

# Monthly Update

August 2016

BRM NAV

\$0.72

SHARE PRICE

\$0.65

DISCOUNT

10.2%

as at 31 July 2016

## A word from the Manager

I recently read an article describing the bull market of the last seven years as 'history's least loved'. It noted that even as markets have risen over the years, headlines have constantly spouted warnings about the 'next big bad' for markets, leaving people feeling pretty anxious.

A Credit Suisse strategy paper similarly noted that after visiting clients in the US, Europe and South Africa they found them to be 'as bearish on equities as we can remember'. They said their clients (who are generally fund managers and professional investors) felt that shares are too expensive and not attractive enough to compensate for the macro, political, earnings and business risks that exist today.

It is indeed hard to know how to feel about these markets. Returns from a number of markets have been pretty good, but there are things happening every day that encourage anxiety. Take low interest rates for instance. While mortgage holders might be happy about them, investors who rely on investment income have every reason to feel anxious when rates remain so low for so long.

We justifiably felt a bit of anxiety following Britain's momentous decision to leave the European Union. But then, within days markets shook off any anxiety and within weeks some markets have delivered virtually a year's worth of return.

One of the reasons investors have been feeling glum or pessimistic is that for the first half of this year we've been constantly reminded of all the things we should feel pessimistic about.

China was going to suffer a hard landing, and that was going to affect the world economy, and particularly those of us who trade with China. But actually, so far so good. Chinese GDP is on track to grow by around 6.7% for the year.

Low and negative interest rates were supposed to cause havoc, but actually while we still scratch our head about negative rates (why would anyone want them?) fixed income investors have simply widened their search and found other investments to give them a decent income.

Company earnings were supposed to struggle to keep up with share valuations, and earnings disappointments were going to cause share prices to tumble from their lofty heights.

But actually, earnings have been okay, and lofty share prices don't seem that lofty when interest rates are as low as they are now.

Politics, especially in the US and Europe, were supposed to be a big risk for markets because the 'wrong' outcomes could derail global trade and economic growth. But markets have taken politics in their stride, as we've seen in the last month, and apart from bouts of volatility, politics have largely turned out to be media fodder rather than a significant driver of markets.

There will be plenty of politics in the next four months, and given the closeness of the Trump/Clinton polls, it is likely that a potential Trump win will emerge as the 'biggest bad' that investors have to worry about heading into the end of the year. It will be bad because the effect of a Trump win will be uncertain for markets, and markets hate uncertainty.

It's not uncertainty about economic policy that will worry markets — Trump's intentions have been relatively clearly signalled and they will take some time to implement. Rather, markets will concern themselves with a possible Trump impact on the Federal Reserve's policy stance. There is no doubt share markets have remained strong because of the Fed's interest rate policy — low interest rates make shares attractive. Trump has talked tough saying he intends to 'audit the Fed' but that doesn't mean he will (or can) change their policy approach.

Still, the next four months may turn out to be this year's 'least loved'. Or, the year to date trends may continue, and we may find ourselves worrying for nothing.



Carmel Fisher  
Managing Director,  
Fisher Funds



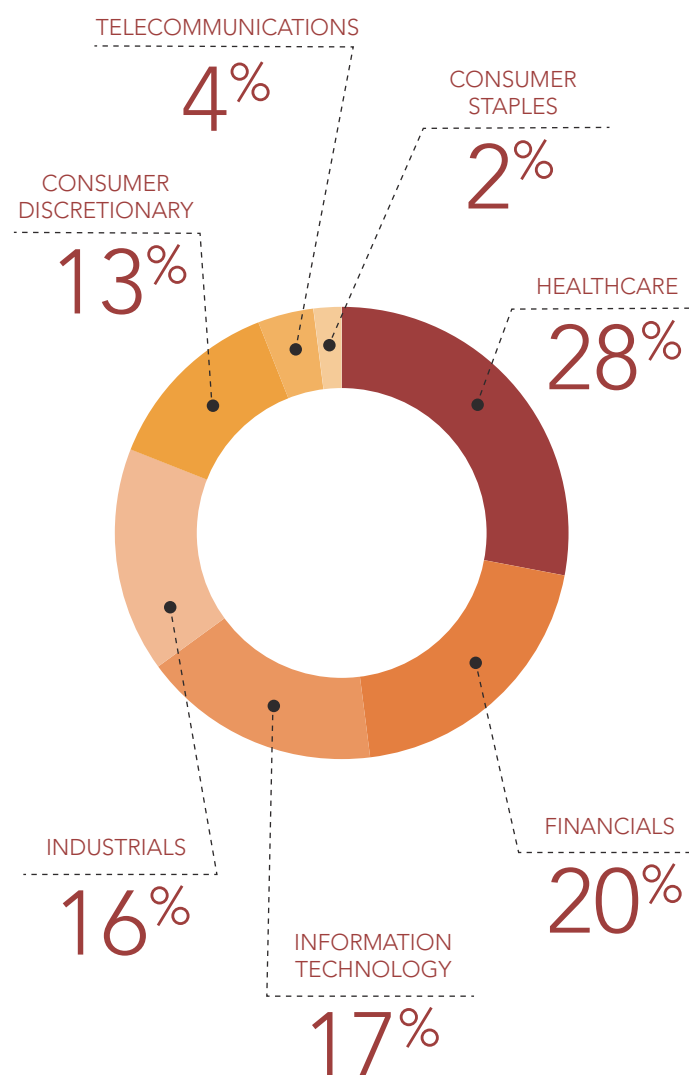
# Key Details

as at 31 July 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 HURDLE	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$0.63 per share
SHARES ON ISSUE	145m
MARKET CAPITALISATION	\$94m
GEARING	None (maximum permitted 20% of gross asset value)

# Sector Split

as at 31 July 2016



# Performance

to 31 July 2016

	1 Month	3 Months	1 Year	3 Years (accumulated)	Since Inception (accumulated)
BRM Adjusted NAV*	+7.5%	+4.3% <sup>#</sup>	+9.2% <sup>#</sup>	+16.4% <sup>#</sup>	+33.7% <sup>#</sup>
Benchmark Index <sup>^</sup>	+6.6%	+5.8%	+9.2%	+26.4%	+16.2%
Total Shareholder Return*	+4.8%	+3.8%	+6.0%	+23.1%	+30.0%

<sup>#</sup> includes the 1.3% impact of dilution from the warrants exercised on 6 May 2016.

<sup>^</sup>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)

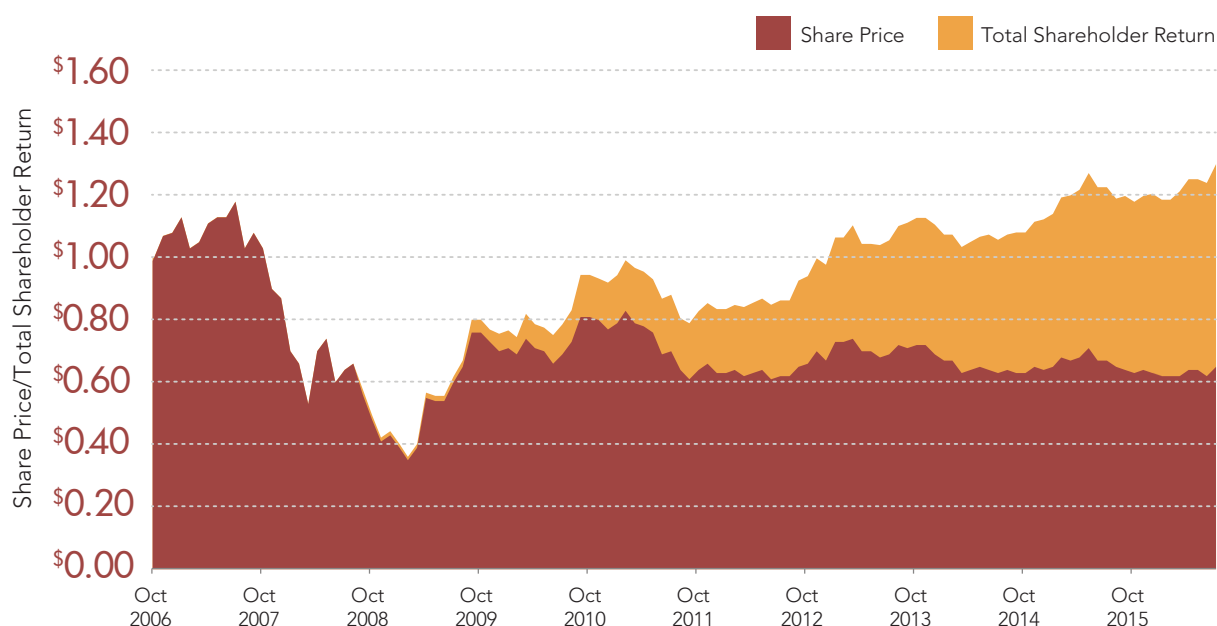
Adjusted NAV is calculated using NAVs (audited at the end of each financial year) and is net of fees and tax, adds back dividends paid to shareholders (but excludes imputation credits) and includes the dilution effect of warrants exercised.

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 July 2016



## July's Biggest Movers in Australian dollar terms

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

NANOSONICS

+25%

APN OUTDOOR

+17%

ACONEX

+14%

COCA-COLA AMATIL

+12%

GATEWAY LIFESTYLE

-0%

## 5 Largest Portfolio Positions

as at 31 July 2016

RAMSAY  
HEALTHCARE

6%

CSL

5%

BAPCOR (FORMERLY  
BURSON GROUP)

5%

SEEK

4%

ANSELL

4%

The remaining portfolio is made up of another 27 stocks and cash.

# About Barramundi Management Board

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.

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.

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

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Barramundi Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from an authorised financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Barramundi Limited or its portfolio companies, please note that fund performance can and will vary and that future results may have no correlation with results historically achieved.



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