MONTHLY UPDATE

August 2020

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	PREMIUM[1]
$0.71	$0.69	3.6%

as at 31 July 2020

A WORD FROM THE MANAGER

In July Barramundi returned gross performance of +1.1% and an Adjusted NAV return of +1.1%. This compares to our benchmark, the ASX200 Index (70% hedged into NZ$), which returned +0.7%.

The Australian share market edged higher in July in the face of a sharp uptick in COVID-19 cases in Victoria. This has led to the imposition of stringent lockdown measures across the state. Victoria contributes approximately 23% to Australia's GDP. While material, if the lockdown is successful in curbing the spread of the virus, this could prove to be a short-lived economic setback. Conversely, if it spreads further, especially across New South Wales, this setback might be more protracted.

None of the Barramundi portfolio companies are solely focussed on the Victorian market. We do have some portfolio companies with a domestic, nationwide focus including our bank shareholdings and online classified advertising businesses. Near-term earnings of these companies will be impacted to varying degrees by this lockdown. However, we'd note that the earnings from a number of our Australian facing companies are relatively defensive in nature such as Woolworths (supermarkets), Next DC (data centres) or AUB Group (insurance brokers). Demand for their goods and services is unlikely to be hampered much in this environment. In addition, we have a meaningful proportion of portfolio company earnings derived from international markets that are also not likely to be impacted by the Victorian lockdown. This includes the likes of CSL, Resmed, Ansell, Brambles, Sonic Healthcare, and Wisetech. We expect the government (state and federal) and the reserve bank (RBA) are likely to add to the significant COVID-19 related fiscal and monetary policy stimulus measures. This should offset some of the worst effects of this economic setback.

Drawing this together, we think our portfolio is well placed to weather this next COVID-19 challenge. We look forward to engaging with our portfolio companies on this topic through the August reporting season. And we will continue to focus on capitalising on investment opportunities that arise in this environment as we have done by adding Audinate to the portfolio in July (see below).

Portfolio News

Credit Corp (+21.8% in A$) rebounded strongly in the month as its financial results were well received by the market. Credit Corp's precautionary provisions for the expected impact of COVID-19 on future collections from its existing purchased debt ledger and consumer lending books saw reported earnings fall 78% in the period. However underlying earnings were a lot stronger, rising +13% ahead of the prior year. The company is also debt free and has substantial financial capacity available. It should now be able to deploy this profitably as the supply of defaulted debt from its clients (banks, utilities) is likely to increase due to the economic fallout from COVID-19.

Next DC (+15.3%) rose after announcing further large customer contract wins in the month. Demand for data centre capacity continues to rise as the COVID-19 pandemic accelerates the business transition to the digital economy.

Although there was no company specific news of note, **oOH!Media (-17.6%)** continued its price slide in July. The COVID-19 outbreak in Melbourne and related impacts will likely extend the time it takes for advertising markets to recover. This increases the near-term earnings uncertainty for oOH!Media. Longer-term, once the economy does recover, we think oOH!Media's earnings potential remains sound.

After rising strongly in June, **AUB Group (-11.3%)** slid in July. Healthcare provider **Nanosonics (-9.2%)** similarly was one of our worst performing companies in the month. In both cases there was no material company specific information of note.

Portfolio Changes

Audinate was added as a new position to the portfolio in July. Audinate's proprietary technology (known as Dante) has been established as the technology standard for digital professional audio networking systems globally. Sound system products (speakers, amplifiers, mixers) that are enabled by Dante technology can distribute digital audio signals across networks of audio equipment in many different settings. These include, corporate offices, places of worship, transport systems such as Sydney trains, and other venues such as the Boston Convention and Exhibition Centre, and sports stadiums such as the Minneapolis baseball stadium, Target Field.

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

Audinate's technology is underpinning a global structural shift from expensive analogue to far cheaper digital audio networked systems. This analogue to digital shift is at an early stage, thereby offering Audinate many years of growth in front of it.

Audinate has expanded the reach of its technology globally over the last decade. In doing so, manufacturers have increasingly found they need to include this technology in their products to enable them to be networked with audio products from other manufacturers. So for example, if speakers from one manufacturer were to be linked up digitally with microphones made by another, they both need the Dante technology. This has created a virtuous circle of increasing the demand for Dante technology and making it even more entrenched in audio equipment product cycles. This 'network effect' acts as a significant barrier to entry against competition and is a key source of Audinate's competitive advantage.

Audinate has also helped cement its position in the audio world by investing in educating sound technicians about its technology. There are now 120,000 Dante certified sound technicians globally, 40,000 of whom were certified during the recent COVID-19 related economic shutdowns. Audinate used their time wisely during the global lockdown. This adds to its advantage over potential competition.

The COVID-19 global slowdown in activity has provided a short-term cyclical headwind to Audinate's revenue growth, which has led to share price weakness in the past few months. However, the long-term structural growth potential remains undiminished.

We have therefore used this as an opportunity to add Audinate to our portfolio in July. This included participating in Audinate's $28m capital raising in the month. The capital raised adds to Audinate's cash balance and strengthens its balance sheet. This enables it to keep investing in innovation and growth throughout the global economic slowdown. Ultimately this should reward patient investors.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

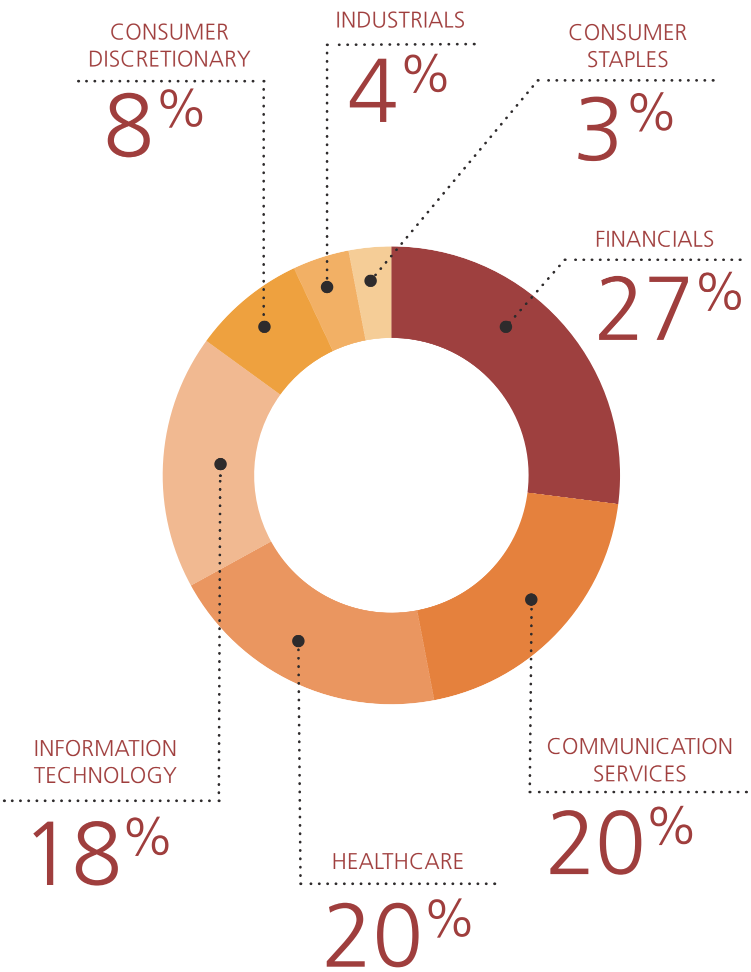
KEY DETAILS

as at 31 July 2020

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 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	$0.68
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	209m
MARKET CAPITALISATION	$148m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 July 2020



The Barramundi portfolio also holds cash.

JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month in Australian dollar terms

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

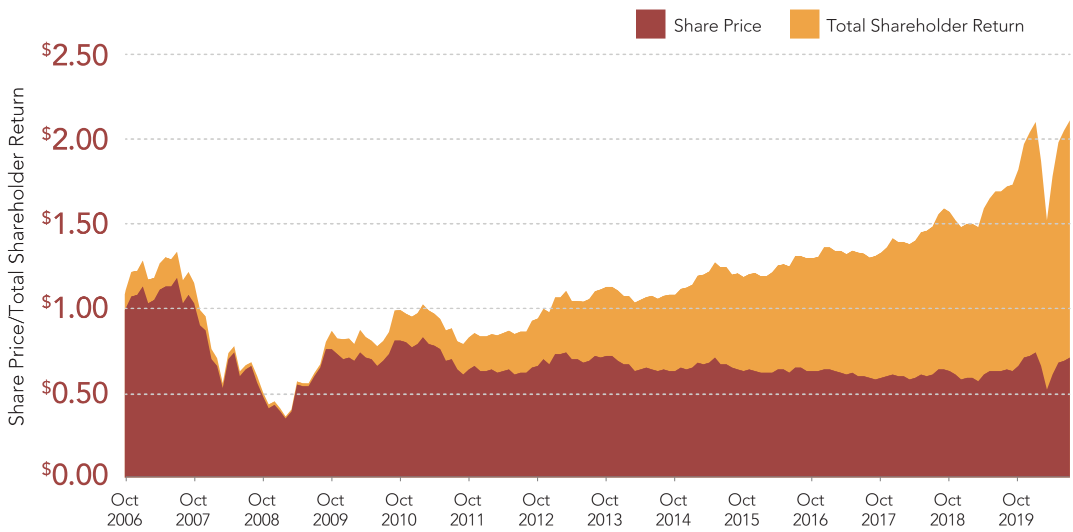
CREDIT CORP GROUP	NEXT DC LTD	NANOSONICS LTD	AUB GROUP	OOHMEDIA LTD
+22%	+15%	-9%	-11%	-18%

5 LARGEST PORTFOLIO POSITIONS as at 31 July 2020

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

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

TOTAL SHAREHOLDER RETURN to 31 July 2020



PERFORMANCE to 31 July 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.9%	+18.6%	+24.6%	+16.8%	+11.1%
Adjusted NAV Return	+1.1%	+12.6%	+7.2%	+13.3%	+8.9%
Portfolio Performance					
Gross Performance Return	+1.1%	+13.0%	+9.8%	+16.4%	+12.2%
Benchmark Index^	+0.7%	+8.2%	(8.6%)	+5.8%	+7.0%

^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 20 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 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

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