Barramund

Monthly Update

June 2016

BRM NAV	SHARE PRICE	DISCOUNT
$0.72	$0.64	11.4%

as at 31 May 2016

A word from the Manager

It's quite nice being in New Zealand where the most significant political debate of recent times centred on an unsurprising and unspectacular Budget. Financial markets barely moved before or after the Budget, and I suspect that in terms of business and consumer confidence, Bill English's announcements made little difference to any of us.

You'd be feeling a lot less sanguine if you were living in Britain ahead of the Brexit vote (Britain's exit from the European Union) on June 23, or in the United States ahead of the November presidential election. The British and American media machines are in overdrive as proponents on either side of the political divide stake their often extreme claims to win support. The media noise is so deafening that investors everywhere are left struggling to decipher what a Brexit or a Trump victory might mean not only for Britain and the US, but for the world at large.

Financial markets don't need an excuse to tread cautiously in coming markets — low economic growth, low interest rates and the perennial discussion about the Fed's next interest rate hike have been sufficient reason for markets to tread water year to date. Add in uncertainty around Brexit and a possible Trump win, and it's hard to imagine a strong market rally happening any time soon.

Brexit hasn't been as widely covered here as the US presidential race, probably because there are fewer personality based sound-bites to be had around Britain's potential exit from the EU. Although Boris Johnson, the former London mayor and leader of the independent Britain campaign, is colourful and eloquent he is opposed in the Stay or Leave debate by a variety of celebrities, economists, politicians and Treasury officials.

While Brexit may not seem as big a deal as a new American president, it would arguably have a far more significant impact on the global economy, with opponents predicting a loss of 820,000 jobs, a sharp rise in inflation and a hit to British GDP of between 3.8% and 7.5% should the nation decide to go it alone. That's not to mention the impact elsewhere — financial instability and a loss of confidence throughout Europe and beyond and a reduction in international trade as the UK is a top three export destination for Germany, Ireland, Spain, Cyprus, the Netherlands and Poland.

But like all news du jour, it is important that we maintain perspective and understand that markets are very good at discounting widely known information. A new market cycle will not immediately kick in following the Brexit vote or on the day after the American election. If anything, markets are likely to be volatile and cautious ahead of these significant votes, but as we get closer to them, markets may well be calm as there tend to be fewer unknowns as voting day approaches.

In the case of the presidential election, the time for market reaction will be when the new President takes action and passes legislation. That won't happen quickly or easily because Presidents don't have the power to act unilaterally, whatever they've promised during their election campaign. For virtually every action, the new President will need the support of Congress. And Congressman will always have in mind their primary goal — to get re-elected.

As for Brexit, whether the vote is to Stay or Leave, discussions with Brussels will need to happen. If Britons vote to stay in the EU, David Cameron will no doubt seek to renegotiate the terms of the relationship and get a 'win' in some of the key areas that prompted the Leave campaign. If Britain chooses to leave, there will be two years of exit discussions before anything really happens.

There's plenty of time for markets to understand the ramifications of the story of the day.

Carmel Fisher
Managing Director, Fisher Funds

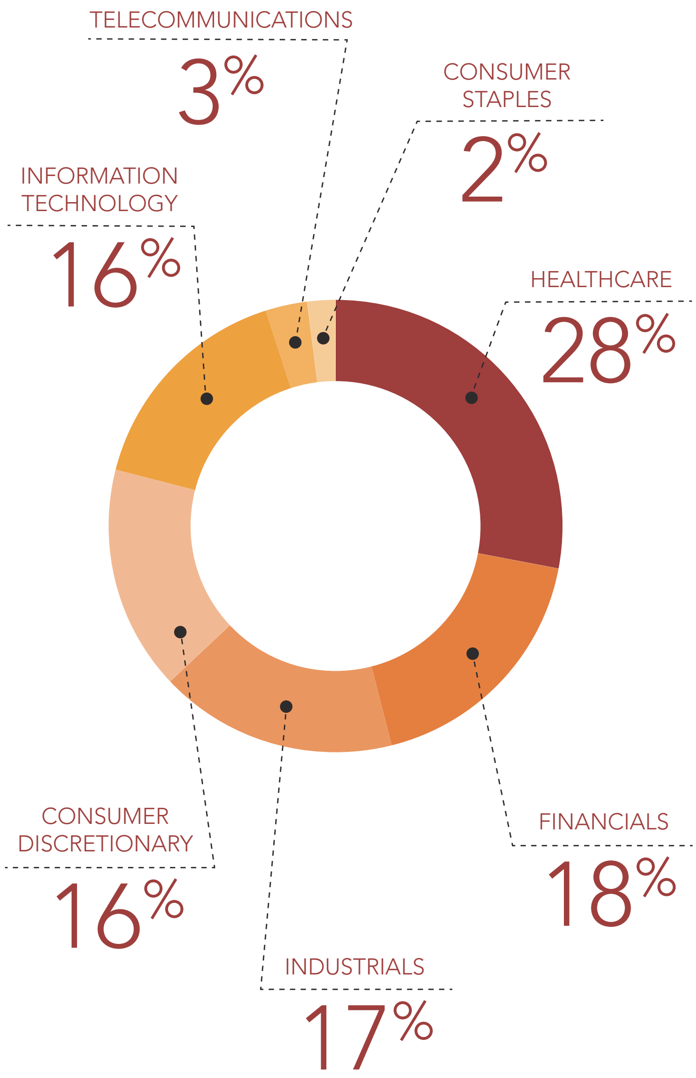
Key Details

as at 31 May 2016

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 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 BENCHMARK	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	$0.64 per share
SHARES ON ISSUE	143m
MARKET CAPITALISATION	$92m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 May 2016



Performance

to 31 May 2016

	1 Month	3 Months	1 Year	3 Years (accumulated)	Since Inception (accumulated)
BRM Adjusted NAV*	+2.0%	+7.8%	+7.8%	+13.8%	+30.8%
Benchmark Index^	+2.5%	+11.4%	+4.7%	+17.3%	+12.6%
Total Shareholder Return*	0.0%	+5.5%	(1.6%)	+19.9%	+25.2%

^Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX 200 Index (hedged 70% to NZD)

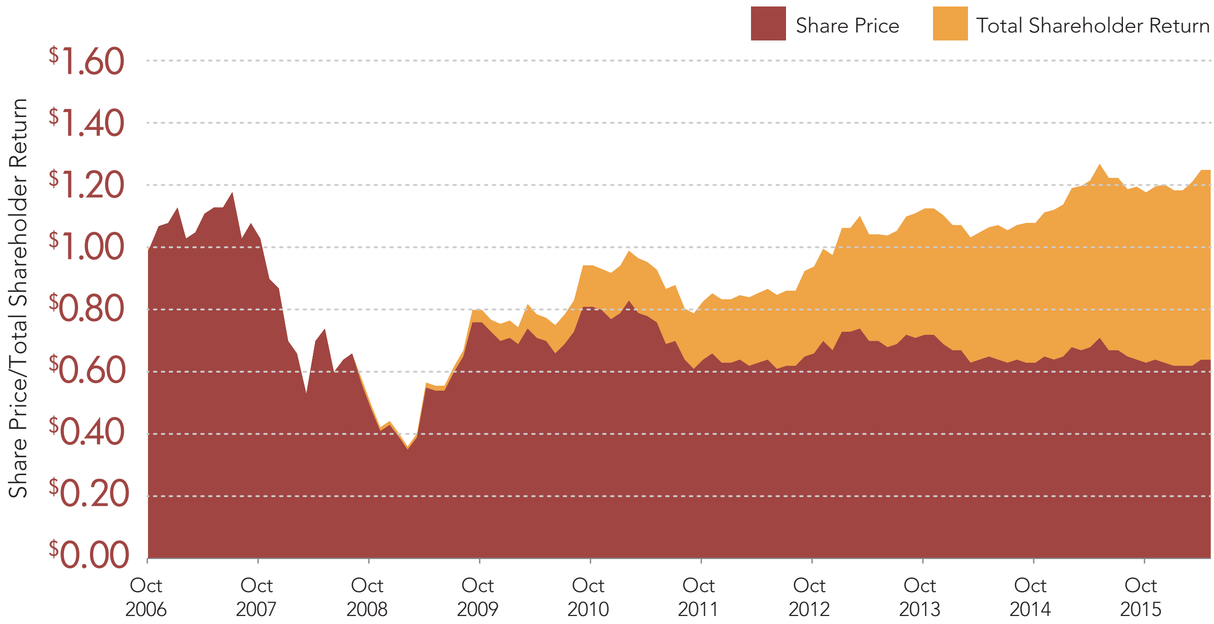
***Definitions of non-GAAP measures:**

Adjusted Net Asset Value (NAV)
Adjusted NAV is calculated using NAVs (audited at the end of each financial year) and is net of fees and tax, adds back dividends paid to shareholders (but excludes imputation credits) and includes the dilution effect of warrants exercised.

Total Shareholder Return (TSR)
TSR is calculated using the share price performance plus dividends paid to shareholders (but excludes imputation credits) and excludes the impact of warrants.

Total Shareholder Return

to 31 May 2016



May's Biggest Movers in Australian dollar terms

Typically the Barramundi portfolio will be invested 90% or more in equities.

CREDIT CORP	CSG	HENDERSON GROUP	TECHNOLOGY ONE	FLIGHT CENTRE
+22%	+17%	+13%	+12%	-17%

5 Largest Portfolio Positions

as at 31 May 2016

RAMSAY HEALTHCARE	DOMINO'S PIZZA	CSL	SEEK	BURSON GROUP
6%	5%	5%	4%	4%

The remaining portfolio is made up of another 27 stocks and cash. The average market capitalisation of companies within the Barramundi portfolio is $12.3b.

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 25 and 35 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

Barramundi's portfolio is managed by Fisher Funds Management Limited. Manuel Greenland (senior portfolio manager) and Terry Tolich (senior investment analyst) take the prime management responsibilities and are highly experienced in researching and investing in Australian growth companies with over 50 years combined experience. Fisher Funds are based in Takapuna, Auckland.

Board

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Barramundi comprises independent directors Alistair Ryan (Chairman), Carol Campbell and Andy Coupe; and non-independent director Carmel Fisher.

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

» This policy is well received by shareholders as it provides an attractive and regular return that is referable to the NAV

» 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 up to 6.3m of its shares on market in the year to 31 October 2016

» Shares bought back by the company are held as treasury stock

» Shares held as treasury stock are available to be re-issued for the dividend reinvestment plan and to pay performance fees

Warrants

» On 6 May 2016, 14,662,299 Barramundi warrant holders converted their warrants into ordinary Barramundi shares

» The new shares were allotted to warrant holders on 10 May 2016 and quoted on the NZX Main Board on 11 May 2016

» All new shares have the same rights as current Barramundi shares, including participating in the company's quarterly dividend policy

Barramundi

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