QUARTERLY NEWSLETTER

Barramundi
LANDING TOMORROW'S TROPHIES

1 April 2024 – 30 June 2024

Share Price	Warrant Price	BRM NAV	DISCOUNT[1]
$0.69	$0.04	$0.76	8.3%

as at 30 June 2024

Wide dispersion of share price moves provided us with attractive investment opportunities in Q2

After a strong Q1, Barramundi's gross performance fell modestly in Q2, returning –2.1% and underperforming the benchmark index which fell –0.9%. Barramundi's Adjusted NAV return was down –2.3%.

There was wide dispersion of returns across the market, and within market sectors as well as across our portfolio during Q2. There were some broad themes which weighed modestly on the broader equity market. However, this dispersion of returns speaks largely to company specific factors rather than because of these broader economic trends. We elaborate on these below, and have been excited by the opportunities that some of these share price moves have presented us with.

The 'higher for longer' interest rate environment weighed on equities in Q2

Inflation registered a 4% increase in May in Australia, stubbornly above the Reserve Bank of Australia's target band. Coupled with low unemployment (4.1%), and rising house prices, this has pushed out market expectations of an interest rate cut in Australia into 2025.

This contributed to softness in sectors of the equity market linked to the domestic economy such as Real Estate (-7%), Communication Services (-5%) and the Consumer Discretionary sectors (-3%). In contrast, Financials, which benefit from higher rates, rose +2.7%. The Information Technology (+2.8%) and Healthcare sectors (+1.9%), which are not tied as much to the domestic economy also performed better.

In line with these trends, our investments in financials performed well overall. **National Australia Bank** (+7.1%), **CBA** (+5.9%) and **ANZ** (-1.1%) delivered pleasing earnings results in the period. Modest credit growth and low levels of bad debts bolstered earnings for the banks. After a period of softer financial performance, **Macquarie Group** (+4.6%) highlighted at its financial result that FY24 is likely a trough year for earnings in its more cyclical divisions. Its earnings are expected to grow in FY25.

Long term earnings growth – a key driver of share price returns

Our investment process is focussed on investing in companies that can grow their earnings. As part of our research, we specifically focus on how prudently companies are either reinvesting profits or raising money (through either equity or debt issuance) in order to fund this growth. We have a preference for investing in companies that can grow through investing capital in their core, existing business. We will also back companies that acquire other businesses to bolster earnings growth, but only if those acquisitions are sensible and provide an adequate return on the cost of the investment.

During Q2 we participated in equity raisings for three of our companies in order to support them in accelerating their earnings growth. Pleasingly the equity raisings were well received by the market with the shares trading well above the issuance price in each case.

In April, glove manufacturer, **Ansell** (+8.0%) raised A$465m to fund the acquisition at a reasonable price of a business designing and marketing differentiated safety products including gloves, and protective apparel and eyewear. With a focus on the US market, this business bolsters Ansell's presence in the Life Sciences industry which is a growth category for Ansell.

Data centre operator **NEXT DC** (+0.2% in Q2 but +14% from the issuance price) raised A$1.3 billion to accelerate the development and fitout of existing and new data centres across Asia. NEXT DC is seizing the opportunity to take advantage of the exponential growth in demand from its customers for data centres partly in response to the rise of artificial intelligence.

In May, insurance broker **AUB Group** (+6.6%) raised A$200m to partly fund the acquisition of a majority stake in an underwriting agency business in Australia that focussed on specialty financial lines of insurance. Although the acquisition price looked relatively full, this acquisition aligns with AUB's stated intention to add scale in speciality agencies. It adds to the strength of the overall business.

In raising this capital, Ansell, NEXT DC and AUB have all added to their longer-term earnings potential and we think this will benefit us as shareholders.

Share price weakness can be an opportunity for investors

We invest in companies with a view of being business owners. As such, we're much more interested in what a business can achieve for its shareholders over 5-10 years than we are in what might affect it over the next 2-3 months. Part of our competitive advantage in investing is 'time'. We constantly cross-check our investment theses underpinning our investment in a company. If this remains sound and we believe the underlying business is able to deliver good returns for shareholders over the long term, then gyrations in the share price predicated on shorter term market concerns can prove to be good buying opportunities.

In this vein, **Audinate** (-24.4%), fibre cement siding manufacturer, **James Hardie** (-23.2%), employment classified advertising business, **SEEK** (-14.7%) and insurance repair business **Johns Lyng** (-11.1%) all provided us with attractive buying opportunities in Q2.

» Networked audio products company, Audinate, had seen its share price rise sharply during Q1 as the company was added as a constituent to well followed share market indices. As the incremental buying from index inclusion subsided, the share price pulled back. It also fell sharply following the resignation of their CFO. He will hand over the reins to his successor later this year. We do not see anything sinister in the CFO's decision and think Audinate will do a good job transitioning to a new CFO in coming months.

  During Q2 we attended Audinate's investor day in Sydney. The company showcased a number of new software products that are currently in development which will enhance its earnings potential in both the networked audio and video markets. This adds to its long-term earnings potential.

» James Hardie provided lower near term FY25 earnings guidance than the market expected given a cyclical slowdown in the US housing market. Yet it continues to invest heavily in its distribution channel and growing its market share across its customer base. When the housing market rebounds, it will do well.

[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).

- Investors are concerned that employment advertising will suffer for SEEK as unemployment in Australia edges higher. Well run, SEEK continues to improve its product and service offering for its customers (businesses & recruiters), and should grow earnings strongly in time.
- Johns Lyng's earnings are being negatively impacted by a lower level of 'catastrophe' weather events in Australia this year. Investors have also dampened expectations of how rapidly it can grow earnings in the US – a key growth market for the company. We visited Johns Lyng's management team in the US. We are impressed by the robust, methodical nature of their investment in that market and how they're resourcing that team. This positions them to grow strongly in the US in coming years.

The long-term potential in each of these businesses remains sound, and we added to our positions in each of them during Q2.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
12 July 2024

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

AUDINATE GROUP	oOH!MEDIA	JAMES HARDIE	CREDIT CORP GROUP	DOMINO'S PIZZA
-24%	-24%	-23%	-19%	-17%

PERFORMANCE
as at 30 June 2024

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	(4.4%)	(6.7%)	+12.6%
Adjusted NAV Return	(2.2%)	+5.7%	+12.4%
Portfolio Performance			
Gross Performance Return	(2.1%)	+7.9%	+15.1%
Benchmark Index[1]	(0.9%)	+7.1%	+8.0%

[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 27 June 2024

A dividend of 1.55 cents per share was paid to Barramundi shareholders on 27 June 2024, 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 June 2024

Company	% Holdings
Ansell	2.5%
ANZ Banking Group	2.4%
AUB Group	5.5%
Audinate Group	1.9%
Brambles	4.1%
CAR Group	4.9%
Commonwealth Bank	5.1%
Credit Corp	3.4%
CSL	10.6%
Domino's Pizza	3.2%
Fineos Corporation Holdings	2.4%
James Hardies Industries Plc	3.1%
Johns Lyng Group	3.5%
Macquarie Group	5.2%
Nanosonics	0.8%
National Australia Bank	3.4%
NEXTDC	3.9%
oOh! Media	2.4%
PWR Holdings	2.1%
REA Group	3.2%
ResMed	4.0%
SEEK	4.6%
WiseTech Global	8.3%
Woolworths Group	1.6%
Xero Limited	5.4%
Equity Total	**97.5%**
Australian cash	2.4%
New Zealand cash	0.2%
Total cash	**2.6%**
Forward foreign exchange contracts	(0.1%)
Total	**100.0%**

Barramundi

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