QUARTERLY NEWSLETTER

1 January 2023 – 31 March 2023

Share Price	Warrant Price	BRM NAV	DISCOUNT[1]
$0.69	$0.00	$0.69	0.04%

as at 31 March 2023

Along with share markets around the world, the benchmark ASX200 index (70% hedged into NZ$) has started the year positively, rising +3.6% in Q1. Barramundi pleasingly outperformed the benchmark index, with the gross performance rising +8.3% in the period.

The unexpectedly speedy re-opening of China's economy post-COVID buoyed commodity markets, supporting a broad increase in mining company share prices in Q1 (a large constituent of the Australian share market). In addition, there have been further signs that the post-pandemic increase in inflation may have reached its zenith and is beginning to subside. Australia's inflation rate fell from a peak of 8.4% in December 2022 to 6.8% by March 2023. Coupled with turmoil in parts of the global banking sector (sparked by rapidly rising interest rates), the market has sharply reduced its expectations about how much further central banks can go in hiking interest rates this cycle. This has seen interest rates fall from recent highs. The Australian 10yr Government bond yield fell from 4.05% to 3.3% over Q1.

Resilient Financial Results in February

This supportive backdrop allied with resilient earnings results from a number of our portfolio companies in February, drove a broad-based rally across our portfolio during Q1.

oOH!media's (+28.8% in A$) profitability has rebounded strongly over the last year. It has benefitted from the recovery of out-of-home advertising audiences as the impact of COVID-related restrictions fade. oOh!media's key Road, Street Furniture and Retail advertising assets delivered revenue for the 2022 year above pre-COVID levels. Given oOh!media has a high proportion of fixed costs (mainly site rentals for its advertising billboards), a large proportion of the 18% increase in revenue for 2022 went straight through to underlying earnings which more than quadrupled from their depressed 2021 level.

Cochlear (+16.7) similarly noted a rebound in new cochlear implants across multiple geographies in recent months. This was helped by improving staff absenteeism and falling COVID hospitalisations (both of which had negatively impacted surgery capacity). In addition to this, Cochlear released its next generation of cochlear units. This product release is expected to underpin further growth in new cochlear installations as well as upgrades to the newer unit across the existing customer base in 2023.

Our faster growing technology and internet companies benefitted from falling interest rates during Q1. This is because the bulk of their cash flows are realised many years into the future, so changing interest rates can have an amplified effect on the discounted value of those cash flows. These companies also delivered resilient earnings results in February.

It was notable that they have been largely successful in increasing the prices of their services, offsetting inflationary pressures. We've also seen these management teams focus strongly on cost discipline, which has also translated into improved profitability. A mixture of these factors was evident in financial results and trading updates for **Wisetech** (+28.5%), **Xero** (+27.3%) and online classified advertising businesses **REA Group** (+25.4%), **SEEK** (+15.3) and **Carsales** (+8.9%).

That said, not all of our companies have been successful in combating rising cost pressures in recent months.

Pizza franchise owner **Domino's** (-23.7%) was caught by surprise by the full brunt of inflationary cost pressures across food, energy and labour. Part of its efforts to cover these cost increases, and protect franchisee profitability, included a series of price and menu adjustments. Unfortunately, with consumers already facing 'cost of living' pressures, the eventual price level saw order volumes slip, particularly for delivery, which had previously been boosted by COVID-related orders. This adversely impacted Domino's sales and profit margins in its recently released financial results.

These results are a function of a very unusual operating environment. The management team are aware of this and addressing their errors around pricing, and we think it will resolve this weak performance in time.

Australian Banks Reap the Benefit of 'Unquestionably Strong' Banking Regulation

As a function of inadequately managing the sharply rising interest rate environment of the last year, coupled with a loss of confidence from their customers, two US banks were seized by regulators during Q1. This led to increased volatility and share price weakness across global banks and financials. A key US bank index of share prices fell -17.3% in the period.

Partly reflecting this negative sentiment towards financials, the share prices of our four major Australian bank shareholdings fell in Q1. However, they outperformed many global peers. **CBA** (-2.1%), **ANZ** (-3.0%), **Westpac** (-7.2%) and **NAB's** (-7.8%) share prices were negatively impacted by the release of CBA's financial result in February, in which it intimated that its net interest margin (a sign of profitability) may have peaked in October 2022. Investors seemed to conclude that future Australian bank profit growth will be harder to achieve in a softening economic environment. This was a key driver of some of the weakness in the Australian bank share prices in Q1 rather than because of any meaningful concerns on behalf of investors about the companies themselves.

The major Australian banks have been viewed as a relatively safe haven compared to international banks – hence helping their outperformance compared to peers.

This is because they have benefitted from having strong oversight from APRA, the bank regulator in Australia. In the years following the 2008 financial crisis APRA meaningfully tightened bank regulation in Australia. It required Australian banks to hold significantly more capital buffers than international peers. 'Unquestionably strong' was its mantra. APRA required the banks to have significant liquidity buffers. The banks also had to effectively hedge their interest rate risk, protecting them from being caught out by rapidly rising interest rates. APRA's regulation has also applied to all banks – there are no exemptions or different rules for large or small banks. In addition to this, the Australian banks also benefit from having very broad, stable deposit bases across millions of customers. Again, this provides a good bulwark against a potential loss of confidence across their customer bases.

Our Portfolio Companies Have Done Well Navigating a Complex Economic Environment

Management teams have typically struck a cautious tone when discussing their earnings outlook for the rest of 2023.

Cost pressures will continue to weigh on profitability for a while. Consumers have yet to feel the full impact of central bank interest rate hikes in recent months. Many Australian households roll off (low) fixed rate mortgages onto meaningfully higher mortgage rates over the rest of 2023. This is likely to impact spending and consumption. How much, remains to be seen.

On the positive side, employment levels remain close to record highs. Rising inbound migration into Australia and rebounding international tourism will support the domestic economy. And the rebound in China's economic activity is also likely to help global growth.

Overall, we think our portfolio companies remain well positioned to navigate this environment. Many of our companies provide goods and services that businesses or consumers need rather than because they are discretionary items. Run by high quality management teams, we think they are well placed to keep growing their earnings over coming years as the remaining vestiges of pandemic related disruption are wrung out of the global economy.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
14 April 2023

[1] 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).

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

OOH! MEDIA	WISETECH	XERO	REA GROUP	DOMINO'S
+29%	+28%	+27%	+25%	-24%

PERFORMANCE
as at 31 March 2023

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	(0.9%)	+21.4%	+14.5%
Adjusted NAV Return	+7.6%	+18.5%	+11.5%
Portfolio Performance			
Gross Performance Return	+8.3%	+21.1%	+14.5%
Benchmark Index[1]	+3.6%	+17.4%	+9.1%

[1] 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 capital allocation decisions after expenses, fees and tax,*
- *adjusted NAV return – the percentage change in the adjusted NAV value,*
- *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 newsletter 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/

COMPANY NEWS
Dividend Paid 24 March 2023

A dividend of 1.36 cents per share was paid to Barramundi shareholders on 24 March 2023, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 36% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on 09 488 8777.

PORTFOLIO HOLDINGS SUMMARY
as at 31 March 2023

Company	% Holdings
Ansell	2.1%
ANZ Banking Group	2.1%
AUB Group	5.3%
Audinate Group	2.0%
Brambles	4.4%
Carsales	5.4%
Cochlear	2.1%
Commonwealth Bank	4.5%
Credit Corp	3.5%
CSL	9.3%
Domino's Pizza	4.2%
Fineos Corporation Holdings	1.4%
James Hardie Industries	2.8%
Macquarie Group	4.0%
Nanosonics	2.1%
National Australia Bank	2.9%
NEXTDC	4.0%
Ooh! Media	3.3%
PWR Holdings	2.0%
REA Group	5.1%
ResMed	4.0%
SEEK	4.6%
Westpac	2.5%
WiseTech Global	6.9%
Woolworths Group	2.8%
Xero Limited	4.4%
Equity Total	**97.7%**
Australian cash	**0.6%**
New Zealand cash	**0.4%**
Total cash	**1.0%**
Forward foreign exchange contracts	**1.3%**
Total	**100.0%**

FOREIGN TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARD (CRS)

As a result of the New Zealand Government agreeing to participate in the exchange of information with other jurisdictions under the Foreign Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), Financial Institutions are required to undertake due diligence to determine the account holders' jurisdiction of tax residence. If shareholders have not previously self-certified, they will receive a Tax Residency Self-Certification form from Computershare depending on when they first purchased their securities. Please ensure you complete and return this important document if you have not already done so. For more information please visit the IRD website: https://www.ird.govt.nz/international-tax/exchange-of-information/crs/registration-and-reporting or contact Computershare if you are unsure of whether you have completed your form.

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