

Quarter Update Newsletter

1 January 2017 — 31 March 2017



BRM NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT
\$0.66	\$0.62	\$0.02	6.4%

as at 31 March 2017

- » Banks and mining companies continued to drive performance of the Australian market but signs have emerged recently of this trend easing.
- » Over 40% of Barramundi's portfolio companies provided earnings ahead of market expectations in the reporting season.
- » We are seeing and taking advantage of buying opportunities in portfolio companies that are out of favour with investors.

Over the quarter Barramundi's portfolio rose by 3.8%*, comparing negatively with the benchmark[^] which was up 6.6%, again driven by banks and miners in which the portfolio has relatively low exposure. Encouragingly, March saw indications of this trend turning, with Healthcare, Consumer, Technology and Industrial companies catching up compared to the past year. Barramundi's portfolio enjoyed strong performance from key portfolio holdings **CSL, ResMed and AUB Group**.

The first quarter of the year is busy as companies report on their performance over the previous six months. This results season is important as it presents an opportunity to evaluate whether Barramundi's investments are developing as expected. Pleasingly over 40% of the portfolio holdings delivered earnings ahead of market expectations.

Positive earnings revisions in the Australian market have been driven by the mining sector, and to a lesser extent, the banking sector. A healthy proportion of Barramundi's portfolio companies beat market expectations; it's a strong indication that they continue to perform well. This is an important assessment at a time when volatile share prices might suggest otherwise.

Portfolio heavyweight CSL performed exceptionally through the results period. After falling from favour late last year, the CSL share price rallied 25% over the quarter as the company reported excellent growth in its immune therapies, and greater certainty around the future of its new flu vaccine business. One of the key reasons we like CSL is because of its incredibly well developed blood collection network. Secure supply of large volumes of plasma allows CSL to optimise the portfolio of therapies it can produce. Smaller competitors are forced to focus on specific niches, which leave them vulnerable to operational and regulatory mishaps. Over its history CSL's sales have surged on several occasions as the company has stepped in to fill demand left wanting by a competitor not adequately serving its customers.

Notable Returns in the Quarter in Australian dollars

CSL LIMITED	AUB GROUP	COCA-COLA AMATIL	DOMINO'S	BRAMBLES
+26%	+11%	+10%	-10%	-23%

We view CSL's ability to take market share, and to provide critical therapies to patients in need, as an expression of the company's strengths relative to its competitors.

Long held portfolio position ResMed reported strong sales of its sleep apnea equipment and consumables, and indicated that a new mask launch, which is typically good for sales, is underway. ResMed's sales and profits have grown over the years despite the pronounced pricing pressure which followed the Obama-inspired Affordable Care Act. A less onerous pricing regime is expected to follow the change of administration in the US, which should prove supportive of ResMed's continued growth.

Similarly, **AUB Group** has grown despite some challenging times. The company earns commissions on insurance premiums, which have been weak over the last few years. Insurance premiums recently began to rise as insurers looked to strengthen their underwriting profits, improving prospects for AUB profits going forward.

We like investments that can hold their own through hard times and benefit when conditions improve. Current weak share prices of quality companies we like, such as **Brambles**, which has fallen on what may be short term issues in specific regions, can present opportunities to buy great businesses at favourable prices, this should deliver further strong returns from Barramundi's holdings in the future.



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Senior Portfolio Manager
Fisher Funds Management Limited
21 April 2017



Carmel Fisher
Managing Director
Fisher Funds Management Limited
21 April 2017

*Gross of fees and tax and adjusting for capital management initiatives

[^]Benchmark index: S&P/ASX 200 Index (hedged 70% to NZD)

Performance to 31 March 2017

	3 Months	3 Years (accumulated)	Since Inception October 2006 (accumulated)
Barramundi Adjusted NAV*	+3.7%	+24.5%	+37.5%
Total Shareholder Return*	(0.9%)	+30.0%	+34.4%
Gross Return ¹	+3.8%	+36.3%	+92.1%
Relative Performance			
Benchmark Index ² (in NZ dollar terms)	+6.6%	+34.4%	+28.6%

¹ Gross of fees and tax and adjusting for capital management initiatives

² Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX 200 Index (hedged 70% to NZD) from 1 October 2015

*Definitions of non-GAAP measures

Adjusted Net Asset Value (NAV)

The adjusted NAV per share represents the total assets of Barramundi (investments and cash) minus any liabilities (expenses and tax), divided by the number of shares on issue. It adds back dividends paid to shareholders and adjusts for:

- » the impact of shares issued under the dividend reinvestment plan at the discounted reinvestment price;
- » shares bought on-market (share buybacks) at a price different to the NAV, and;
- » warrants exercised at a price different to the NAV at the time exercised.

Adjusted NAV assumes all dividends are reinvested in the company's dividend reinvestment plan and excludes imputation credits.

The directors believe this metric to be useful as it reflects the underlying performance of the investment portfolio adjusted for dividends, share buybacks and warrants, which are a capital allocation decision and not a reflection of the portfolio's performance.

Total Shareholder Return (TSR)

The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the net value of converting warrants into shares and dividends paid to shareholders.

TSR assumes:

- » all dividends paid are reinvested in the company's dividend reinvestment plan at the discounted reinvestment price and exclude imputation credits, and;
- » all shareholders that have received warrants (for free), have subsequently exercised their warrants at the warrant expiry date and bought shares (if they were in the money).

The directors believe this metric to be useful as it reflects the return of an investor who reinvests their dividends and, if in the money, exercises their warrants at warrant maturity date for additional shares. No metric has been included for investors who choose other investment options.

Company News

Dividend Paid 31 March 2017

A dividend of 1.30 cents per share was paid to Barramundi shareholders on 31 March 2017, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 38% 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 2017

COMPANY	% Holding
ANSELL	3.1%
APN OUTDOOR	2.6%
AUB GROUP	2.9%
BABY BUNTING GROUP	1.1%
BHP BILLITON	1.7%
BRAMBLES	2.0%
CARSALES	5.3%
COCA-COLA AMATIL	2.4%
COMMONWEALTH BANK	2.7%
CREDIT CORP	2.9%
CSL	6.0%
DOMINO'S PIZZA	6.5%
GATEWAY LIFESTYLE GROUP	1.8%
INGENIA COMMUNITIES	2.4%
LINK ADMINISTRATION	2.1%
NANOSONICS	1.7%
NATIONAL AUSTRALIA BANK	3.9%
OOH! MEDIA	2.3%
RAMSAY HEALTH CARE	2.5%
RELIANCE WORLDWIDE CORP	2.9%
RESMED	4.4%
RIO TINTO LIMITED	1.8%
SEEK	6.1%
SONIC HEALTHCARE	3.4%
TECHNOLOGY ONE	3.2%
TOXFREE SOLUTIONS	2.2%
VIRTUS HEALTH	2.8%
WESTPAC	3.7%
WISE TECH GLOBAL	2.3%
EQUITY TOTAL	88.7%
AUSTRALIAN DOLLAR CASH	10.2%
NEW ZEALAND DOLLAR CASH	1.1%
TOTAL CASH	11.3%
CENTREBET UNIT TRUST	0.2%
FORWARD FOREIGN EXCHANGE CONTRACTS	-0.2%
TOTAL	100%

Disclaimer: The information in this newsletter 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 newsletter is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from an authorised financial adviser should be taken before making an investment. To the extent that the newsletter 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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The Barramundi quarter update newsletter is produced for the March and September quarters only. The annual and interim reports cover the June and December periods. If you would like to receive future newsletters electronically please email us at enquire@barramundi.co.nz