MONTHLY UPDATE

June 2020

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	PREMIUM[1]
$0.68	$0.67	2.0%

as at 31 May 2020

A WORD FROM THE MANAGER

In May Barramundi returned gross performance of +7.4% and an Adjusted NAV return of +7.4%. This compares to our benchmark, the ASX200 Index (70% hedged into NZ$), which returned +4.7%.

Supportive data around sustained improvement in Covid-19 cases across Australia has led to an earlier than expected (gradual) easing in lockdown conditions countrywide. There have also been tentative signs globally that countries are beginning to open up their economies from various states of lockdown. Along with the continued significant fiscal and monetary policy stimulus this has supported a continuation of the equity market rally throughout May.

Most sectors in Australia benefitted. The Information Technology (+14.5% in A$), Communication Services (+8.4%), Materials (+8.0%) and Real Estate (+6.8%) sectors led the market gains for the month. Driven by share price weakness from index bellwether CSL (see below), Healthcare (-5.3%) was the worst performing sector. Consumer Staples (-0.4%), Utilities (+2.8%) and Industrials (+3.7%) also lagged the index.

Portfolio News

Ansell (+23.5% in A$) continues to benefit from the increased focus on hygiene standards globally across the industrial sector and particularly within healthcare. This continues to drive structurally higher demand for gloves and protective equipment made by Ansell benefitting its earnings growth.

With Covid-19 related restrictions beginning to be eased in Australia, we have seen an early improvement in underlying data. There have been signs of improvement in consumer spending, in house and car sales activity as well as in an uptick in job advertisements. It is early days and these improvements are from depressed levels. But these positive changes have been sufficient to buoy share prices of portfolio companies such as employment advertiser **SEEK (+15.6%), Carsales (+13.8%)** and real estate classified advertising company, **REA Group (+12.9%)**.

Similarly, **AUB Group (+17.0%)** also benefitted from an improving domestic operating environment in Australia. Feedback across the insurance broking industry suggests that insurance premiums continue to tick higher and insurance broking activity remains reasonably robust.

After a strong run, **CSL (-10.7%)** underperformed the broader market in May. There was no material negative news from CSL itself in the month. CSL seemed to be affected by an investor rotation away from companies with defensive earnings characteristics in favour of companies with more cyclical earnings profiles and that potentially offer more upside from the economy opening up. In addition, a competitor to CSL had positive trial results for a new treatment for the rare condition Myasthenia Gravis. It is still early days in the drug approval process and we estimate that CSL only derives a small proportion of its overall revenue from treating patients suffering from Myasthenia Gravis. However, should this competing drug receive regulatory approval it could have a negative impact on CSL's future earnings. CSL's plasma collections are also currently being impacted by social distancing considerations. This is a shorter-term issue and will be solved in time.

Technology One (-3.3%) reported a softer set of financial results than the market was expecting. Its core earnings are predictable. However, it has downgraded its near-term earnings targets. Linked to this, its pace of growth is tracking below what is required in order to achieve its stated longer-term growth objectives. The company is not signing up as many new customers as expected. This does not seem likely to change in the near future. It is also taking longer than expected to convert customers using its software on-premise into the cloud. These factors all weighed on its share price performance.

Portfolio Changes

We added a position in **Woolworths** to the portfolio during May. Woolworths is a high quality dominant supermarket operator in Australia and has a strong presence in New Zealand. Woolworths benefits from a broad scale advantage. Along with a rational, duopolistic competitive structure in both countries this is supportive of the company's pricing power and profitability. Under CEO Brad Banducci, Woolworths has developed a credible track record over a number of years. It has cemented its pre-eminent position in supermarket retailing in Australia and New Zealand.

Given the uncertainty affiliated with the speed and breadth of Australia and New Zealand's post Covid-19 economic rebound, we are attracted by Woolworth's predictable, defensive earnings stream. Trading at a reasonable valuation, we were pleased to have added Woolworths to our portfolio during the month.

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

We exited our position in **Technology One** during May. We like the Technology One business and business model. It provides mission critical software to its customers including local council and government, and higher education organisations. Revenue from these customers is recurring and reliable. However, as discussed above, the company's growth is slow relative to what is required in order to meet management's stated longer term growth objectives. Linked to this, its valuation is stretched in our view. Should management execution improve and/or valuation adjusts to be reflective of this lower growth, we could well see Technology One back in the portfolio in the future.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

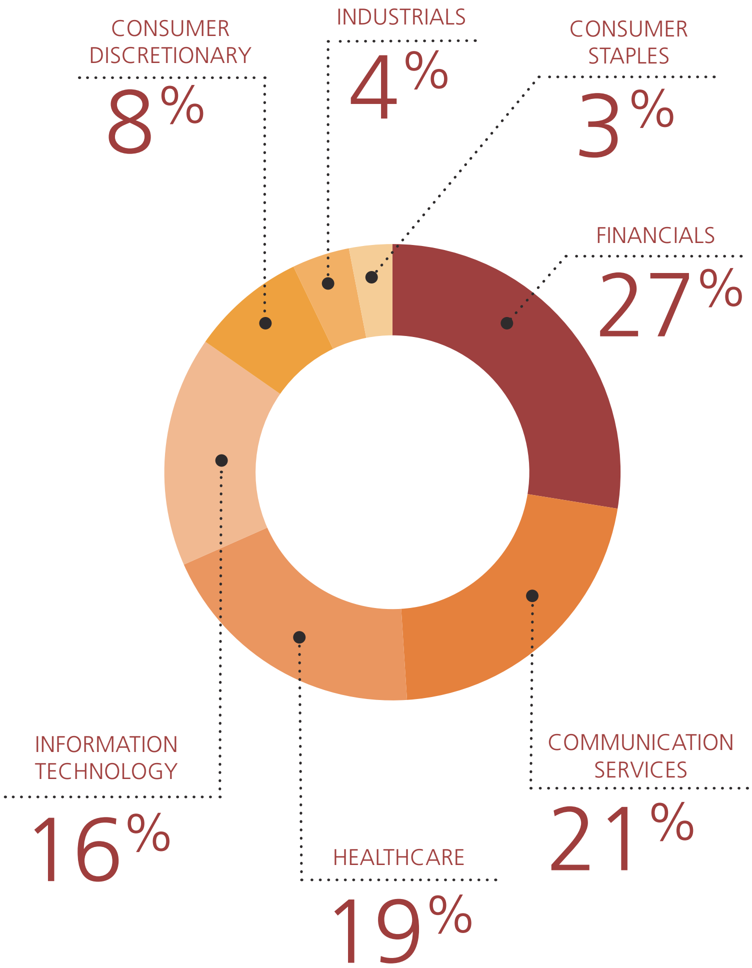
KEY DETAILS

as at 31 May 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	$141m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 May 2020



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.

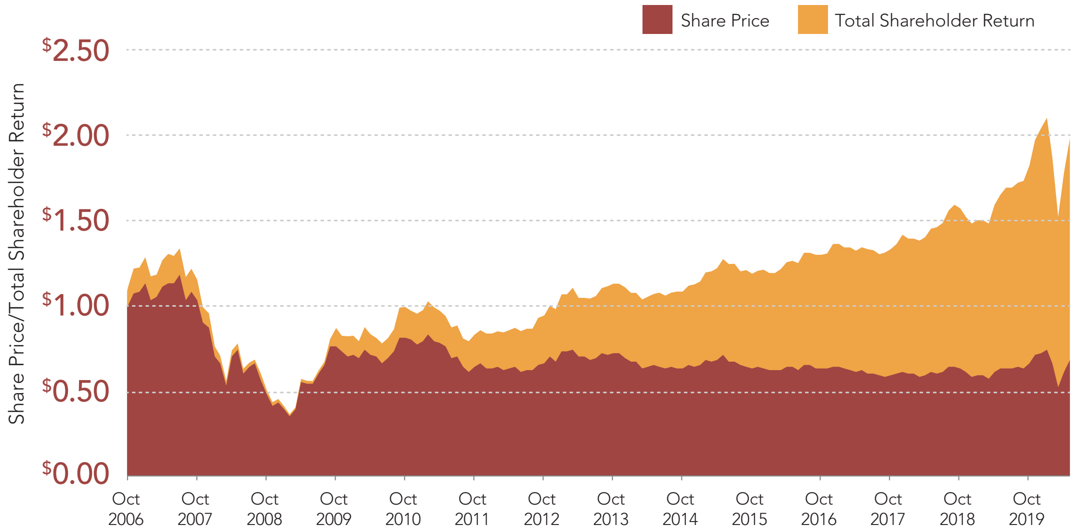
ANSELL	AUB GROUP	SEEK	CARSALES.COM	REA GROUP
+24%	+17%	+16%	+14%	+13%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2020

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

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

TOTAL SHAREHOLDER RETURN to 31 May 2020



PERFORMANCE TO 31 MAY 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+11.5%	+5.9%	+20.1%	+13.9%	+9.3%
Adjusted NAV Return	+7.4%	(1.8%)	+7.4%	+11.5%	+8.1%
Portfolio Performance					
Gross Performance Return	+7.4%	(1.6%)	+10.3%	+14.5%	+11.3%
Benchmark Index^	+4.7%	(8.7%)	(6.0%)	+4.9%	+6.1%

^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 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