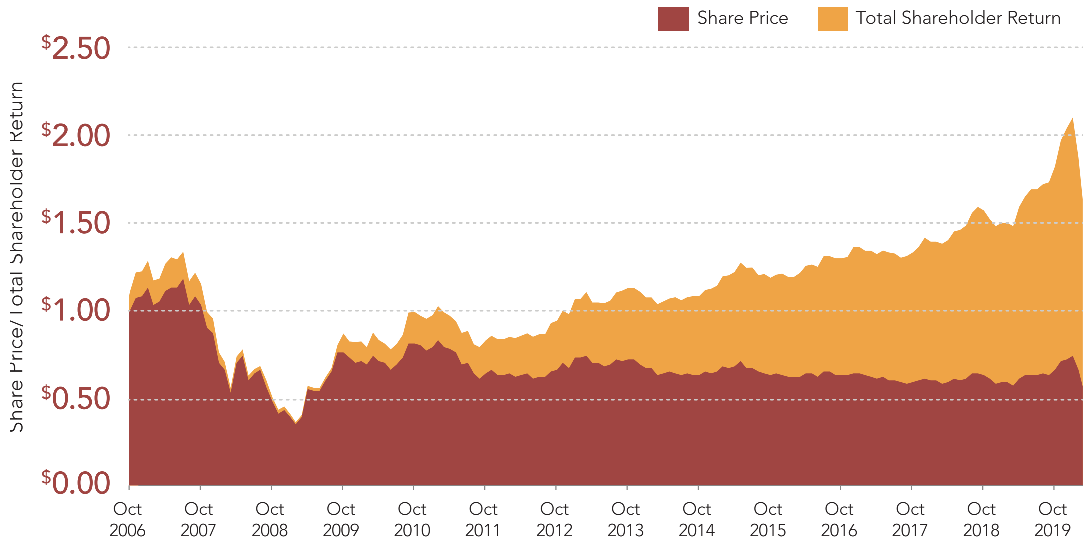
OOH!MEDIA	NANOSONICS	CREDIT CORP GROUP	CARSALES.COM	AUB GROUP
+62%	+23%	+21%	+21%	+20%

5 LARGEST PORTFOLIO POSITIONS as at 30 April 2020

CSL LIMITED	CARSALES.COM	COMMONWEALTH BANK	SEEK	XERO LIMITED
8%	7%	7%	7%	6%

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

TOTAL SHAREHOLDER RETURN to 30 April 2020



PERFORMANCE TO 30 APRIL 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+17.3%	(15.3%)	+11.6%	+10.5%	+7.9%
Adjusted NAV Return	+12.4%	(14.6%)	+2.8%	+7.5%	+7.3%
Portfolio Performance					
Gross Performance Return	+12.3%	(14.9%)	+5.6%	+10.7%	+10.5%
Benchmark Index^	+9.9%	(19.4%)	(8.5%)	+2.0%	+6.4%

^Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 31 January 2015 & 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 return to an investor after expenses, fees and tax,
- 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 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 its shares on market
- 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

Warrants

- Warrants put Barramundi in a better position to grow further, operate efficiently and pursue other capital structure initiatives as appropriate
- A warrant is the right, not the obligation, to purchase an ordinary share in Barramundi at a fixed price on a fixed date
- There are currently no warrants on issue

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