

# MONTHLY UPDATE

February 2023



Share Price

\$0.70

Warrant Price

\$0.00

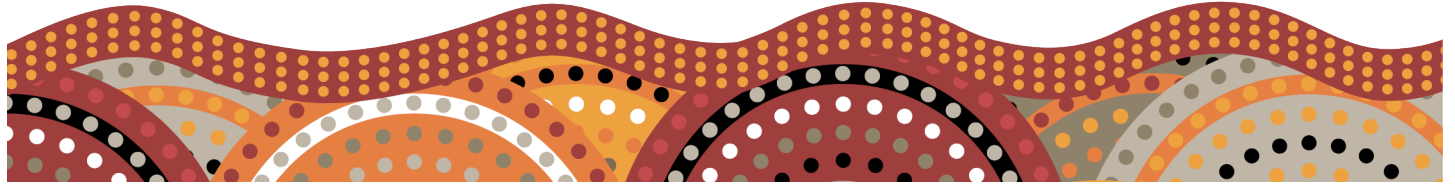
BRM NAV

\$0.72

DISCOUNT<sup>1</sup>

(2.7%)

as at 31 January 2023



## A WORD FROM THE MANAGER

In January, Barramundi's gross performance return was up 9.8% and the adjusted NAV return was up 10.0%. This compares to the S&P/ASX200 Index (70% hedged into NZ\$) which was up 6.9%.

The ASX 200 Index started the year strongly. Globally, share markets have been buoyed by an unexpected speedy re-opening of China and a warmer European winter providing relief for the European energy crunch. In addition, there have been further signs recently that the post-pandemic increase in inflation may have reached its zenith and is beginning to subside. In response to this data, the market has tempered its expectations about the number (and magnitude) of future interest rate increases that might still be in store for central banks in this interest rate hiking cycle. This has seen interest rates stabilise, with the Australian 10yr Government bond yield in fact falling from 4.05% to 3.55% across the month.

This has allayed a key concern of the market and resulted in a broad-based rally across the ASX. Apart from Utilities (-2.9%), all sectors rose in the month. The consumer discretionary sector (+10.3%) was the best performing sector, helped by positive trading updates from some retailers in the month. Materials (+10.2%) also led the market higher, assisted by China's moves to abandon its remaining domestic COVID restrictions.

### Portfolio News

The subsidence of some inflationary pressures supported global technology shares, with the tech-heavy NASDAQ index rising +10.7% in the month. This dynamic also supported our software and internet related holdings. Although there was no material company specific news, **Wisetech** (+19.3% in A\$), **REA Group** (+13.4%), **Carsales** (+9.3%) and **Xero** (+9.3%) all rose strongly in the month.

**SEEK's** (+15.6%) share price similarly rose strongly and was also helped by a continuation of strong job advertising volumes in Australia in December.

Insurance claims software provider, **Fineos** (+26.2%), also benefitted from this dynamic. It was also buoyed by the acquisition by a private equity party of its closest listed peer, US based Duck Creek Technologies. The acquisition price for Duck Creek was at a substantial premium to Fineos' current implied valuation. This likely influenced Fineos' share price performance in the month.

During the month, Fineos also released its December quarter results. Subscription revenues grew +19% over the same period in 2021. Importantly the first Australian customer (QSuper) began the migration from Fineos' on-premise software to Fineos' Cloud based software. We expect other customers in Australia and NZ to follow suit. This transition to the cloud is helpful for Fineos' future revenue growth.

**Credit Corp's** share price rose 15.1% in January, suggesting a good earnings result was expected by the market. In early February, Credit Corp missed investors' expectations when reporting earnings that were 30% below the same period in FY22. However, the 'miss' is explained by the fact that Credit Corp has grown a lot faster in its consumer lending book than anticipated. Because it takes an up-front provisioning loss on new lending originations, this faster growth inflated its provisioning costs, thereby reducing its profitability over the past six months. Similarly, its purchases of US Purchased Debt Ledgers ("PDL") was also higher than anticipated, remaining at record levels over the six-month period to December. While this has no direct accounting implications, recruiting and training the staff required to collect these PDLs has an upfront cost, and it takes time for people to become fully productive.

The faster growth in activity in both these divisions therefore elevated the costs for Credit Corp in the period. But the revenue benefits from this faster growth will only be realised over the next few months. The company has also signalled that lending activity over the next six months and US PDL purchases will be markedly lower than the first half. Consequently, with a lower lending provision headwind and improving US collection productivity from its increased staffing levels, Credit Corp expects a strong uplift in profitability over the remainder of the financial year. After digesting the subtleties of this earnings result, the market seemed satisfied that Credit Corp has sensibly sacrificed short-term reported profitability in order to grow faster while the opportunity existed within these divisions.

**PWR Holdings** (+14.2%) announced the acquisition of UK based Bespoke Motorsport Radiators. This follows the acquisition of UK based Docking Engineering in August 2022. Together the businesses will expand PWR's manufacturing capabilities and capacity to service its existing and new European customers.

<sup>1</sup> 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).

**Nanosonics** (+12.6%) provided a strong trading update and revised its earnings outlook up for the year. Revenues for the six months ended December 2022 increased +35% on the prior comparable period. The increase was largely driven by favourable pricing of its Trophon units and related consumables. This is the result of the successful completion of the transition to a more direct sales model in its core North American market. Nanosonics increased its full year revenue growth guidance from +20% to 25%, to +36% to 41%, and expects higher profit margins for the year.

**Resmed** (+3.7%) reported a solid result for its December 2022 quarter in January. Revenue growth of 20% on a constant currency basis (+16% actual) was slightly stronger than expected. This was due to the on-going acceptance of the company's stopgap card-to-cloud devices in the US market and an improving supply of communications chips that enabled the shipment of more of its state-of-the-art cloud-connected devices. Earnings growth of 4% lagged the top line increase. This was primarily due to a contraction in gross margin reflecting shifts in the

product mix, higher shipping costs and adverse FX movements. None of these headwinds were surprising and we anticipate they will moderate over coming periods. Resmed's expectation of sequential quarter by quarter revenue growth as component supply constraints ease, and the prospect of improving margins, suggest to us that healthy earnings increases should be delivered for the remainder of its financial year.

## Portfolio Changes

There were no substantive changes to the portfolio in the month.



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



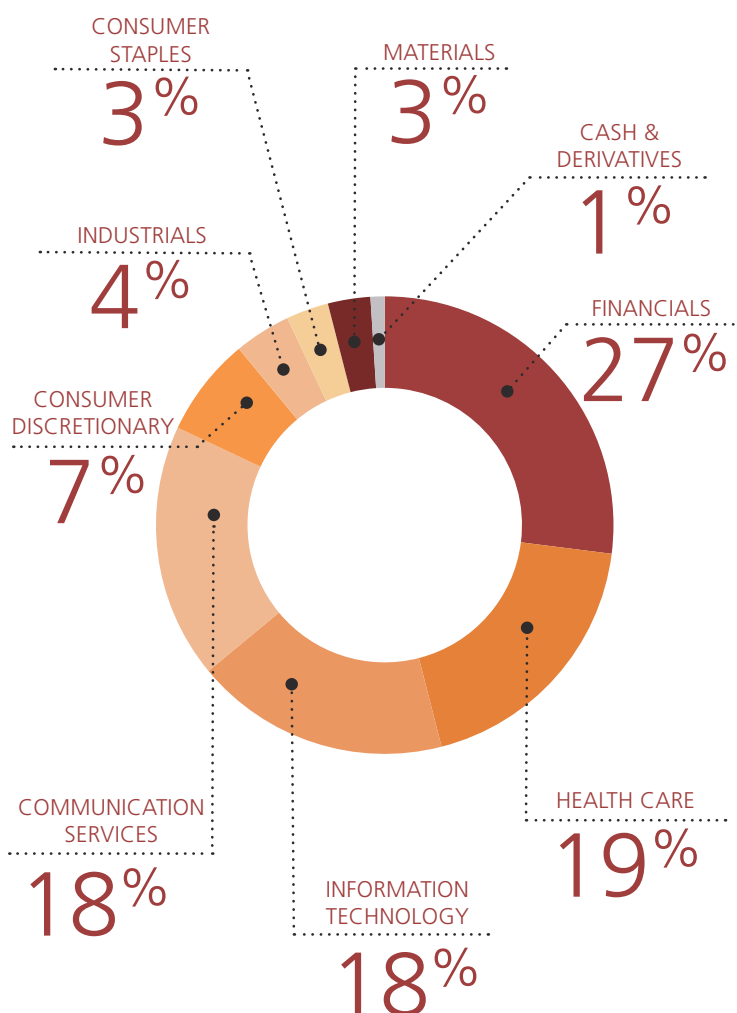
## KEY DETAILS

as at 31 January 2023

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 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 FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$0.73
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	272m
MARKET CAPITALISATION	\$190m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 January 2023



# JANUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month in Australian dollar terms

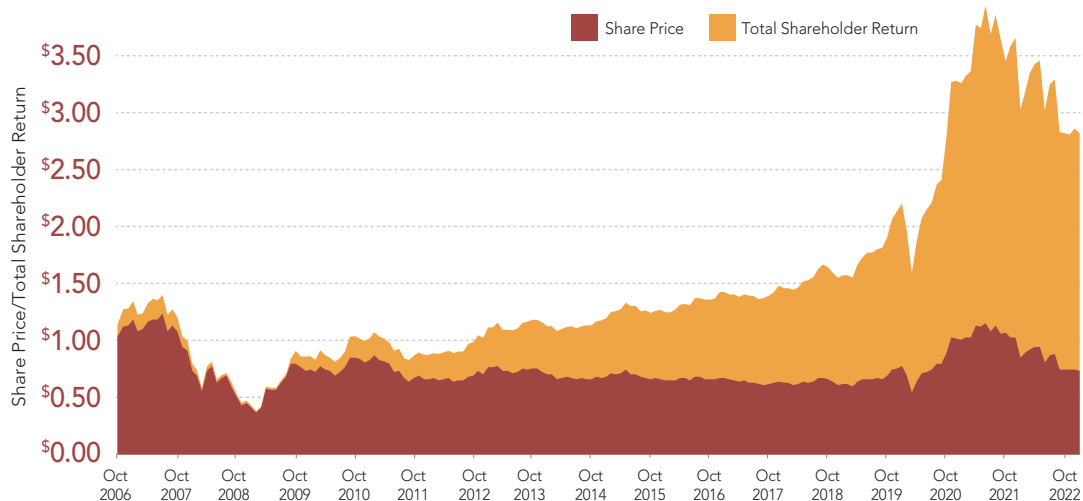
FINEOS	WISETECH	JAMES HARDIE INDUSTRIES	SEEK	CREDIT CORP
+26%	+19%	+19%	+16%	+15%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 January 2023

CSL LIMITED	WISETECH	CARSALES.COM	AUB GROUP	CBA
9%	7%	6%	5%	5%

The remaining portfolio is made up of another 21 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 January 2023



## PERFORMANCE to 31 January 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(1.4%)	+0.3%	(6.6%)	+8.7%	+14.1%
Adjusted NAV Return	+10.0%	+7.0%	+3.1%	+8.9%	+11.2%
<b>Portfolio Performance</b>					
Gross Performance Return	+9.8%	+7.6%	+4.6%	+10.9%	+14.0%
Benchmark Index <sup>^</sup>	+6.9%	+9.5%	+13.2%	+6.9%	+8.8%

<sup>^</sup>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 dividends (and other capital management initiatives) and after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV,
- » 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 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 <https://barramundi.co.nz/about-barramundi/barramundi-policies>

## 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 20 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.

## MANAGEMENT

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), Terry Tolich and Delano Gallagher (Senior Investment Analysts) have prime responsibility for managing the Barramundi portfolio. Together they have significant 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.

## BOARD

The Board of Barramundi comprises independent directors Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

## 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

### Warrants

- » Barramundi announced a new issue of warrants on 27 April 2022
- » Information pertaining to the warrants was mailed/ emailed to shareholders on 4 May 2022
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held based on the record date of 13 May 2022
- » The warrants were allotted to shareholders on 16 May 2022 and listed on the NZX Main Board from 17 May 2022
- » The Exercise Price of each warrant is \$0.89, adjusted down for the aggregate amount per Share of any cash dividends declared on the shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Barramundi
- » The Exercise Date for the new warrants is 26 May **2023**

### Share Buyback Programme

- » Barramundi has a buyback programme in place allowing it (if it elects to do so) to acquire its shares on market
- » 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

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 a 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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