

# Monthly Update



## A word from the Manager

If I told every potential client that the one constant they should expect in our investing relationship is the risk of loss, I doubt they would become clients. Yet it is probably the most important message that I could deliver, in order that their expectations are appropriate from the outset.

Markets can play mind games and as investors we spend a lot of time in a state of frustration and doubt, asking ourselves how we “coulda, woulda, shoulda” taken action to avoid loss. We would be far better to accept that we’re going to spend a big chunk of our investing lifetime in a loss situation. And as bleak as that sounds, it is okay because over time, the good times prevail.

A presentation by former hedge fund manager and quantitative analyst Robert Frey charted 180 years of US stock market data and concluded that losses have been consistent over each and every decade and economic environment. Losses really have been the one constant across all market cycles. Frey concluded that in share

market investing “you are usually in a drawdown state” (a drawdown is a decline from a historical peak).

Another analyst considered data on the S&P500 Index going back to 1927 and reached a similar conclusion. This analysis found that an investor would have been sitting in a “loss situation” (with prices down from a prior peak) over 70% of the time. Not only that, but over the past 90 years, the market has been in a bear market (down 20% or more) almost a quarter of the time; and half the time, investors have been down 5% or worse.

### S&P 500: 1927-2016

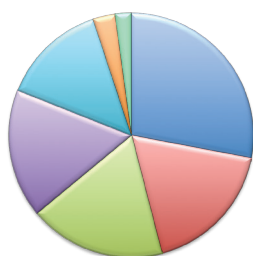
Drawdowns	% of the Time
5% to 10%	12.8%
10% to 20%	13.1%
20% or Worse	23.1%

No wonder investors are seldom happy campers!

The problem is that while markets generally go up, they don’t go up every day, week, month or year. Markets

## Sector Split as at 30/04/16

- 28% Healthcare
- 18% Financials
- 18% Consumer Discretionary
- 17% Information Technology
- 14% Industrials
- 3% Consumer Staples
- 2% Telecommunications



## At a Glance as at 30/04/16

BRM NAV \$0.71  
 Share Price \$0.64  
 Discount 9.6%

At \$0.64 Barramundi currently trades at a discount to NAV of 9.6%. The discount could provide value, as investors are able to purchase a portfolio with a NAV of \$0.71 per share for only \$0.64 per share.

## Performance as at 30/04/16

	1 Month	3 Months	1 Year	3 Years (accumulated)	Since Inception October 2006 (accumulated)
BRM Adjusted NAV*	+2.2%	+3.7%	+9.2%	+11.5%	+28.2%
Benchmark Index^ (in NZ dollar terms)	+2.9%	+6.5%	+8.9%	+9.9%	+9.8%
Total Shareholder Return*	+3.2%	+5.5%	+2.8%	+19.9%	+25.2%

### \*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. The directors believe adjusted NAV to be useful as it reflects the underlying performance of the investment portfolio adjusted for dividends.

#### 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. The directors believe TSR to be useful as it mirrors the return of an investor who reinvests their dividends. No metric has been included for investors who take their dividend in cash as the return on those cash dividends will differ per shareholder.

^Benchmark Index: S&PIASX Small Ords Industrial Gross Index until 30 September 2015 & S&PIASX 200 Index (hedged 70% to NZD) from 1 October 2015

## April's Biggest Movers

(in Australian dollar terms)

- +15% Ansell
- +13% CSG
- +11% Nanosonics
- 5% Toxfree
- 9% Flight Centre

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

## 5 Largest Portfolio Positions

as at 30/04/16



6%



5%



4%

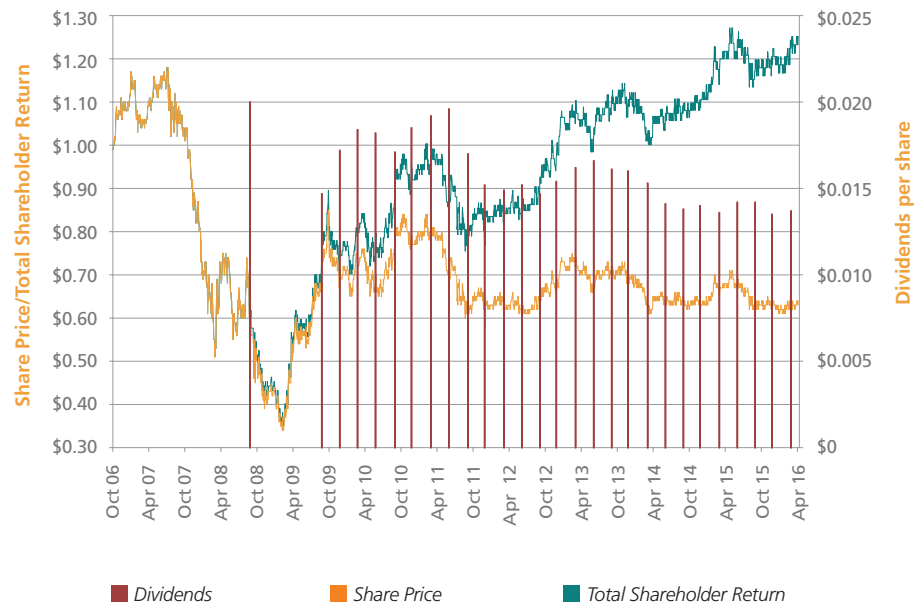


4%



4%

## Total Shareholder Return



## A word from the Manager continued

have historically been positive more than half the time (when considered on a daily basis) but there are a lot of negative days in between the positive ones.

Nobody can predict what future returns might be in the market, but it seems predicting future risk is relatively easy. There's always going to be some! Markets are going to fluctuate and we will experience losses (at least on paper, and for different periods — sometimes long, sometimes short). The more we can understand this phenomenon, the better prepared we'll be.

Big, positive returns are harder to achieve in this environment of low inflation and low interest rates. The scarcity of investments that offer 'reasonable' returns is leading investors the world over to accept more risk, ignore poor fundamentals, and overreact when things don't quite go to plan. Risk might be a constant, but we can choose how much we're prepared to accept.

Of course, none of this seems important when markets are performing well. But this is precisely the time we should think about the potential risk and losses that we will experience in the future. It's easier to prepare for a cold winter when the sun is shining!

Carmel Fisher, Managing Director, Fisher Funds

All of our communication is available via email. If you would like to receive all communication electronically please email us at [enquire@barramundi.co.nz](mailto:enquire@barramundi.co.nz)

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