MONTHLY UPDATE

February 2022

Share Price	BRM NAV	PREMIUM[1]
$0.81	$0.76	6.7%

as at 31 January 2022

A WORD FROM THE MANAGER

In January, Barramundi's gross performance return was down (11.2%) and the adjusted NAV was down (11.0%). This compares to the ASX200 Index (70% hedged into NZ$) which was down (6.1%).

January was a tough month for the Australian share market and a particularly tough month for our portfolio.

Inflation concerns and a hawkish change of tack by central banks has resulted in interest rates rising sharply across the globe. In Australia the 10yr Government bond rate rose from 1.67% to 1.90% during the month. In December the annualised inflation rate for Australia was 3.5%. Although not as high as New Zealand (5.9%) or the USA (7.0%), it is still significantly higher than the 0.9% inflation rate a year ago.

This environment has precipitated the underperformance of the fast growing technology sector in Australia which fell -18.4% in the month as well as the healthcare sector, which fell -12.1%.

Conversely, the energy sector led the ASX higher, rising 7.9% in the month on the back of rising energy prices (which itself feeds into the inflation jitters). The utilities (+2.6%) and materials (+0.8%) sectors also both outperformed in the month.

Our investment process is focussed on investing in high quality and growing businesses with durable competitive advantages. As we have alluded to before, we tend to find more investment opportunities that fit our process in the technology and healthcare sectors than in the materials, energy and utility sectors (where we currently have no portfolio exposure).

Our relative positioning is largely responsible for our underperformance during January. Share market volatility is discomforting. However, it nevertheless also presents us with opportunity. Below we discuss how we've been positioning our portfolio in light of this stock market retracement.

We think our portfolio companies remain well positioned to grow their earnings in their respective industries over the longer-term.

Portfolio News

Our companies in the financials sector held up relatively well during the month. In fact **Credit Corp** rose +1.2% (in A$). The Australian banks, **ANZ** (-3.6%), **Westpac** (-4.9%) and **National Australia Bank** (-5.9%) also outperformed for us. Financials are deemed to benefit from rising interest rates because it alleviates the interest margin compression the banks have experienced for a number of years. However, we note that the competitive environment and complexity in banks funding structures may temper the extent to which banks benefit from this.

On the other side of the ledger the share prices of our tech holdings fell sharply. **Fineos** (-23.0%) gave a market update late in January. While it didn't announce any new contract wins, it continues to execute on its strategy. Fineos also completed the implementation of its software for a number of new customers won in preceding periods. **Wisetech** (-22.7%) and **Xero** (-20.2%) also fell sharply although there was no news on either company. All three of these companies have long growth runways in front of them and plenty of scope to grow their profitability through time.

In its quarterly trading update **ResMed** (-10.8%) reported revenue that was 13% higher than a year ago in constant currency. This was boosted by the absence of chief competitor Philips from the market due to a major product recall which is set to last through 2022. Excluding the indicated recall benefit, underlying revenue growth was still a solid 8%. COVID driven supply chain constraints ate into Resmed's margin which led to a 5% lift in earnings. We view this as acceptable given the prevailing environment.

Ansell (-15.1%) downgraded its FY 2022 earnings guidance in January. The downgrade itself was not unexpected but its magnitude was an unpleasant surprise. The mid-point of new guidance is 27% below that previously provided and 30% down on fiscal 2021. Ansell's first half result (due shortly) is expected to show an 8% lift in revenue but a 23% plunge in EBIT.

Several factors have driven this outcome. The waning of COVID-related demand for exam/single use gloves has been more rapid than expected, compressing margins as Ansell sells-through higher cost inventory from outsourced suppliers. Sales performances from all other segments have been solid. Profit margins have been further impacted by COVID-related factory shutdowns early in the half (now starting to reoccur) and higher labour and freight costs. Price rises are being implemented to recover cost increases. Finally, a US Customs action against an outsourced provider of exam/single use gloves will impact Ansell's ability to sell this product in the US in the second half.

There is uncertainty over the duration of these negative factors. However they do seem to be transitory. Consequently, it does not seem that Ansell's long term earnings prospects are materially lower than we have previously expected.

[1] Share Price Premium to NAV (using NAV to four decimal places).

Portfolio Changes

We remain optimistic in the long-term prospects of our tech, healthcare and classified advertising businesses many of which experienced sharp share price falls during the month. Their valuations are looking more attractive after this retracement.

In contrast, our financials companies, having performed relatively better, remain closer to fair value. They also intrinsically have less scope to grow earnings when compared to a number of our tech/ online and healthcare companies.

We have consequently sought to take advantage of this dispersion in returns by reducing our weighting in the banks and **Sonic Healthcare**. And we have topped up the likes of **SEEK**, **REA Group**, **Next DC**, **Xero** and **Domino's**.

We have been measured in how we've re-deployed this capital, given that higher interest rates and share price volatility may continue for some time.

We have followed **Cochlear** closely for a number of years. In January, Cochlear's share price ended up trading 30% lower than its 2021 peak price. We were delighted to grasp this opportunity to add Cochlear to our portfolio.

Cochlear is the global leader in the severe and profound hearing-impaired device market. Note that conventional hearing aids amplify sound for people with minor-moderate hearing difficulty.

In contrast, Cochlear Implants help people who literally cannot hear.

Cochlear is solving a significant, unmet addressable need that is expected to continue to underpin long term growth of the business. Testing for severe hearing loss at birth is well established in developed markets. But testing is still nascent in developing markets. This offers Cochlear opportunity to grow. Also, it is estimated that less than 3% of adults that would benefit from a Cochlear Implant have received one. An increasing number of studies also suggest that severe hearing loss in adults exacerbates the onset of dementia and other illnesses. So the adult market is another large untapped opportunity for Cochlear.

Cochlear is the market leader for implants with a 60-70% global market share. Cochlear operates to the highest standards, and has the lowest product recall rate in the market. It has a long-term focussed culture of excellence. It spends 12-16% of revenues on research and development each year, looking for the next advancement in helping people hear again. This too will contribute to its future growth longer-term.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

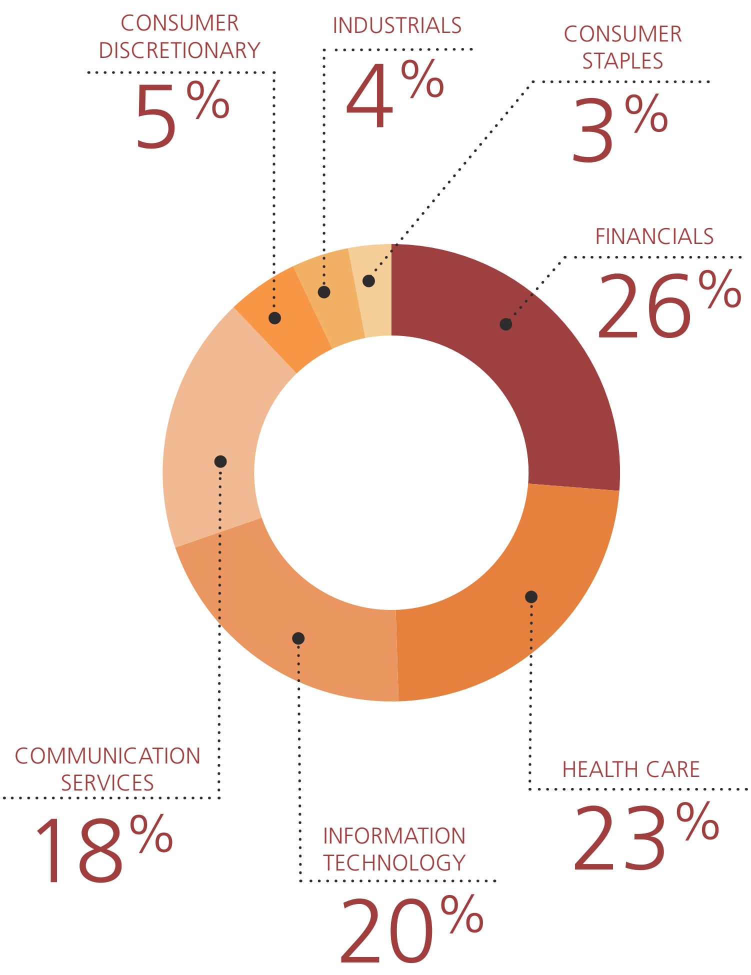
KEY DETAILS

as at 31 January 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	$0.79
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	265m
MARKET CAPITALISATION	$215m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 January 2022



The Barramundi portfolio also holds cash.

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

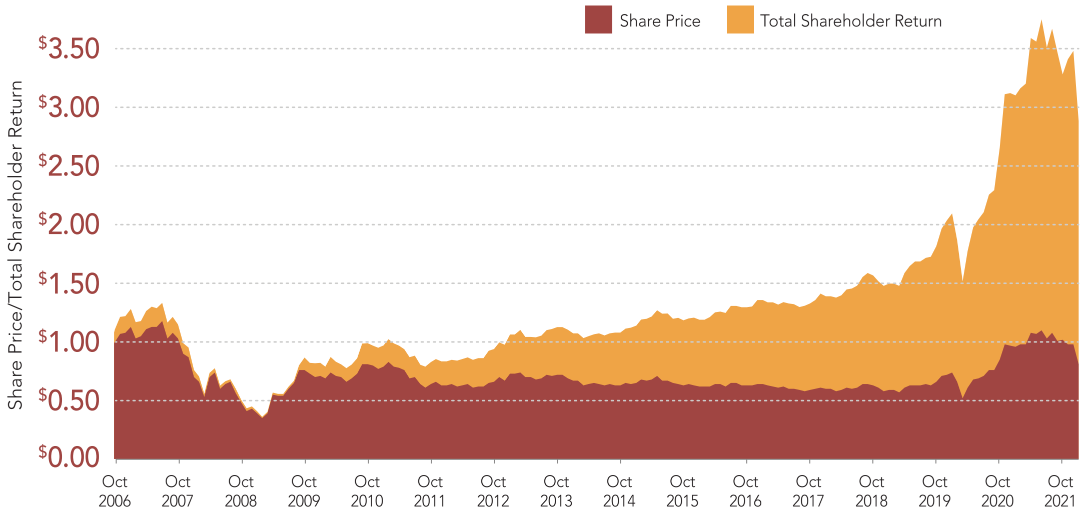
FINEOS	WISETECH	XERO	NANOSONICS	SONIC HEALTHCARE
-23%	-23%	-20%	-19%	-19%

5 LARGEST PORTFOLIO POSITIONS as at 31 January 2022

CSL LIMITED	CARSALES.COM	WISETECH	SEEK	CBA
9%	6%	6%	5%	5%

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

TOTAL SHAREHOLDER RETURN to 31 January 2022



PERFORMANCE to 31 January 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(17.3%)	(12.3%)	(7.3%)	+24.1%	+16.3%
Adjusted NAV Return	(11.0%)	(8.9%)	+9.0%	+18.3%	+14.6%
Portfolio Performance					
Gross Performance Return	(11.2%)	(9.1%)	+10.7%	+21.4%	+17.7%
Benchmark Index^	(6.1%)	(3.5%)	+10.0%	+10.3%	+9.1%

^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 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 http://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 Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

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 re-issued 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

Barramundi
LANDING TOMORROW'S TROPHIES

Barramundi Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 489 7074 | Fax: +64 9 489 7139
Email: enquire@barramundi.co.nz | www.barramundi.co.nz

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777 | Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz | www.computershare.com/nz