MONTHLY UPDATE

August 2023

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	DISCOUNT[1]
$0.73	$0.75	2.5%

as at 31 July 2023

A WORD FROM THE MANAGER

In July, Barramundi's gross performance return was up 4.0% and the adjusted NAV return was up 3.8%. This compares to the S&P/ASX200 Index (70% hedged into NZ$) which was up 2.8%.

The Australian market experienced a broad-based rally in July, led by the Energy (+8.8%), Financials (+4.9%) and Information Technology (+4.5%) sectors. The energy market was boosted by commentary from the Chinese government that it is seeking a wide range of ways to stimulate the economy from boosting consumer industries to accelerating growth in light industry. Financials were supported by a better mix of domestic economic data (see below), while technology companies benefitted from robust earnings results from listed tech peers in the US.

Weighed down by another soft month for bellwether CSL's share price, which fell -3.2% (in A$), the Healthcare index was the worst performing sector in the month, falling -1.5%.

Portfolio News

Credit Corp's (+19.2%) share price increase in July was mostly given back when the result was delivered on the 1st of August. After tax profit was towards the bottom end of its guidance range and 5% below 2022. A very strong result from the Australian and New Zealand (ANZ) Lending operation was offset by reduced earnings from the ANZ and US Debt Buying businesses. All these trends had been signalled in advance. For 2024 both the ANZ Lending and US Debt Buying businesses are expected to increase earnings but a further fall in ANZ Debt Buying's contribution is forecast, as fewer debt ledgers are expected to be bought.

oOh!Media's share price rebounded +18.2% in July, following the announcement of new contract wins. In late June, the company won the inaugural contract for outdoor advertising on the new Sydney Metro & Southwest rail line. It followed this up by winning the Woollahra Council Street Furniture contract and the contract for the Martin Place Station precinct. No financial details have been disclosed on these contracts but they all bolster oOh!Media's ability to provide advertisers with exposure to CBD and affluent suburban audiences.

Our online classified advertising holdings, **SEEK** (+14.6%) and **REA** (+10.1%) both performed strongly in July. Both businesses increased the price of their ads during the month. REA raised prices between 12% and 18% depending on the advertising tier. SEEK's price rises were more varied across its tiers. Advertising volumes for the two businesses moved in opposite directions. REA's Sydney property listing volumes (a big market for it) rose again. In contrast, SEEK's job ad volumes continue to fall from the 2022 peak from a combination of a softer economic outlook and improving labour supply.

Improving domestic inflation data, a decision by the Reserve Bank of Australia not to lift interest rates and better than expected unemployment data ameliorated the market's expectations of how negative the bad debt cycle might prove to be for the Australian banks. This supported the share prices of our bank shareholdings, including **ANZ** (+8.6%), **NAB** (+7.8%), **CBA** (+5.4%), and **Westpac** (+4.7%), all of which rose in the month.

Fibre cement producer, **James Hardie** (+9.4%) benefitted from improving data related to a recovery in the US housing market, where new housing construction has surpassed market expectations. Housing renovation (also a key driver of demand for fibre cement) has similarly not fallen as much as expected. In addition to this, input costs for James Hardie such as lumber have also been subsiding. This has boosted expectations that the company's revenue growth and profit margins in FY24 will be better than was expected a few months ago.

Macquarie (-1.5%) fell after a tepid Q1 FY24 trading update at its AGM in the month. The prior financial year was a stellar year of profit growth for Macquarie led by its commodities and global markets division. This division's earnings tend to be volatile from one year to the next. So, it was always going to be tough for the company to surpass that level of profitability in FY24. In addition to this, capital markets activity (M&A, equity and debt raisings) has until recently been relatively subdued which has also led to a slower start to the new financial year for the capital markets division. Macquarie remains well placed to grow its earnings over the longer term.

During the month, a competitor of **CSL** (-3.2%) announced positive trial results for the treatment of the acquired autoimmune disease, chronic inflammatory demyelinating polyneuropathy (CIDP). Headline results from the trial were in-line with similar trials done by CSL for the treatment of CIDP using immunoglobulin therapies. Therefore, even if the new therapy gets FDA approval, we think it will likely be seen as another option for doctors to use in order to treat CIDP. This will limit the extent to which this new therapy cannibalises CSL's market share for CIDP treatment.

[1] Share Price Discount to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).

Ansell's (-9.7%) trading update in the month noted that it had achieved 2023 underlying after tax profit in the middle of its guidance range, albeit aided by the writeback of some incentive accruals relating to previous years. Underlying earnings will be around 18% below 2022. Revenue from Ansell's Industrial business held up well and is expected to continue to grow for the 2024 financial year. The Healthcare business has suffered from post pandemic distributor destocking and price declines, so its 2023 revenue is down about 24%. Destocking is now expected to extend into the FY24 year so Ansell will slow production to reduce its own inventory level. This, along with a myriad of other negative factors (FX, higher interest & tax rates, no incentive writeback), will be a drag on FY24 earnings. Initial guidance is for underlying FY24 earnings to drop a further 3-20%. Alongside this, Ansell has announced a range of productivity and IT initiatives in an effort to improve the company's efficiency.

Portfolio Changes

We reduced our **Wisetech** (+7.5%) position late in the month. Wisetech has had a stellar year with the share price rising circa 70% calendar year to date. The company has been performing well and has a great long term outlook. However, given the magnitude of the share price move, we think the valuation outlook is more evenly balanced and consequently have reduced our weighting.

We also reduced our target weight in **Ansell** in the month, noting the operational challenges facing the company which detract from its earnings growth over the next few years (see above).

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

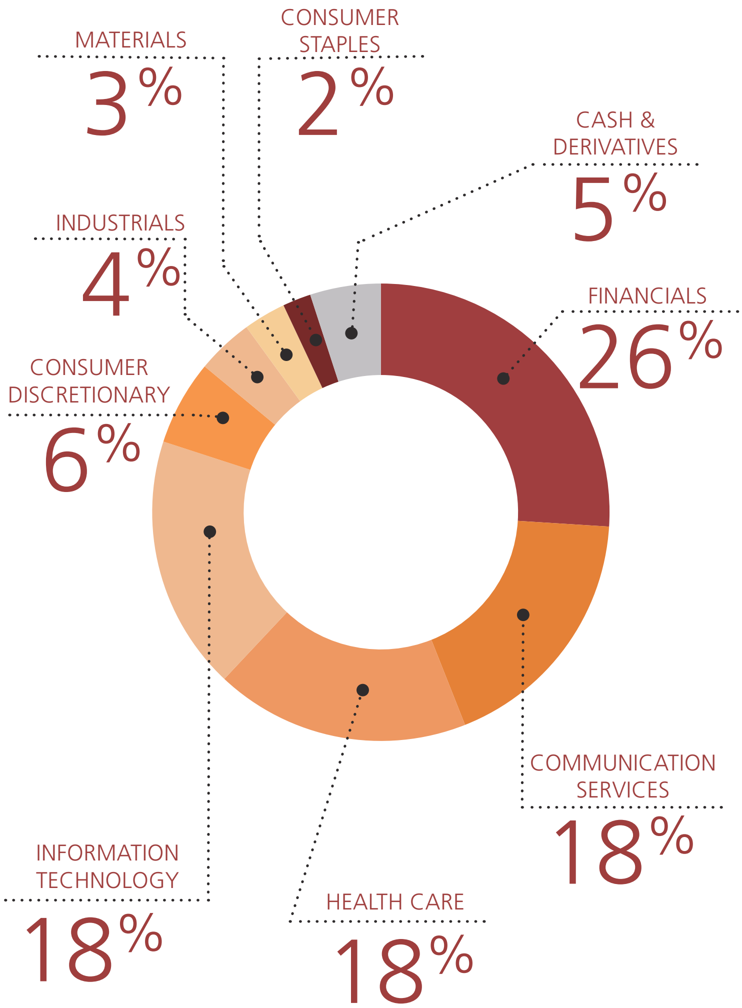
KEY DETAILS

as at 31 July 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	$0.72
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	276m
MARKET CAPITALISATION	$201m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 July 2023



JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month in Australian dollar terms

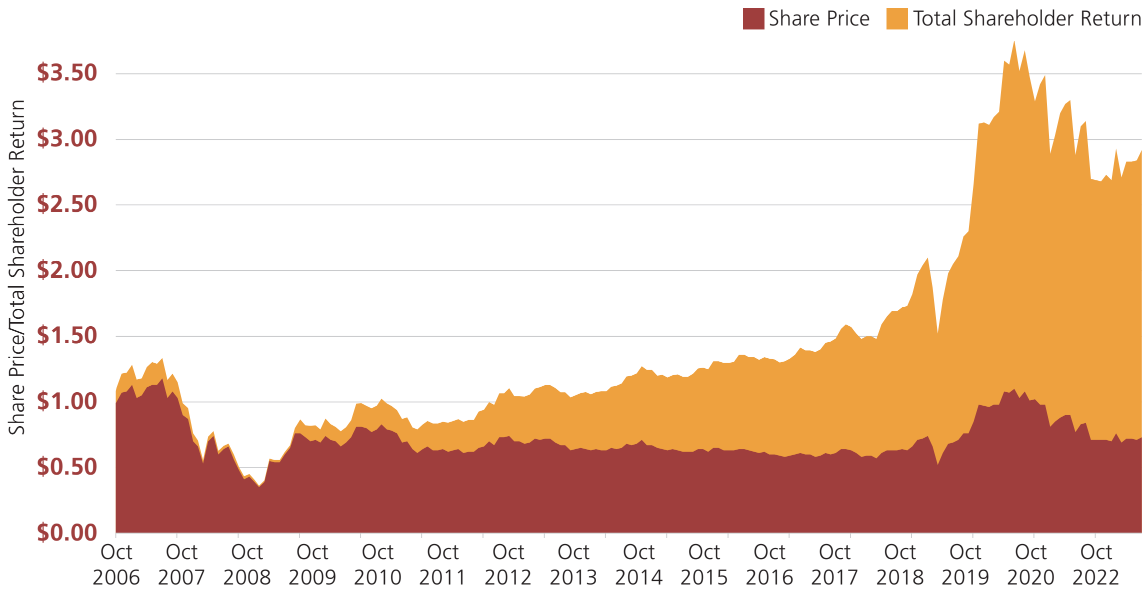
CREDIT CORP GROUP	oOH!MEDIA	SEEK	REA GROUP	ANSELL
+19%	+18%	+15%	+10%	-10%

5 LARGEST PORTFOLIO POSITIONS as at 31 July 2023

CSL LIMITED	AUB GROUP	CARSALES.COM	WISETECH	RESMED
10%	6%	6%	5%	5%

The remaining portfolio is made up of another 20 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 July 2023



PERFORMANCE to 31 July 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.8%	+3.5%	(5.7%)	+11.5%	+14.6%
Adjusted NAV Return	+3.8%	+5.9%	+12.4%	+13.4%	+11.5%
Portfolio Performance					
Gross Performance Return	+4.0%	+6.4%	+15.7%	+16.0%	+14.3%
Benchmark Index^	+2.8%	+2.6%	+11.3%	+12.5%	+7.8%

^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

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 utilised for the dividend reinvestment plan

Warrants

- Warrants put Barramundi in a better position to grow further, operate efficiently, and pursue other capital structure initiatives as appropriate
- A warrant is the right, not the obligation, to purchase an ordinary share in Barramundi at a fixed price on a fixed date
- There are currently no Barramundi warrants on issue

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