QUARTERLY NEWSLETTER

1 July 2020 – 30 September 2020

Share Price	BRM NAV	PREMIUM[1]
$0.76	$0.71	7.3%

as at 30 September 2020

When Auckland went into its second lockdown, one positive surprise was how willingly my 5-year old donned his mask when out in public. Whether it was the mask pattern, replete with superheroes, or a newfound acquiescence to Dad's requests (let's hope!), I was pleased. It also had the added benefit of dampening the verbal torrent of thoughts that seems to constantly stream forth.

As companies reported financial results during the quarter it was similarly notable how COVID-19 continues to reshape the business environment in surprising (and unsurprising) ways. Barramundi's blend of high-quality companies enabled it to credibly navigate this haphazard environment. This underpinned the +6.7% (gross performance) return for Barramundi, in excess of the benchmark index which was up +0.1% in the period. The Adjusted NAV return for the quarter was +6.4%.

The extended Victorian lockdown seems to finally have brought the state's COVID-19 test results under control. This has assisted with further economic re-opening measures in Australia. The government also announced significant new stimulus measures in the October budget. There is some light shining through for the economy, albeit more twists and turns undoubtedly lie ahead.

Flights are restricted, but we can drive

A surprising business trend has been the increase in expenditure in all things auto related. This was evidenced by the +54% (in A$) rise in our top performing company in the period, **ARB Corp**.

ARB Corp manufactures and sells branded 4x4 accessories. It stands to reason that with international leisure travel off the agenda, domestic travel will increase. ARB has also clearly benefitted from fiscal stimulus induced consumer spending, and favourable tax policy in Australia. Nevertheless, management have been surprised at the extent of the demand for accessories. People have kitted out 4x4s for domestic travel en masse. This has applied to its Australian market as well as the Middle Eastern and European markets. ARB had reduced production as orders dried up in the depths of March and April. It then went into production overdrive to meet the rebounding demand for its products in what were consecutive record months for the company in June and July.

Carsales (+18% in the quarter) has also benefitted from a surge in demand for vehicles advertised on its domestic and international websites. Heightened demand for domestic car travel and an aversion to public transport has resulted in an increase in first-time car buyers and boosted vehicle demand.

The digital future has been pulled forward

A less surprising trend during reporting season is the continued acceleration of the structural shift to a digital economy.

Wisetech (+33%) provides one such example. It has announced the global rollout of its Cargowise software for seven key customers in the last nine months. This compares to 1-2 global rollouts announced per year historically. Wisetech also confirmed that with a broad foundation to the company well established, its era of land-grab acquisitions is largely complete. This has been a point of contention for investors, so was well received by the market.

In a like vein, Australia's premier data centre owner, **Next DC** (+24.3%) announced a number of further large customer contract wins in the period. This increased demand drove an uplift in Next DC's expenditure on new data centres from $320-340m to $340-380m for the 2020 financial year. The company expects this to rise further to $380-400m in 2021.

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

ARB GROUP LTD	WISETECH GLOBAL	OOH!MEDIA	NEXTDC	CARSALES.COM
+54%	+33%	+33%	+24%	+18%

Portfolio changes: Parsing the structural from the cyclical trends

In a case of 'letting the winners run', we have increased our portfolio weightings in Next DC and Wisetech. Both are beneficiaries of favourable structural shifts in their industries.

We have also increased our weighting in **CSL**, the world's leading plasma therapy manufacturer. CSL (+0.5% over the quarter) is one of our highest quality companies in the portfolio. Plasma collections, particularly in its key US market have been negatively impacted by COVID-19. Donors have not wanted to risk catching COVID when donating blood. This has weighed on CSL's profitability near term. The company delivered a credible financial result in August considering this backdrop. More recently, as the US economy has re-opened, donors have begun to return. We expect momentum in earnings growth to soon follow.

Conversely, we have reduced our weighting in **ARB Corp**. We regard the company highly. It has a strong reputation and brand. However as discussed, some of the factors driving the heightened demand for its products and profitability growth are likely to be transitory.

We have reduced our weighting in pathology testing company, Sonic Healthcare. Sonic has been a strong beneficiary of COVID-19 testing. Swabs are processed in its labs. This boost to profitability has driven an increase in the share price (+10.7% in the period). Elevated COVID-19 testing will be a feature of our lives for some time. But the rate of testing, and arguably government reimbursement for processing tests, will likely fall in the future.

We also reduced our weighting in **CBA** during the period following a re-rating in its share price.

New portfolio additions: Adding structural winners to the portfolio

We added two new companies to the portfolio during the quarter, **Audinate** and **Fineos**. Both are beneficiaries of the structural shift to the digital economy.

Audinate's proprietary technology (known as Dante) has been established as the global 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 in corporate offices, houses of worship, transport systems

[1] Share price premium to NAV (using NAV to four decimal places)

such as Sydney trains, as well as venues such as the Boston Convention and Exhibition centre and Minneapolis baseball stadium, Target Field.

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

We have taken advantage of the recent share price weakness precipitated by a short-term cyclical headwind to revenue growth to add Audinate to our portfolio.

Fineos is led by founder (and majority shareholder) Michael Kelly. It is a leading provider of policy administration systems software to insurance companies operating in the Life, Accident & Health (LA&H) insurance industry. Its key Claims product helps insurance companies efficiently process associated health insurance related claims.

Fineos counts some of the leading insurers in the USA, Australia and ACC in NZ amongst its client base. The LA&H industry is in the early stages of switching from legacy mainframe-centric systems to digital products like those offered by Fineos.

We have followed Fineos closely since it listed on the stock market in 2019. We have been impressed by management's track record since then. They have successfully won new customer contracts, broadened the company's reach within existing customers and have converted customers from using the on-premise version of Fineos' software to the cloud-based version.

With the strength of Fineos' best in class software and its runway for growth abetted by management's track record, we were pleased to add the company to our portfolio.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
16 October 2020

PERFORMANCE
as at 30 September 2020

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+12.2%	+20.7%	+13.8%
Adjusted NAV Return	+6.4%	+14.0%	+11.5%
Portfolio Performance			
Gross Performance Return	+6.7%	+17.1%	+14.8%
Benchmark Index[1]	+0.1%	+5.1%	+7.7%

[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 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 newsletter 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/

COMPANY NEWS
Dividend Paid 25 September 2020

A dividend of 1.34 cents per share was paid to Barramundi shareholders on 25 September 2020, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 36% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on 09 488 8777.

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PORTFOLIO HOLDINGS SUMMARY
as at 30 September 2020

Company	% Holding
Ansell	2.7%
ANZ Banking Group	3.9%
ARB Corporation	2.2%
AUB Group	4.7%
Audinate Group	1.7%
Brambles	4.0%
Carsales	6.5%
Commonwealth Bank	4.8%
Credit Corp	3.5%
CSL	8.6%
Domino's Pizza	2.4%
Fineos Corporation Holdings	1.8%
Link Administration Holdings	1.7%
Nanosonics	2.5%
National Australia Bank	3.6%
NEXTDC	4.2%
Ooh! Media	2.2%
PWR Holdings	2.2%
REA Group	3.9%
ResMed	4.0%
SEEK	6.1%
Sonic Healthcare	2.7%
Westpac	4.0%
Wise Tech Global	5.3%
Woolworths Group	**3.0%**
Xero	6.2%
Equity Total	**98.4%**
Australian cash	**0.5%**
New Zealand cash	0.5%
Total cash	**1.0%**
Centrebet Rights	0.0%
Forward foreign exchange contracts	**0.6%**
Total	**100.0%**

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