

# MONTHLY UPDATE

September 2022



Share Price

\$0.84

Warrant Price

\$0.04

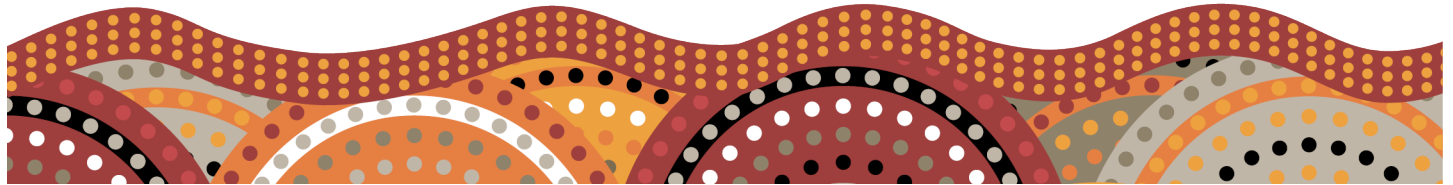
BRM NAV

\$0.72

PREMIUM<sup>1</sup>

17.4%

as at 31 August 2022



## A WORD FROM THE MANAGER

In August, Barramundi's gross performance return was up 0.2% and the adjusted NAV return was up 0.1%. This compares to the S&P/ASX200 Index (70% hedged into NZ\$) which was up 1.4%.

Share prices in August were strongly influenced by the large number of financial results announced by companies for the six or twelve months ended 30 June 2022. Overall, our portfolio companies are performing well in a tricky global business environment. The earnings outlook for companies was understandably cautious given this backdrop. Encouragingly, there are some signs that the worst of the supply chain disruption may be abating.

### Portfolio News

**Wisetech's** (+17% in \$A) financial result exceeded market expectations and its earnings outlook for FY23 was also ahead of analyst expectations. Demand for its software continues to grow as its global freight forwarder customers are increasingly seeing the benefits that this brings to the efficiency with which they can run their own businesses. This increased demand has underpinned strong revenue growth for Wisetech. The company has also successfully found ways to sustainably improve its efficiency and reduce its cost base more than expected by the market over the past year. This has resulted in profit growth strongly exceeding revenue growth and is a key reason for Wisetech's strong share price performance.

**AUB Group** (+15%) reported a 22% increase in underlying NPAT for its June 2022 year. This was at the top end of its guidance range. The result was underpinned by a 9% rise in Australian insurance premium rates for the year. There was also ample evidence that the strategic initiatives executed by management over the last couple of years are bearing fruit in growing the business and improving margins. On the back of continued strong premium rate rises in Australia, the company guided 16-23% growth in underlying NPAT for the coming year. This is before including its major UK-based acquisition, Tysers, which is yet to be completed.

**PWR Holdings** (+14%) released another set of excellent results in August. Demand for PWR's innovative emerging tech products in non-auto and auto-markets continues to strengthen. While all of its key divisions reported strong revenue growth, its Original Equipment Division was the standout. During the financial year PWR began supplying cooling solutions to some of the most anticipated high-performance limited run vehicle releases, including the Aston Martin Valkyrie, Mercedes-AMG One and the Rimac.

**oOH!Media's** (+12%) share price rose as its result included further evidence of continuing post-COVID improvement in audiences for out-of-home advertising. Accordingly, oOh!media's underlying profit for its June 2022 half year jumped to \$20.4m from \$2.2m for the same period in 2021. On a like-for-like basis, we estimate that revenue for the 2022 half was only about 5% below the June 2019 half, which predates COVID. No guidance was provided for the full 2022 result, but we expect further recovery in the second half. September quarter revenues to date are 37% higher than last year (a soft comparable period given Omicron restrictions) and are at 98% of pre-COVID levels.

For the financial year ending June 2022, **Brambles** (+8%) reported an 8% (12% with constant currency) increase in underlying profitability. Improvements in Brambles contract terms over recent years are helping it to offset the impacts of significant lumber and transport cost inflation. The supply of pallets is currently very tight, and demand is high. Conditions are ripe for Brambles to raise prices as contracts roll over. It did this successfully last year and will continue to do so over the year ahead. Brambles has guided to revenue growth of 7-10% (constant currency) for its 2023 year.

The market reacted negatively to the lack of new customer wins announced by **Fineos**' (-26%) at its result. This overshadowed very good subscription revenues growth of +34% in the June 2022 year. And, while guidance for further double-digit subscription revenue growth in the June 2023 year was positive, management's commentary suggests new customer wins will not contribute materially to this. Growth for the next year will largely come from further product sales to existing customers.

**Credit Corp's** share price slumped 15% in August. Although the company reported a 9% rise in underlying profit for its June 2022 year, the market was underwhelmed by the lack of growth in its earnings guidance for 2023. This is due to the volume of defaulted debt being sold by Australian lenders remaining well below historical norms after extended COVID-related forbearance. Growth in earnings from its US purchased debt book, which jumped significantly in 2022, will not fully offset this. During the month, Credit Corp also announced some historic customer remediation initiatives, linked to an administrative error, and a query from the regulator about a historical debt collection practice. The total remediation is expected to cost Credit Corp approximately \$5m.

<sup>1</sup> Share Price Premium 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** (-13%) had pre-announced its revenue for the financial year in July. Despite the share price reaction, we view the result and commentary as supportive of our investment thesis. While Omicron negatively impacted hospital access in the early part of 2022, Trophon sales still recovered to the highest level since the six months to June 2019. During the year Nanosonics successfully transitioned to a largely direct sales model in its key North American market. The deeper customer relationship will allow Nanosonics to better service its hospital customers. It will do this by selling more Trophon units to existing hospital customers, and by accelerating the upgrades of the older Trophons in hospitals, building on this source of sales momentum already evident in 2022.

**Domino's** (-11%) June 2021 year benefited from strong delivery sales due to COVID lockdowns. Consequently, with COVID restrictions easing over its June 2022 year, the company struggled to match its 2021 performance. This weighed on its share price. The company will cycle the last of its peak COVID trading periods this September quarter. It has indicated that same store sales growth for the coming year will meet its medium-term target of +3-6%. Improving same store sales and ongoing actions to

address cost pressures (price rises, menu tweaks, ANZ delivery surcharge, operational efficiencies) should see Domino's return to earnings growth this year. The company also announced the acquisition of the Domino's operations in Malaysia, Singapore and Cambodia. This comprises 287 stores, with the potential for this to grow to 600 by 2033. Including this acquisition, the company is now targeting 7,250 stores in 10 years' time, double the current level.

## Portfolio Changes

Following a robust trading update at Macquarie's AGM in late July, with evidence that it is sensibly deploying capital in this volatile environment, we increased our position in the company.



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



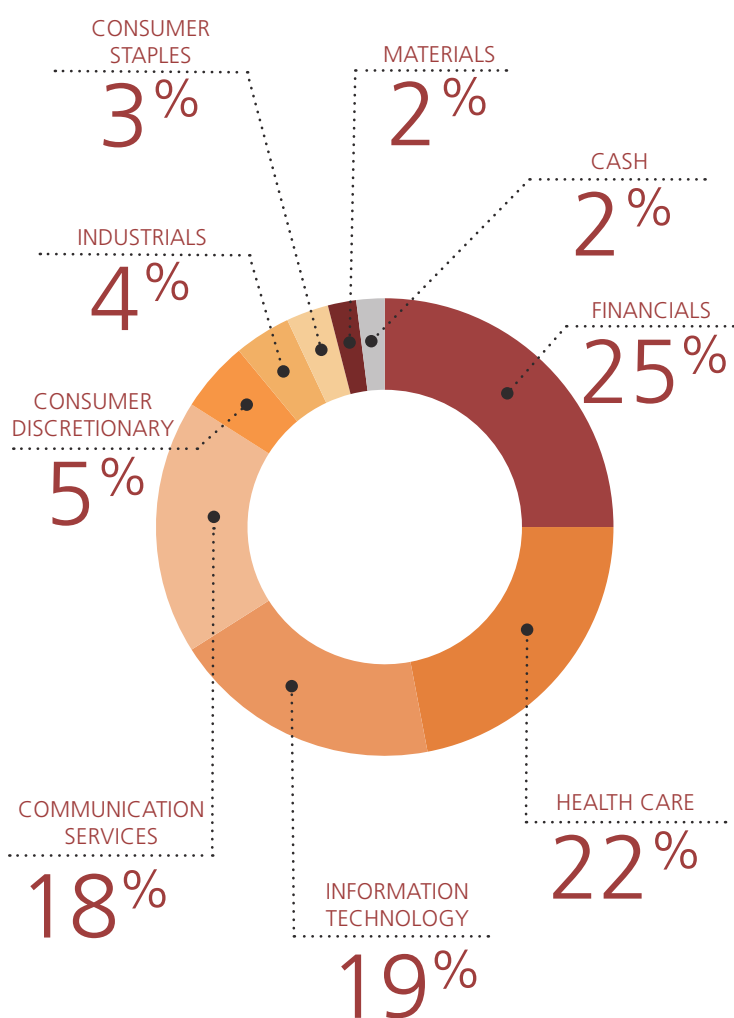
## KEY DETAILS

as at 31 August 2022

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	\$0.76
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	268m
MARKET CAPITALISATION	\$226m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 August 2022



# AUGUST'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month in Australian dollar terms

WISETECH

+17%

AUB GROUP

+15%

PWR HOLDINGS

+14%

CREDIT CORP GROUP

-15%

FINEOS CORP GROUP

-26%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 August 2022

CSL LIMITED

10%

WISETECH

7%

CARSALLES.COM

7%

AUB GROUP

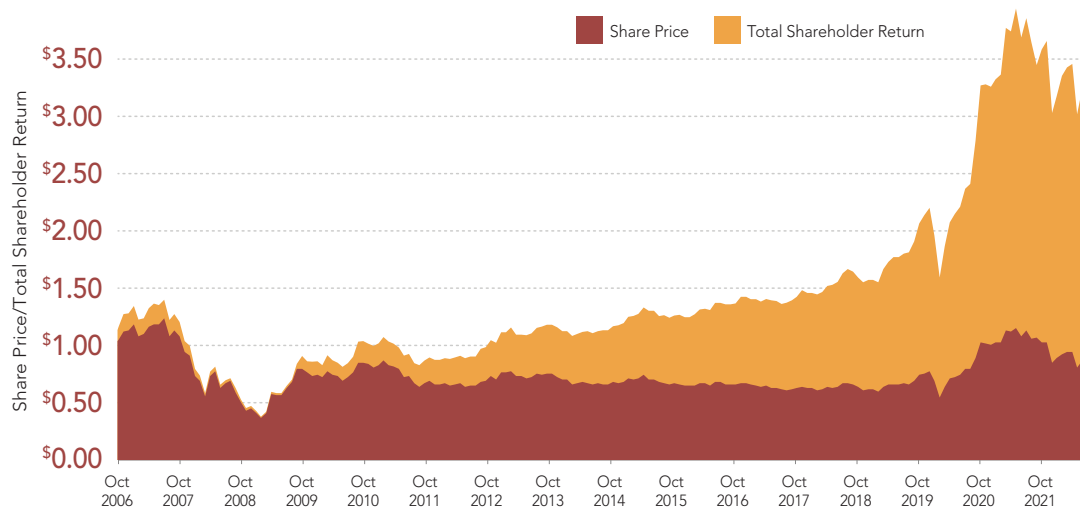
5%

CBA

5%

The remaining portfolio is made up of another 22 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 August 2022



## PERFORMANCE to 31 August 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+1.4%	(4.7%)	(14.6%)	+22.3%	+19.3%
Adjusted NAV Return	+0.1%	+5.0%	(11.8%)	+11.0%	+12.7%
<b>Portfolio Performance</b>					
Gross Performance Return	+0.2%	+5.2%	(11.6%)	+13.5%	+15.5%
Benchmark Index <sup>^</sup>	+1.4%	(1.8%)	(0.8%)	+6.4%	+8.5%

<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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