

# Monthly Update

November 2017

BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT
\$0.69	\$0.59	\$0.003	14.7%
as at 31 October 2017			

## A word from the Manager — A Change in Mood

The Australian share market had a strong month delivering a 7.3% return in New Zealand Dollars, its highest monthly return since October 2010. After a tough past six months this was a welcome change and a good reminder that both bad and good times in the share market do not last forever.

Barramundi's performance was even better than the market with its net asset value up 7.9% for the month. While this is pleasing it has yet to be reflected in Barramundi's share price with the discount widening over the month. The company has lifted its share buyback program to take advantage of the temporary widening of the discount. This is a good time for the company to buy.

We have a constructive outlook for economic growth with indicators both in Australia and around the globe increasingly positive. The recent strength in share markets is a reflection of this strength and the fact that growth is synchronised around the globe. Central banks around the world are responding to this with announcements of gradual reductions in monetary policy stimulus.

Within Australia itself unemployment is low, retail sales have surprised positively and commodity prices have remained strong. While consumer debt levels remain at highs the Reserve Bank of Australia is reluctant to raise interest rates for fear of prematurely crimping demand. The setup is therefore quite positive with earnings set to grow, interest rates likely to remain low and expectations may be positively surprised.

The Barramundi portfolio is well positioned for a cyclical demand uptick in Australia should it occur. Many portfolio companies would benefit from a generally improving environment including ToxFree Solutions (an industrial waste management company), Carsales.com, the banks, APN Outdoor and Ooh! Media (out-of-home media companies which provide advertising services), Seek, and recent portfolio addition four wheel drive parts company ARB.

Seek is a good example of a quality company that we see as well positioned to benefit from a pick up in activity. Seek is Australia's leading online employment portal. Part of our original investment thesis in Seek was that job adverts were depressed as the Australian economy was under pressure. Over time we expected they would recover to more normal levels. Given the emerging consensus around a broad economic recovery perhaps more investors are starting to share our view. Seek's share price was up over 10% for the month.

Performance in Barramundi's technology companies diverged over the month. Both Wisetech, a logistics software company, and NextDC, were strong performers in October rising 34% and 18% respectively. In contrast Technology One disappointed investors with a downgrade to its full year guidance and the share price fell. In our conversation with the CEO he outlined that current earnings had been soured by a number of things that we regard as temporary rather than permanent. For us this usually represents an opportunity given that the market often over reacts to short term news. To get further insight we visited the company and spent a morning with the Head of Research & Development getting a deeper understanding of how the company's solutions are built and delivered to clients. This reconfirmed the quality of the business. Overall we do not see a long-term impairment to Technology One's investment case and are encouraged by the company's increasingly captive customer base. Patience will be well rewarded.



Manuel Greenland  
Senior Portfolio Manager,  
Barramundi



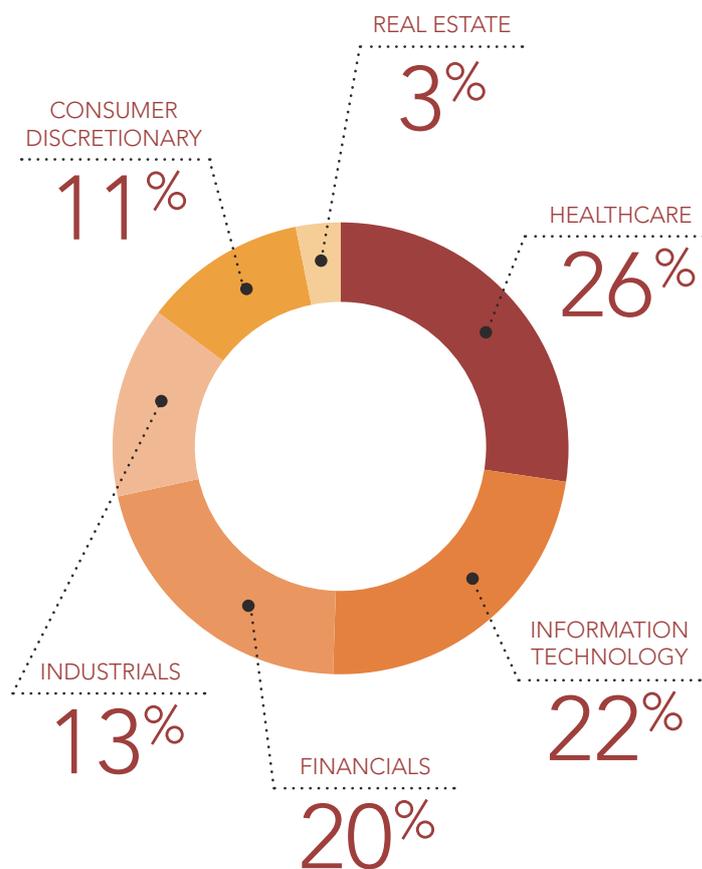
# Key Details

as at 31 October 2017

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	\$0.57
SHARES ON ISSUE	149m
MARKET CAPITALISATION	\$88m
GEARING	None (maximum permitted 20% of gross asset value)

# Sector Split

as at 31 October 2017



The Barramundi portfolio also holds cash.

# Performance

to 31 October 2017

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
<b>Corporate Performance</b>					
Total Shareholder Return	+1.8%	+0.4%	+2.5%	+7.1%	+2.6%
Adjusted NAV Return	+7.9%	+11.4%	+14.3%	+8.2%	+3.7%
<b>Manager Performance</b>					
Gross Performance Return	+7.8%	+11.8%	+17.3%	+11.8%	+7.1%
Benchmark Index <sup>^</sup>	+5.1%	+6.5%	+18.5%	+9.0%	+2.7%

<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)

### Non-GAAP Financial Information

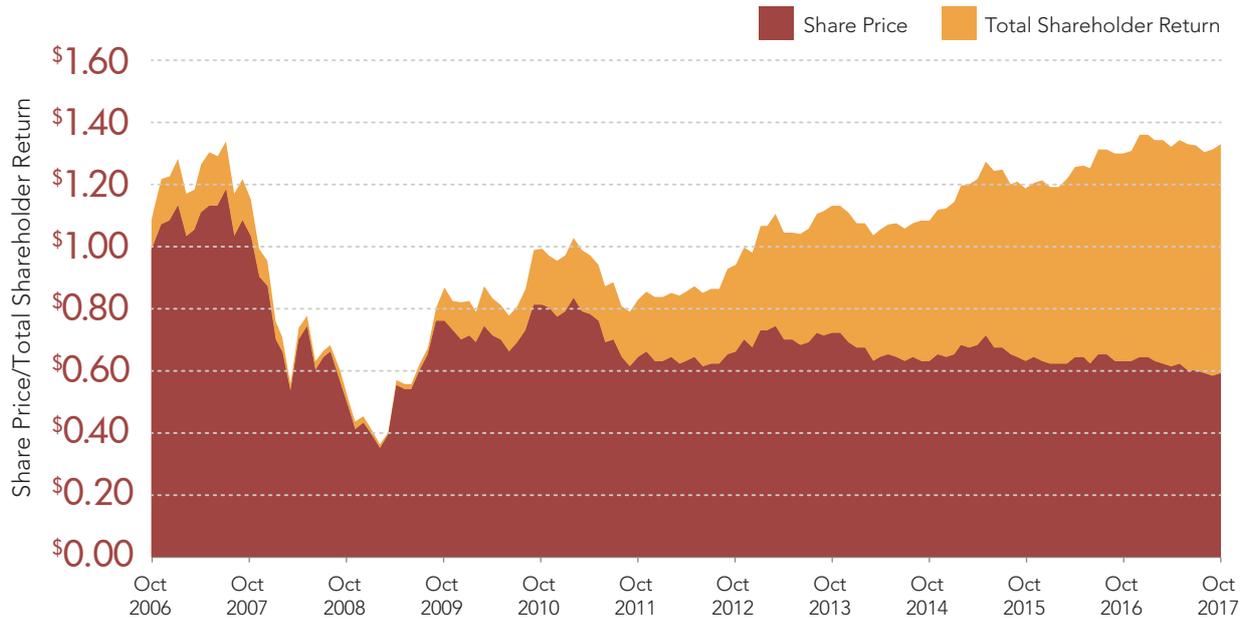
Barramundi uses non-GAAP measures, including adjusted net asset value, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, and
- » total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

All references to adjusted net asset value, 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 <http://barramundi.co.nz/about-barramundi/barramundi-policies/>.

# Total Shareholder Return

to 31 October 2017



## October's Biggest Movers in Australian dollar terms

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

WISETECH GLOBAL

+34%

NEXTDC

+18%

NANOSONICS

+15%

RESMED

+11%

SEEK

+11%

## 5 Largest Portfolio Positions

as at 31 October 2017

SEEK

7%

CSL LIMITED

7%

CARSALES.COM

6%

WISETECH GLOBAL

6%

NATIONAL AUSTRALIA BANK

5%

The remaining portfolio is made up of another 23 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 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.

Barramundi's portfolio is managed by Fisher Funds Management Limited. Manuel Greenland (Senior Portfolio Manager), Terry Tolich (Senior Investment Analyst) and Delano Gallagher (Investment Analyst) have prime responsibility for managing the Barramundi portfolio. Together they have over 50 years 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.

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 (Chair), 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
- » 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 7.4m of its shares on market in the year to 31 October 2018
- » 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 8 November 2016, a new issue of warrants (BRMWD) was announced
- » The warrants were issued at no cost to shareholders and in the ratio of one warrant for every four Barramundi shares held
- » Exercise Price = \$0.58
- » Exercise Date = 24 November **2017**
- » The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in late October **2017**

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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