MONTHLY UPDATE

June 2023

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	PREMIUM[1]
$0.72	$0.72	0.3%

as at 31 May 2023

A WORD FROM THE MANAGER

In May, Barramundi's gross performance return was down 0.5% and the adjusted NAV return was also down 0.5%. This compares to the S&P/ASX200 Index (70% hedged into NZ$) which fell 2.2%.

The Australian share market was dragged down in the month by a mixture of negative economic data. This included a stronger than expected annual inflation increase of 6.8% for April, released late in the month. This increased the odds of a further interest rate hike by the RBA. The Consumer Discretionary sector (-6.2%) was the worst performing sector in the month. Soft interest margin data within banks results (see below) resulted in Financials (-4.8%) also weighing on index returns. Chinese economic data also disappointed which helped drag Materials (-4.5%) lower. Boosted by strong earnings results from technology companies in both Australia and the US, the Information Technology sector (+11.6%) was the best performing sector in May.

Portfolio News

Xero's (+17.8% in A$) share price rose strongly after releasing a pleasing 2023 financial year-end result. Revenue growth of +28% was in line with market expectations. However underlying profitability was better than expected. Total subscriber growth of 14% also allayed some concerns about Xero's growth trajectory. The core markets of Australia and NZ continue to perform well, and Xero subscriber numbers rebounded in the UK. However, North America remains a struggle for the company.

Xero's new CEO seems to be settling in well. She has emphasised that the company will be more disciplined and focused in the way it manages its resources. Xero will have better balance between focussing on profitability and cash generation and investing aggressively in growth initiatives. The CEO and her team are reviewing Xero's approach to the North American market and will provide an update later on in the year on how they intend to tackle that opportunity.

The share price of fibre cement siding manufacturer, **James Hardie** (+13.1%), also rose strongly after the release of its 2023 financial year end results. James Hardie's results were in line with recent guidance given to the market. However, the company's outlook for the June '23 quarter was ahead of market expectations. Management expects sales volumes for the rest of the year to be substantially lower than last year. Offsetting this, the company expects profitability to be buffered by increased pricing of its products and disciplined cost management.

NEXTDC (+11.7%) raised A$618m of new equity in May to fund future growth projects. We participated in the equity raising. Of this, A$390m has been earmarked to fund expansion into two new regions, Kuala Lumpur and Auckland. A$150m will be used to accelerate the build at its Sydney (S3) data centre. This comes after NEXTDC had only last month announced the largest customer win in Australian history. This customer will be hosted at S3. The balance of the funds would be used to fund future growth projects. The share price also possibly benefitted from the improving sentiment towards companies benefitting from the growth in Artificial Intelligence ("AI"). NEXTDC is seen as a beneficiary of the generative AI trend. Generative AI will likely require vastly increased data storage and computing power from data centres like those built by NEXTDC.

Macquarie (-4.1%) delivered FY23 after tax profit of over A$5.1bn at its results release in May, +10% higher than the prior year, and ahead of market expectations. The reason for the muted share price reaction we suspect is because the earnings 'beat' came from Macquarie's commodities and global markets (CGM) division. CGM derives a lot of its earnings through commodity and energy related (e.g., gas, electricity) trading activities. Trading income is volatile, so investors (and Macquarie management) are reticent to extrapolate CGM's FY23 profitability into the future. That said, Macquarie delivered credible results across its other divisions in what has been a trying year for financial market participants. The business is well run, well capitalised, and well positioned for the future.

Our bank shareholdings weighed on portfolio performance. **NAB** (-7.1%), **ANZ** (-2.6%) and **Westpac's** (-4.9%) results followed in **CBA's** (-2.6%) footsteps from earlier in the year, in that, while the results were good, net interest margins generally disappointed. With the economic environment getting tougher, profit growth will likely be harder to come by in the coming year.

As part of a A$165m equity raising, **AUB Group** (-8.0%) lifted after tax profit guidance for its FY23 year by a further 4%, to A$120-124m. This represents growth of 65% on 2022 reflecting both solid organic growth and the inclusion of nine months of earnings from a major UK acquisition, Tysers. Organic growth is being underpinned by the continuing rise in insurance premium rates. This is also benefitting Tysers, which is performing ahead of AUB's expectations. Tysers was mainly purchased for its wholesale broking business, but it also includes a retail broking operation. Originally the retail business was to be sold into a 50/50 joint venture (JV) with PSC Insurance Group, another ASX-listed insurance broker with pre-existing UK operations. The JV is no longer proceeding as PSC wanted a pathway to full ownership of the retail business and AUB wished to maintain an on-going shareholding. In lieu of the $100m that the formation of the JV would have released to AUB, it has now raised new equity. We participated in the equity raising.

oOh!media's share price fell 25.8% over May in what we view as an overreaction to a trading update early in the month. This update indicated March quarter revenue was up by 3% on the prior year

[1] Share Price Premium to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).

and that the June quarter to that date was slightly ahead of 2022. At the company's AGM a week later, the June quarter was reported as running 3% ahead of last year, with May and June pacing at double digit growth to offset April's 10% decline. Softer Government-related spend versus last year's COVID & Federal election advertising are obvious current headwinds, as is the loss of some market share to competitor QMS' new City of Sydney Street furniture assets. We expect the out-of-home advertising sector, including oOh!media, to outperform softening overall ad spend this year. Some out-of-home formats are still recovering post COVID, and these will garner additional spend as audiences return.

Over the longer term, out-of-home should continue to take share from other media formats. This will be driven by ongoing digitisation of its asset base, increasingly sophisticated audience measurement giving advertisers confidence of the return on their spend, and greater programmatic trading of out-of-home inventory giving advertisers more flexibility.

Portfolio Changes

We participated in both the AUB and NEXTDC equity raisings and topped up our oOh!media shareholding after it fell following its trading update.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

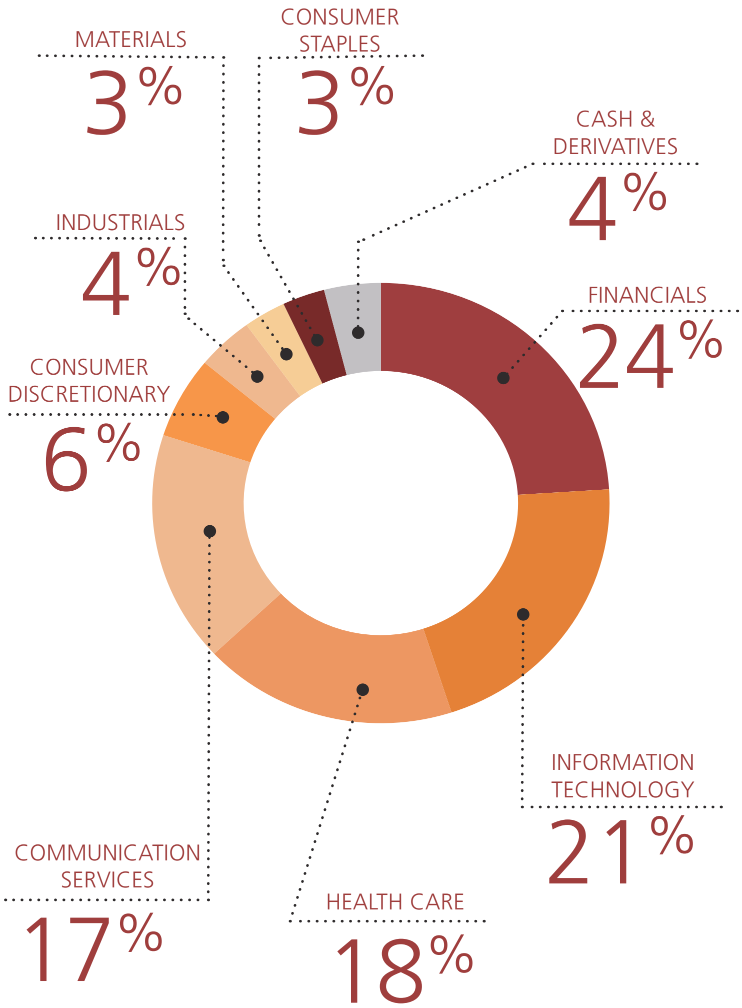
KEY DETAILS

as at 31 May 2023

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	$0.71
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	274m
MARKET CAPITALISATION	$197m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 May 2023



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

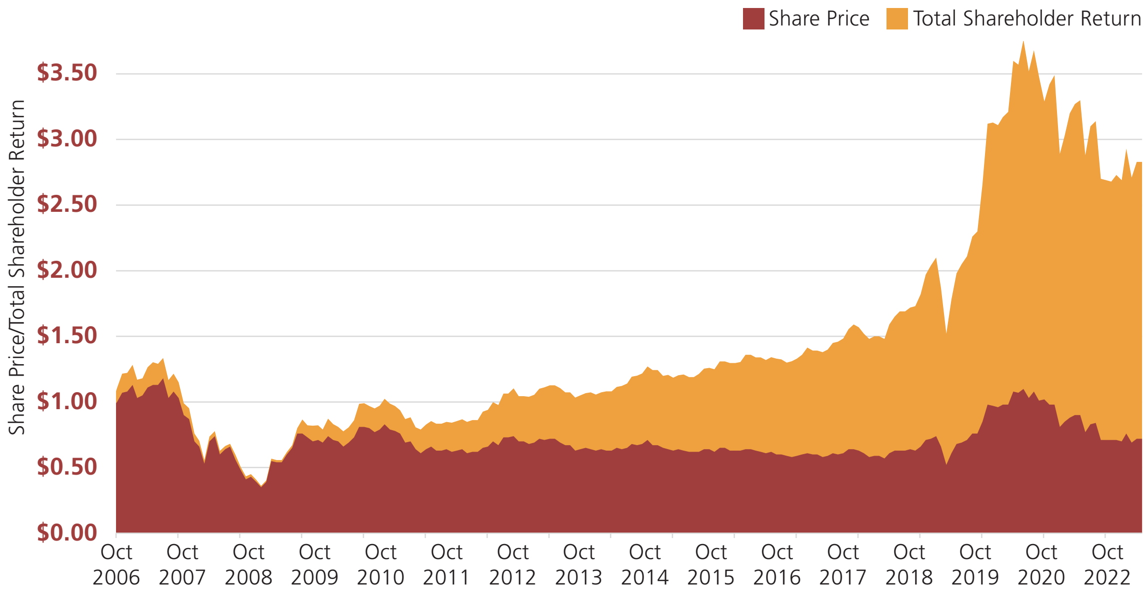
XERO	JAMES HARDIE	PWR HOLDINGS	NANASONICS	oOH!MEDIA
+18%	+13%	-12%	-12%	-26%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2023

CSL LIMITED	WISETECH	CARSALES.COM	AUB GROUP	XERO
10%	7%	6%	6%	5%

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

TOTAL SHAREHOLDER RETURN to 31 May 2023



PERFORMANCE to 31 May 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(0.0%)	(3.5%)	(14.4%)	+12.6%	+14.3%
Adjusted NAV Return	(0.5%)	+3.5%	+10.8%	+12.8%	+11.0%
Portfolio Performance					
Gross Performance Return	(0.5%)	+4.4%	+13.5%	+15.3%	+13.9%
Benchmark Index^	(2.2%)	(0.9%)	+2.7%	+11.9%	+7.8%

^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 dividends (and other capital management initiatives) and after expenses, fees and tax,
» adjusted NAV return – the percentage change in the adjusted NAV,
» 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 Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

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 utilised 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

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