QUARTERLY NEWSLETTER

1 April 2022 – 30 June 2022

Share Price	Warrant Price	BRM NAV	PREMIUM[1]
$0.77	$0.03	$0.64	22.1%

as at 30 June 2022

The fall in global share markets intensified in Q2 of 2022. Barramundi's gross performance was down -14.2%, while the adjusted NAV return was down -14.1%. This compared to the benchmark ASX index which fell -11.2%.

Inflation concerns were once again a key factor in this sell-off. This led the Reserve Bank of Australia (RBA) to step up its tightening of monetary policy. The RBA increased interest rates by 0.5% in early June and more are on the way. This propelled the ten year Australian Government bond rate to a high of 4.2% in June (from 2.84% in March).

This precipitated a sharp sell-off in share prices. Investors feared that this sharp increase in interest rates will crimp economic growth and potentially lead to an economic recession.

Our investments in fast growing software providers **Fineos** (-38.6% in A$), **Wisetech** (-25.9%) and **Xero** (-25.1%) were hit hard by these sharply rising interest rates. There wasn't negative company specific news driving their performance. The increase in interest rates was, however, a key contributor. Because these are fast growing businesses, the majority of their cash flows will be realised years into the future. Rising interest rates have an amplified effect on the discounted value of these longer dated cash flows.

Our financials caught the recessionary flu, with **ANZ** (-18%), **Macquarie** (-17.5%), **Westpac** (-17.5%), **CBA** (-14.6%) and **NAB** (-13.3%) also falling sharply. This was despite the banks delivering credible earnings results in the period. **Macquarie** posted an all-time high profit when it released its full year results in May.

In spite of all this pessimism, we are seeing some positive signs that reinforce our optimistic view about the medium-term future.

Great investment opportunities are presenting themselves – for patient investors

Share markets tend to be forward looking. The broad sell-off in share prices that we are observing today, is reflective of the expectation that hard economic times lie ahead. The market is applying this assessment to all companies.

But not all companies will be affected in the same way by these economic woes. And herein lies the opportunity for active investors like us.

Sales of companies providing essential products or services to their customers for example are likely to be less impacted by those that sell discretionary products. If, in addition to this, these companies have strong durable competitive positions in their industries, all the better. This gives them pricing power and an ability to combat the ravages of inflation.

Encouragingly, we have seen early signs in Q2 that the market is starting to appreciate these differences between businesses.

Our largest shareholding, in plasma products manufacturer CSL, is a case in point. During the second quarter, CSL's collection of plasma (impacted during the COVID pandemic) showed signs of improving. The demand for the company's products, critical to treating conditions such as haemophilia, remains robust irrespective of the economic environment. Its outlook is sound. The market recognised this distinction in June, and CSL rose +0.3% over Q2, strongly outperforming the ASX 200.

Brambles (+8.1% in Q2), the global leader in providing pallets to help companies transport their goods around the world, is a second example. In a trading update Brambles noted that it was increasing prices and applying transport surcharges for its customers in order to offset rising costs. It has consequently upgraded its profitability guidance for the year.

As the largest pooling pallet provider globally, Brambles has the scale (and economic muscle) to enforce these terms on its customers and protect its profits. The market rewarded it for this characteristic during the second quarter.

As an investment team we have been scouring through listed companies that we think are high quality, and whose share prices we think have been unduly punished in this environment. Businesses whose potential over the next 3-5 years is being underestimated by the market because it is so focussed on how they may be impacted by this near-term uncertainty.

Given our portfolio itself is comprised of good quality businesses, we have unsurprisingly found a number of these opportunities within our existing portfolio companies. Over the last six months we've added to the likes of AUB Group, Domino's Pizza, Credit Corp, oOH!Media, REA Group and CSL.

We also added a new company (Cochlear) to the portfolio which we wrote about in the March update.

We added a second new company to the portfolio in June, fibre cement manufacturer James Hardie.

James Hardie – A high quality business on sale

James Hardie is the global leading manufacturer of fibre cement planks, which are used to clad the outside of timber framed homes. It invented the fibre cement product in the 1980s and took this technology to the US. Today, fibre cement makes up 20% of the cladding market in America. James Hardie has a whopping 90% share of this category. It is also dominant in Australia.

James Hardie benefits from the size (scale) of its manufacturing facilities. And its growth runway is long. Fibre cement is likely to continue displacing other siding materials such as vinyl, for years to come.

James Hardie has been on our investment radar screen for ages. By June, fears that rising interest rates in the US will result in a recession and a downturn in the housing market had seen James Hardie's share price falling over 40% since the start of the year.

We used this opportunity to add James Hardie to our portfolio. Its near-term earnings are likely to be impacted by the challenging outlook. This may weigh on its share price for a while yet. But looking out 3-5-7 years from now, we think its earnings will likely grow strongly. We think we will be well rewarded over that longer-term time frame by buying the shares today.

Positioning the portfolio to spring back strongly when markets recover

We are in the midst of a broad-based bear market in equities at the moment. Our portfolio companies are well placed to weather this storm and emerge stronger out the other side. The broad-based nature of this sell-off is also presenting us with some attractive investment opportunities.

We have been re-positioning our investments within our portfolio. We've been selling down some of our more fairly priced stocks such as Sonic Healthcare or the Australian banks. We've added to some of our other existing positions and some new companies (Cochlear and James Hardie) at attractive prices.

We think these changes position our portfolio well to rebound strongly when the bear market does end.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited
15 July 2022

[1] 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).

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER IN AUSTRALIAN DOLLARS

FINEOS CORP	CREDIT CORP GROUP	PWR HOLDINGS	SEEK	WISETECH
-39%	-33%	-33%	-30%	-26%

PERFORMANCE
as at 30 June 2022

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	(10.1%)	+19.5%	+16.8%
Adjusted NAV Return	(14.1%)	+8.5%	+10.6%
Portfolio Performance			
Gross Performance Return	(14.2%)	+10.8%	+13.2%
Benchmark Index[1]	(11.2%)	+4.3%	+7.5%

[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 return to an investor after expenses, fees and tax,*
- *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 23 June 2022

A dividend of 1.50 cents per share was paid to Barramundi shareholders on 23 June 2022, 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 30 June 2022

Company	% Holdings
Ansell	3.2%
ANZ Banking Group	2.4%
AUB Group	4.9%
Audinate Group	2.1%
Brambles	3.9%
Carsales	6.6%
Cochlear	2.3%
Commonwealth Bank	5.1%
Credit Corp	3.3%
CSL	10.3%
Domino's Pizza	3.1%
Fineos Corporation Holdings	1.8%
James Hardie Industries	2.4%
Macquarie Group	2.7%
Nanosonics	2.6%
National Australia Bank	3.4%
NEXTDC	4.4%
Ooh!Media	2.9%
PWR Holdings	1.8%
REA Group	4.1%
ResMed	4.8%
SEEK	4.4%
Westpac	2.6%
Wise Tech Global	5.7%
Woolworths Group	3.5%
Xero Limited	4.2%
Equity Total	**98.5%**
Australian cash	**1.2%**
New Zealand cash	**0.3%**
Total cash	**1.5%**
Centrebet Rights	**0.0%**
Forward foreign exchange contracts	**0.0%**
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. All shareholders will have received 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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