QUARTERLY NEWSLETTER

1 July 2022 – 30 September 2022

Share Price	Warrant Price	BRM NAV	PREMIUM[1]
$0.71	$0.02	$0.65	10.5%

as at 30 September 2022

Macro-economic (inflation and interest rate) and geopolitical concerns continued to dominate headlines and influence share markets during the third calendar quarter (Q3). Against this backdrop, Barramundi's gross performance was up 3.9%, outpacing the benchmark ASX index which rose 1.4% (70% hedged into NZ$).

Interest rate gyrations added to share market volatility during Q3

The Reserve Bank of Australia ("RBA") joined the ranks of hawkish central banks by accelerating its pace of interest rate increases in June, leading to a sharp lift in bond yields and a sharp sell-off in the equity market in June. By the start of Q3, interest rates had stabilised and then fell through to early August. This buoyed the equity market. Rising interest rates once again drove a retracement in share prices, as equity markets fell during September.

The quality of our portfolio companies was evident during the biannual reporting season

Barramundi's performance was influenced by these moves. It was also supported by a strong reporting season for our portfolio companies in August.

In reporting their financial results, it was heartening to see evidence that many of our portfolio companies are lifting their prices and offsetting inflationary cost pressures. Pricing power is a clear sign of a business with a strong competitive advantage. It is a key consideration for us when evaluating the quality of a business.

A second positive theme emerging through reporting season was that pandemic related supply chain disruptions are showing signs of easing. This bodes well for the continued normalisation of trading activity and future revenue growth for affected companies.

Both these themes were reflected in **Resmed's** (+10.4% in A$ in Q3) financial results. Resmed circumvented microchip shortages and increased the supply of sleep disordered breathing equipment and masks to its customers during Q3. It lifted pricing 5% at the start of July and it is also growing its market share at the expense of its key competitor, Phillips. Phillips has had to recall a large number of faulty products, impairing its ability to meet customer demand in the interim.

Insurance broker **AUB Group** (+10.4%) also reported strong profit growth buoyed by a 9% increase in insurance premium rates and good cost containment by the management team. Global pallet provider, **Brambles** (+8.1%), is similarly benefitting from high demand for its pallets from customers. This has enabled Brambles to meaningfully lift pricing when contracts come up for renewal, more than offsetting strong lumber and transport cost inflation.

Pricing initiatives also helped classified advertising businesses **Carsales** (+3.5%) and **REA** (+3.4%) deliver strong financial results.

Supply chain constraints are also easing for our largest position, **CSL** (+6.6%). It is benefitting from a rebound in plasma collections as customers, no longer restricted by lockdowns, resume blood donations at its centres.

Near term headwinds present investment opportunities in firms with bright long-term prospects

Short term market concerns weighed on some of our companies that delivered sound financial results in Q3. We took advantage of these near-term concerns and added to some of our high-quality companies with bright long-term earnings prospects.

Domino's (-23.4%) for example is exercising pricing power. It introduced delivery surcharges and altered the mix of its pizza menu promotions to effectively lift pricing and protect its margins. However, Domino's was also a strong beneficiary of COVID lockdowns during 2021 when its delivery sales skyrocketed. During 2022, it has faced a near term growth headwind as lockdowns have eased, making it difficult to match its 2021 performance. With a large presence in Europe, Domino's has also been impacted by investor concern about the broader economic impacts of the Ukraine war.

Domino's remains a strong, well-run fast-food business. Our long-term growth expectations for the company to almost double its store footprint in a decade remains undiminished. With the share price back at pre-COVID levels we've used this as an opportunity to add to our position in the company.

Strong financial results didn't help some of our early stage, fast growing companies such as data centre operator **Next DC** (-17.1%), **Fineos** (-15.5%) and **Audinate** (-4.1%). These companies are navigating the environment adequately. Audinate for example beat earnings expectations on the back of price increases, cost discipline and an easing of its own supply chain bottlenecks.

However, these companies are investing strongly for growth which depresses near term profitability. The bulk of the cash flows from these businesses will consequently be generated years in the future. As such, their valuations are disproportionately impacted by high interest rates because the discounting effect of high rates on these long-dated cash flows is amplified compared to businesses generating a lot of cash today. This dynamic has weighed on their relative share price returns during Q3.

Patience is required with these shareholdings. However, as **WiseTech** (+37.5%), our best performing company in Q3 has shown, when fast growing companies begin reaping the benefits of getting to maturity, profitability inflects upwards. The reward can be worth the wait.

WiseTech rewarded for the inflection in its profitability

Demand for WiseTech's software continues to grow as its key global freight forwarder customers are increasingly seeing the benefits that this brings to the efficiency with which they can run their own businesses. This increased demand has underpinned strong revenue growth for WiseTech over many years including a 25% increase in FY22.

What has positively surprised the market over the last year is that the company has found ways to sustainably improve its efficiency and contained the growth in its cost base.

We have been adding to high quality companies with strong long-term prospects

We have taken advantage of the volatility and dispersion in share price returns across our portfolio to increase our weighting in companies such as AUB Group, Credit Corp, Domino's and REA. These are all high-quality businesses with strong long-term prospects.

To fund these changes, we've trimmed our weighting in companies with either narrower economic moats, or businesses that have outperformed and offer less return upside or that have greater earnings uncertainty over the next couple of years. This includes Ansell, Carsales, and SEEK.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
14 October 2022

[1] Share price premium to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

WISETECH	PWR HOLDINGS	ANSELL	NEXTDC	DOMINO'S
+37%	+33%	+14%	-18%	-23%

PERFORMANCE
as at 30 September 2022

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	(6.2%)	+15.9%	+15.6%
Adjusted NAV Return	+3.9%	+7.2%	+10.8%
Portfolio Performance			
Gross Performance Return	+3.9%	+9.4%	+13.4%
Benchmark Index[1]	+1.4%	+3.6%	+7.4%

[1] 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 percentage change in the adjusted NAV value,*
- *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 23 September 2022

A dividend of 1.36 cents per share was paid to Barramundi shareholders on 23 September 2022, 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.

PORTFOLIO HOLDINGS SUMMARY
as at 30 September 2022

Company	% Holdings
Ansell	2.5%
ANZ Banking Group	2.5%
AUB Group	5.0%
Audinate Group	1.8%
Brambles	4.0%
Carsales	5.7%
Cochlear	2.1%
Commonwealth Bank	4.9%
Credit Corp	3.7%
CSL	10.4%
Domino's Pizza	3.9%
Fineos Corporation Holdings	1.6%
James Hardie Industries	2.6%
Macquarie Group	3.0%
Nanosonics	2.2%
National Australia Bank	3.5%
NEXTDC	4.0%
Ooh! Media	3.0%
PWR Holdings	2.4%
REA Group	4.4%
ResMed	4.5%
SEEK	4.3%
Westpac	2.7%
WiseTech Global	6.9%
Woolworths Group	2.9%
Xero Limited	4.3%
Equity Total	**98.8%**
Australian cash	0.6%
New Zealand cash	1.7%
Total cash	**2.3%**
Centrebet Rights	0.0%
Forward foreign exchange contracts	(1.1%)
Total	**100.0%**

FOREIGN TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARD (CRS)

As a result of the New Zealand Government agreeing to participate in the exchange of information with other jurisdictions under the Foreign Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), Financial Institutions are required to undertake due diligence to determine the account holders' jurisdiction of tax residence. If shareholders have not previously self-certified, they will receive a Tax Residency Self-Certification form from Computershare depending on when they first purchased their securities. Please ensure you complete and return this important document if you have not already done so. For more information please visit the IRD website: https://www.ird.govt.nz/international-tax/exchange-of-information/crs/registration-and-reporting or contact Computershare if you are unsure of whether you have completed your form.

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