MONTHLY UPDATE

May 2024

Share Price	Warrant Price	BRM NAV	DISCOUNT[1]
$0.71	$0.05	$0.77	5.8%

as at 30 April 2024

A WORD FROM THE MANAGER

Barramundi's gross performance return for April was down -3.9% and the adjusted NAV return was down -3.7%. This compares to the S&P/ASX200 Index (70% hedged into NZ$) which fell -2.7% over the month.

Stickier than expected inflation data internationally was replicated in Australia. The Australian Q1 inflation print of +3.6% released in April, was higher than expected and resulted in the market pushing out its expectation of when the Reserve Bank of Australia ("RBA") will first cut interest rates. This underpinned a sharp increase in the Australian Govt 10yr bond yield which rose from 4.0% to 4.4% over the month.

This in turn contributed to equity market softness, with the interest rate sensitive Real Estate (-7.8%) and Consumer Discretionary (-5.1%) sectors dragging the ASX200 index lower. After a strong run-in recent months, the Information Technology (-3.9%) sector (including a number of our portfolio companies) also gave back some of their gains. There was no substantively negative news in the month across our technology holdings. Utilities (+4.8%) and Materials (+0.6%) were the best performing sectors. Materials benefitted from a seasonal pick-up in demand for iron ore in China, supporting returns for miners and in particular, Rio Tinto (+7.2%).

Portfolio News

Resmed (+9.0% in A$) reported a strong March quarter result. Revenue for the quarter was up by 7%. Even more encouraging was a significant jump in gross margin for the quarter (up from 56.1% a year ago to 58.5%). When combined with tight cost control, this produced a 27% increase in earnings for Q3. Resmed has signalled the prospect of further gross margin expansion over its 2025 year.

Fineos (+6.5%) provided two points of incrementally positive commentary in its April update. The first was that it was on track to ensure its newest customer, Guardian would go live with Fineos' AdminSuite later this year. Given the size of Guardian in the US insurance market, we believe that once live on Fineos, Guardian will become a reference customer for the reliability and functionality of Fineos' AdminSuite. Fineos also commented that insurance carriers were increasingly appreciating the importance of core systems built specifically for their industry, with Fineos a leading system provider. Together these bode well for Fineos to win more contracts in the future.

Ansell (+4.1%) announced a binding agreement to acquire Kimberly-Clark's Personal Protective Equipment business ("KCPPE") for US$640m. Funding for the purchase includes A$465m (US$305m) of new equity. We participated in the equity raising. KCPPE designs and markets differentiated safety products that include gloves, protective apparel, and safety eyewear. All its production is outsourced. The acquisition will bolster Ansell's presence in the Life Sciences and Chemical Protective Clothing verticals and was well received by the market.

Johns Lyng's share price fell 12.3% although there was no company specific news in the month. This was likely a result of lower catastrophe events in Australia year to date, and a realisation by the market that aggressive revenue growth in the US may be a couple years out. Offsetting the first point, Johns Lyng have a long pipeline of catastrophe repair work from the events that happened in 2021/22 that will support catastrophe revenues for at least the next 12-18 months. And to the second point, Johns Lyng management have been explicit on their US strategy. They are building the foundations for a successful long-term business by investing ahead of the earnings growth expected to be generated in the US.

Brambles' (-9.5%) Q3 FY24 trading update included group revenue growth that inferred Q3 growth of +1%. This marked a slowdown in revenue compared to prior periods and is largely due to a lower contribution from pricing as Brambles cycles the large increases pushed through over recent years. This moderation in price rises had been well signalled by the company. Volume growth for the YTD remains slightly negative, reflecting lacklustre macro conditions and pallet returns by manufacturers and retailers as they optimise inventories as supply chains normalise post COVID. Brambles has reiterated its FY24 guidance for revenue +6-8% CC[2] and EBIT[3] +13-15% CC, which we think is achievable.

Domino's (-9.1%) held a strategy day in April. This did not give an update on current trading. However, it did provide a lot of colour on what the company is doing with respect to product development, marketing and technology to redress the adverse impact on sales volumes of its pricing missteps in 2022 and early 2023. There is a clear focus on rebuilding sales through new products that refresh the core menu and provide access to new segments, and through more effective marketing via Domino's own customer platforms and those of aggregators. Improved sales volumes will restore franchisee profitability, which in turn will give them the confidence to open new stores. These things obviously take time, but we have already seen encouraging signs in the half year sales results for ANZ[4] and Germany. The strategy day presentation noted that "the timeline of turnaround in France, Japan and Taiwan is currently uncertain". France and Japan are two key markets in Domino's unchanged target of nearly doubling its store count by 2033. The market's perception that there is now more uncertainty about the deliverability of this target explains the decline in Domino's share price over April. At this stage we are prepared to back management's ability to deliver improved performance in these markets, but patience is required.

[1] Share Price Discount 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).
[2] Constant Currency.
[3] Earnings Before Interest and Tax.
[4] Australia and New Zealand.

NextDC (-5.1%) raised $1.3b through an equity issue in April. We took up our full entitlement. NextDC will use the funds to accelerate the development and fitout of existing and new data centres across Australia. The Australian data centre market is currently seeing exponential growth in demand from the migration of data to the cloud, and more recently through the adoption of Artificial Intelligence (AI). As a leading provider of data centres in Australia, NextDC is benefitting from this. In FY23 it grew its contracted capacity by circa 50% and it is currently in negotiations with several parties, two of which alone could match everything won in FY23.

Portfolio Changes

During the month we increased our weighting in Johns Lyng Group which we thought was attractively priced.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

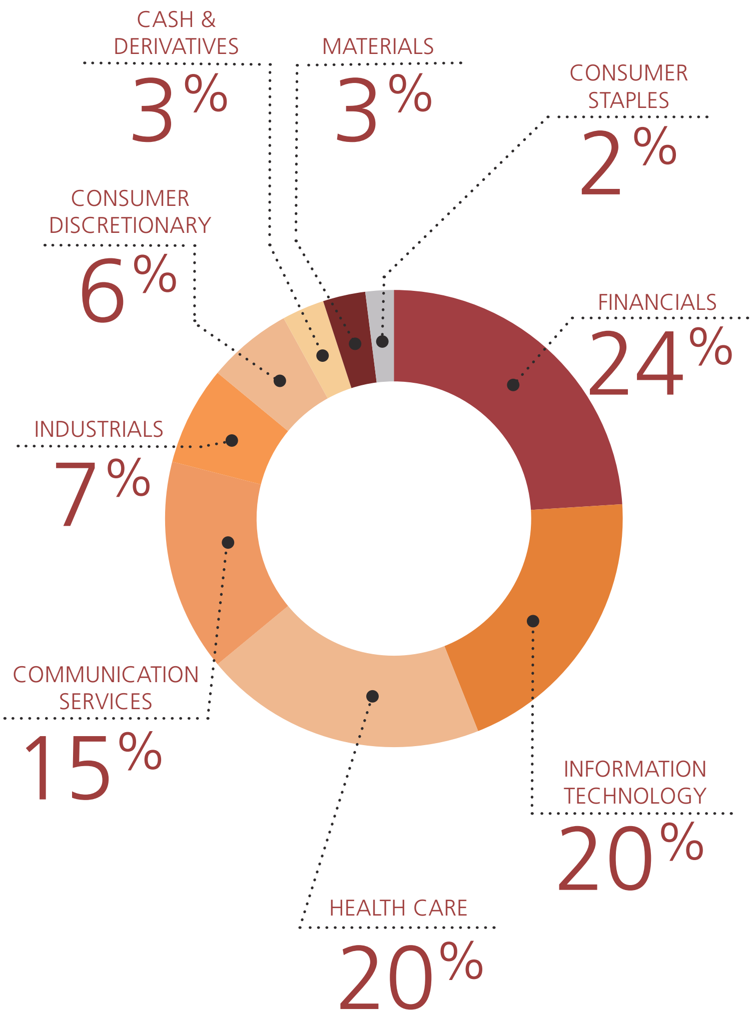
KEY DETAILS

as at 30 April 2024

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	$0.68
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	282m
MARKET CAPITALISATION	$200m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 30 April 2024



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

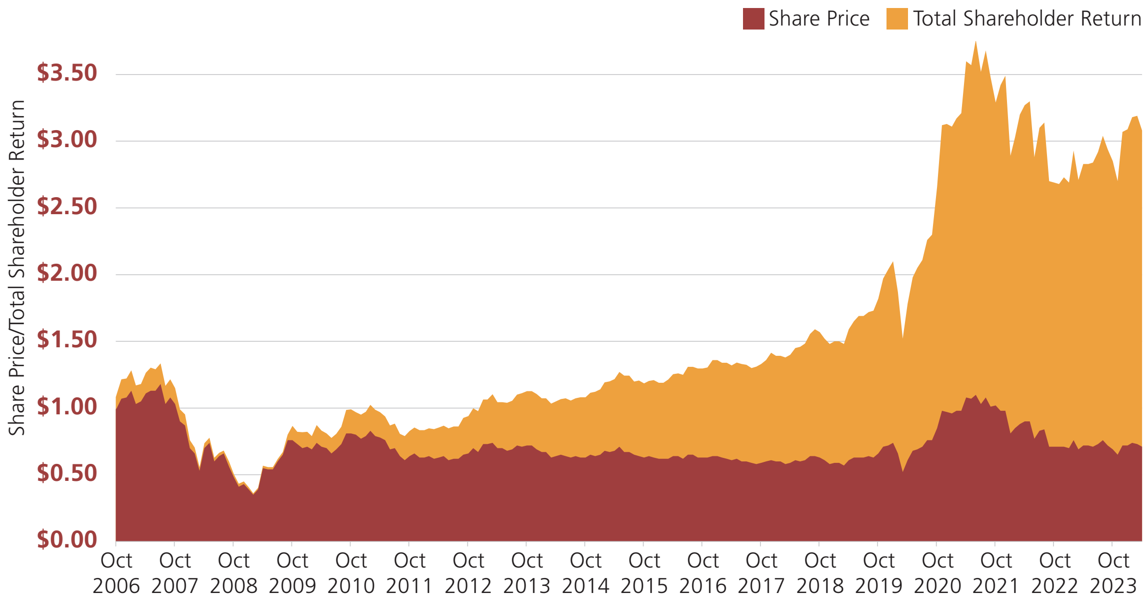
JOHNS LYNG GROUP	JAMES HARDIE	CREDIT CORP GROUP	AUDINATE GROUP	BRAMBLES
-12%	-12%	-11%	-11%	-9%

5 LARGEST PORTFOLIO POSITIONS as at 30 April 2024

CSL LIMITED	WISETECH	RESMED	CAR GROUP	XERO
10%	8%	5%	5%	5%

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

TOTAL SHAREHOLDER RETURN to 30 April 2024



PERFORMANCE to 30 April 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(3.4%)	(0.3%)	+9.0%	(5.1%)	+14.1%
Adjusted NAV Return	(3.7%)	+2.2%	+15.1%	+7.1%	+12.9%
Portfolio Performance					
Gross Performance Return	(3.9%)	+2.8%	+17.9%	+9.3%	+15.6%
Benchmark Index^	(2.7%)	+2.0%	+10.9%	+8.1%	+8.7%

^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 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

- Barramundi announced an issue of warrants (BRMWH) on 9 October 2023
- Information pertaining to the warrants was mailed/emailed to all shareholders on Tuesday 17 October 2023
- The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held, based on the record date of 25 October 2023
- The warrants were allotted to shareholders on 26 October 2023 and listed on the NZX Main Board from 27 October 2023.
- The Exercise Price of each warrant is $0.69, adjusted down for the aggregate amount per Share of any cash dividends declared on the shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Barramundi
- The Exercise Date for the warrants is 25 October 2024

Barramundi
LANDING TOMORROW'S TROPHIES

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