MONTHLY UPDATE

March 2022

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	PREMIUM[1]
$0.85	$0.74	15.3%

as at 28 February 2022

A WORD FROM THE MANAGER

In February, Barramundi's gross performance return was down (2.8%) and the adjusted NAV was down (2.9%). This compares to the ASX200 Index (70% hedged into NZ$) which was up 2.1%.

February heralded the twice-yearly earnings reporting season for the ASX. On the whole, earnings across industries were well received by the market. However, the broader macro concerns we wrote about last month (inflation and rising interest rates) coupled with the outbreak of war in Europe, dictated returns across market sectors. These events helped drive the Energy sector (+5.8%) higher in the month. The Consumer Staples (+5.6%) and Utilities (+3.0%) sectors also performed well. The Information Technology (-6.9%), Consumer Discretionary (-5.8%) and Communication Services (-2.2%) sectors lagged.

Portfolio News

Our portfolio companies in aggregate, delivered a strong set of earnings results, and were cautiously optimistic about their outlooks. We think our portfolio companies are well positioned to keep growing their earnings and doing well over time.

Recent portfolio addition **Cochlear** (+15.8% in A$), released robust results despite Omicron impacting hospital access. This reduced the number of cochlear implants in some regions. Its global scale shone through with worst hit areas such as the US offset by a recovery in cochlear implants in Western European and Emerging Markets. Cochlear expects hospital theatre access to improve as the Omicron wave subsides, albeit at different rates across regions.

PWR Holdings (+11.0%) reported strong growth across all divisions. Its motorsport division benefitted from the return of the European racing series that had previously been suspended due to Covid. It also had additional work stemming from changing Formula 1 regulations. PWR commenced supplying cooling products for the long-awaited Aston Martin Valkyrie supercar. Its focus on research and development is bearing fruit with sales in its Emerging Technology division growing almost +40% in the period.

The last two years have been difficult for **Ooh! Media** (+4.9%) as Covid-related restrictions have reduced audiences (and hence spending) for its outdoor advertising formats. Happily, 2021 was a year of improvement with OML reporting a return to profit on an underlying basis for its December 2021 year. With the end of lockdowns in NSW and Victoria in October, OML finished 2021 strongly. Several of its segments delivered revenue in November and December above the same months of 2019 (pre-Covid). This momentum has been maintained into 2022 and bodes well for continuing earnings recovery if Covid restrictions continue to ease.

During the month **Brambles** (+2.4%) reported a 3% rise in underlying NPAT for its December 2021 half year. The increase was muted by higher costs for the company's wide-ranging business transformation programme. Excluding these costs, earnings rose by about 8%, consistent with the increase in revenue for the half year. This was a commendable earnings performance as the period was characterised by very high levels of input cost inflation (lumber & transport) and operational inefficiencies stemming from Covid-related supply chain disruptions. Brambles was able to offset the impact of higher costs through price adjustments, the contractual protections embedded in its contracts (indexation & surcharges) and its own efficiency initiatives. These all speak to the strength of its competitive position. The company modestly increased its earnings guidance for the June 2022 year.

Audinate (-5.8%) reported revenue growth of 33% over the prior half year and highlighted the continuation of a strong customer order book of demand for its products. The number of customers using its technology continues to expand. An additional 32 new customers shipped products including Audinate's Dante technology in them for the first time in the period. Audinate expanded its capability in networked video by acquiring a team of video hardware specialists in Belgium. Along with its video software team in the UK, this acquisition provides a good platform for Audinate to accelerate the development of networked video and AV products. With $60m of cash on hand, Audinate has a strong balance sheet to help fund its growth plans.

Despite all posting strong half year results with solid outlook statements, **REA** (-9.3%), **SEEK** (-8.0%) and **Carsales** (-7.0%) all fell during the month. SEEK grew core Australian revenues +72% as hiring conditions rebounded from a Covid impacted 2020. Market conditions remained robust through January and SEEK increased its full year 2022 earnings guidance. Likewise, REA commented that the strong property market conditions seen in late 2021 had continued into January. Carsales reported revenue growth of +21.8% in the year, with strong contribution from all key divisions. It maintained its guidance for strong profit growth in full year 2022. All three companies are well positioned for future growth.

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

Nanosonics fell -17.5% during the month after announcing that it is no longer going to rely on General Electric to distribute products for it in the US. Nanosonics will distribute directly to customers, as it does in other regions. This impacts near-term revenue as General Electric runs down its inventory in anticipation of the change. However, the move to a direct sales model gives Nanosonics greater control over its customer relationships which is strategically sensible. It also arguably increases Nanosonics opportunity to sell more products to new departments within the hospitals previously served by General Electric.

Domino's (-23.7%) result for its December 2021 half year was not well received. Domino's reported a 5% decline in profit for the half year, primarily due to a drop in earnings from its Japanese business. This had two causes. First, after Japan's State of Emergency ended in October, restrictions on restaurant dining was removed. This led to a step-down in Domino's sales. Second, the business is bearing the cost of the large number of immature company-operated stores it has opened in Japan over the last year.

Dominos will continue to face demanding Covid assisted sales comparisons across its various geographies for the rest of its 2022 year. It will also have to contend with inflation pressures. We continue to regard Domino's long-term prospects as attractive. Its store count is targeted to double over the coming decade, and it benefits from the structural shift to online ordering and meal delivery.

Portfolio Changes

We did not make material changes to our target weights for companies in February. As we did in January, given the share price performance dispersion across the portfolio, we trimmed our financials and added to some of our high quality, growing businesses whose share prices have fallen a long way.

We topped up our positions in the likes of Domino's, Nanosonics, SEEK, REA and Carsales.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

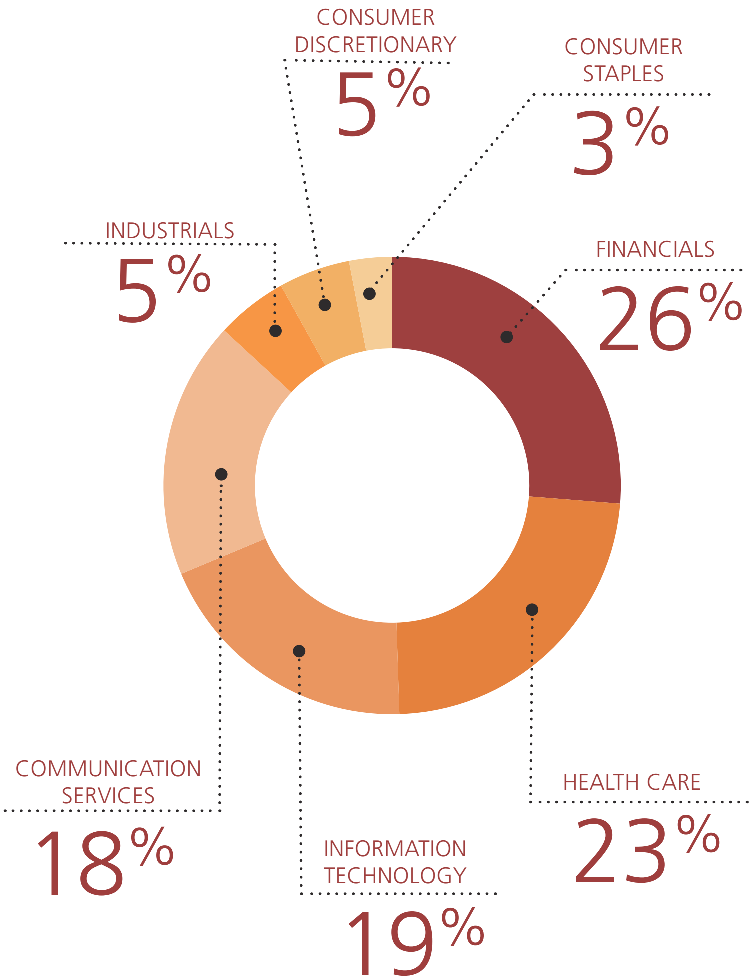
KEY DETAILS

as at 28 February 2022

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	$0.79
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	265m
MARKET CAPITALISATION	$225m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 28 February 2022



The Barramundi portfolio also holds cash.

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

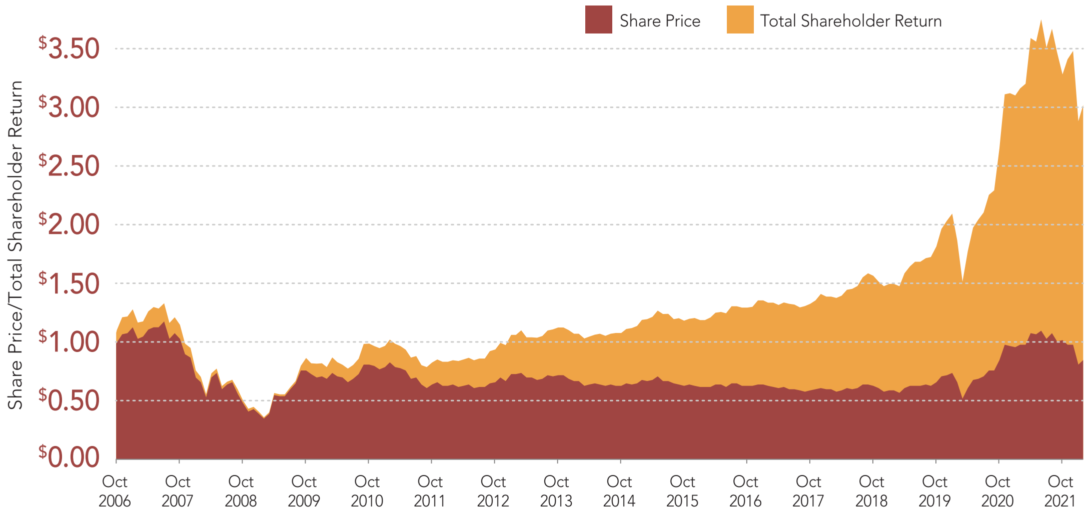
COCHLEAR	FINEOS	XERO	NANOSONICS	DOMINO'S
+16%	-13%	-17%	-18%	-24%

5 LARGEST PORTFOLIO POSITIONS as at 28 February 2022

CSL LIMITED	CARSALES.COM	WISETECH	SEEK	CBA
9%	6%	6%	5%	5%

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

TOTAL SHAREHOLDER RETURN to 28 February 2022



PERFORMANCE to 28 February 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+4.9%	(11.6%)	(4.4%)	+26.1%	+17.8%
Adjusted NAV Return	(2.9%)	(10.8%)	+6.7%	+15.7%	+13.4%
Portfolio Performance					
Gross Performance Return	(2.8%)	(11.0%)	+8.4%	+18.6%	+16.5%
Benchmark Index^	+2.1%	(0.8%)	+10.7%	+9.0%	+8.9%

^Benchmark Index: 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 https://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

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), Terry Tolich and Delano Gallagher (Senior Investment Analysts) 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 Board of Barramundi comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

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 Barramundi warrants on issue

Barramundi
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