QUARTERLY NEWSLETTER

1 July 2023 – 30 September 2023

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	PREMIUM[1]
$0.72	$0.71	1.8%

as at 30 September 2023

Barramundi ended the quarter with gross performance of +0.8%, while the adjusted NAV return for the quarter was -0.01%. This compares with the benchmark return which was down -0.9%. The portfolio rose strongly across July and August following some robust financial results delivered by our portfolio companies. However, rising interest rates and mixed economic data weighed heavily on equity markets in September.

The Australian 10yr Government bond rate rose sharply in September from 4.0% to 4.5% in the month. This followed economic indicators which suggested that, while inflation has come down, it is proving to be stickier than the Reserve Bank of Australia ("RBA") anticipated. Hence while interest rate hikes by the RBA this economic cycle may be close to peaking, it could be some time before cost pressures for households are alleviated through interest rate cuts.

Gyrations in inflation and interest rates may impact equities in the near term. However, the ability of our companies to grow their earnings and widen the economic moats around their businesses is likely to be the predominant long-term driver of their returns.

Pleasing financial results from a number of portfolio companies drove Barramundi's outperformance in Q3. These returns and the stewardship by the respective management teams bolsters our confidence in the outlook for our portfolio companies.

Audinate's video product suite is showing promise

Networked audio company, **Audinate's** (+45.6% in A$) share price rose strongly on the back of easing supply chain restrictions for its audio products. This led to over 50% revenue growth in FY23. Augmenting its audio product revenue, Audinate recorded over US$3m in revenue from its nascent video division and noted that it has won a large number of design wins in the video market. This lays the groundwork for strong revenue and earnings growth in the future.

Importantly, Audinate has also reached sufficient size and scale now that it can grow customers and revenue without having to spend as much in business functionality to support this growth. This has led to an inflection in its profitability which has been well received by investors.

Strong contribution to the portfolio from new addition, Johns Lyng Group

Helped by a strong set of financial results, **Johns Lyng Group** rose 25% since we added it to the portfolio in August.

Johns Lyng Group is Australia's leading service provider of insurance building and restoration services. Through its network of 14,000 subcontractors, it provides repair and restoration work for properties damaged by insurable events including: impact, weather and fire events. It is also a top 5 strata management provider in Australia and has a nascent US repair and restoration business.

It is the largest service provider of insurance repair work in what is a fragmented market in Australia. Its national and regional scale afford it the ability to respond quickly, and provide make-safe work and repairs reliably, efficiently and effectively. This has enabled it to grow its share of the Australian repair and restoration market.

We are attracted by the non-discretionary nature of Johns Lyng's revenue. Insurance repairs are not linked to the economic cycle. They have to be completed when 'insurance events' occur. This baseload of day-to-day repair and maintenance work is also complemented by make-safe and cleanup work resulting from large catastrophe events like the northern rivers floods and Australian bush fires. This work offers big but lumpy revenue opportunities for Johns Lyng. This offers countercyclical upside to our portfolio from the economic devastation caused by such events.

Johns Lyng's strong performance-based culture has been key to its growth story. The company operate an equity partnership model, where the majority of its 130+ subsidiary businesses are partially owned by management. This creates a strong alignment with shareholders. It is similar to the 'owner-driver' model that has proved to be a successful formula for our longstanding investment in insurance broker, AUB Group.

Good stewardship by our classified (and outdoor) advertising business management teams

Signs that the Australian economy is slowing has weighed on advertising businesses during the year. However, management teams across our classified and outdoor advertising businesses have all demonstrated that the aspects of their businesses that are within their control, are being well managed. This speaks to the high calibre of the teams running these businesses.

Outdoor advertising business **'oOhMedia's share price was weak** during May and June. Happily, it rebounded +21% during Q3. oOH!Media won some notable advertising contracts in Australia. In delivering a credible set of financial results in August, it referenced strong revenue growth and market share gains across a number of its advertising formats. Management also kept cost growth in check, bolstering overall profitability.

Although oOH!Media operates in a cyclical industry, outdoor advertising formats in Australia continue to take market share from other traditional media formats (such as linear TV). 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. As such, we think oOH!Media will continue growing its earnings structurally through time.

Share prices of our classified advertising businesses, **Carsales** (+18.6%), **REA Group** (+8.4%) and **SEEK** (+2.6%), also all rose in Q3. The resilience of their earnings in the face of a more mixed economic environment was evident in each of their financial results. All three companies in particular have lifted their prices meaningfully, offsetting inflationary pressures and the softer advertising environment.

In addition, we note that Carsales has invested heavily in expanding its presence in the US and Brazilian markets in recent times. In August it delivered a strong set of financial results. This highlighted the value of having an earnings base that is now widely diversified across multiple geographies including Australia, South Korea, the US and Brazil.

A tough Q3 for ResMed

ResMed's (-28%) share price fell in response to the market's focus on the potential impact on its business of semaglutide obesity drugs such as Ozempic and Mounjaro. Obesity and heart disease are comorbidities of obstructive sleep apnea ("OSA"). To the extent that obesity drugs can have a positive impact on these comorbidities, they might reduce the size of ResMed's potential OSA market. These drugs have captured the market's attention, and ResMed's share price has suffered.

It is early days for ResMed. Our initial view is that the long-term impact on ResMed's earnings prospects will likely be modest. There are numerous hurdles to widespread displacement of ResMed's OSA product suite. Amongst others, this includes adherence challenges over the long term for patients (when they stop taking the drugs, the weight returns); the amount of muscle (as opposed to fat) that is lost and implications for the overall health of patients; reimbursement regulations (the drugs aren't cheap). Moreover, OSA is not necessarily caused by a weight problem. Even in the US, the world's most developed OSA market, less than 20% of sufferers are diagnosed and treated. Consequently, we remain of the view that ResMed has a long growth runway ahead of it despite the potential impact from obesity drugs. We will continue to monitor developments.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
13 October 2023

[1] Share price premium to NAV (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

AUDINATE GROUP	PWR HOLDINGS	JOHNS LYNG GROUP	oOH!MEDIA	RESMED
+46%	+28%	+25%	+21%	-28%

PERFORMANCE
as at 30 September 2023

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+3.5%	+8.6%	+13.1%
Adjusted NAV Return	(0.01%)	+10.1%	+10.0%
Portfolio Performance			
Gross Performance Return	+0.8%	+12.7%	+12.8%
Benchmark Index[1]	(0.9%)	+11.3%	+7.0%

[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 barramundi.co.nz/about-barramundi/barramundi-policies.

COMPANY NEWS
Dividend Paid 22 September 2023

A dividend of 1.44 cents per share was paid to Barramundi shareholders on 22 September 2023, 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 2023

Company	% Holdings
Ansell	1.7%
ANZ Banking Group	2.3%
AUB Group	4.9%
Audinate Group	2.5%
Brambles	4.0%
Carsales	5.6%
Commonwealth Bank	4.4%
Credit Corp	3.9%
CSL	9.5%
Domino's Pizza	4.0%
Fineos Corporation Holdings	2.7%
James Hardies Industries Plc	3.2%
Johns Lyng Group	2.9%
Macquarie Group	4.5%
Nanosonics	1.6%
National Australia Bank	2.9%
NEXTDC	3.6%
oOh! Media	3.0%
PWR Holdings	2.0%
REA Group	4.4%
ResMed	4.8%
SEEK	5.2%
Westpac	1.5%
WiseTech Global	6.4%
Woolworths Group	2.3%
Xero Limited	4.3%
Equity Total	**98.1%**
Australian cash	0.7%
New Zealand cash	0.3%
Total cash	**1.0%**
Forward foreign exchange contracts	0.9%
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: 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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