



## March 2011

### What happened over the quarter?

It was almost a biblical quarter with earthquakes, battles, tsunamis, nuclear accidents and the cicadas we could hear outside the office could have been locusts! It was these macro factors combined with the first half profit reporting season that drove results for the March quarter.

When the dust had settled Barramundi generated an increase in NAV of 3.1% (including the dividend that was paid during the quarter). Whilst this was a healthy gain it did lag the Australian smaller company universe by 2.6%.

The key factor influencing returns for the quarter was the significant currency hedge we had in place. The role of this hedge is to protect you from rises in the kiwi dollar against the Aussie dollar. The thesis on which this hedge position is based is a stretched valuation between the currency pair and a glacially slow but persistent trend of New Zealand's economy improving on a relative basis.

The Canterbury Earthquake disrupted New Zealand's currency relativity. The currency market's response to the Earthquake was a dramatic sell off in the dollar and our hedge meant that Barramundi did not benefit from this weakening. It was for this reason alone that performance was behind the market with the stocks we own actually beating the index.

Despite this adverse move and the reality that the Earthquake will extract a toll on New Zealand's short to medium term economic outlook we still believe that a hedge is warranted and we ended the quarter 80% hedged.

In terms of stocks, the key contributors during the quarter all had solid results in first half profit reporting season. Credit Corp (+48% for the quarter) continued to post impressive gains. This run reflects the positive earnings momentum in the stock as the company racks up strong operational efficiency gains and looks at new growth initiatives. Austbrokers (+29%) benefitted from a sound result, upgrades to profit guidance and a recognition that insurance premiums are likely to rise helping grow commissions. Last but not least McMillan Shakespeare (+22%) posted another stunning result and enjoyed the attention of two new brokerage houses who initiated research on the stock enabling more investors to become aware of the company.

On the other side of the coin, Pharmaxis (-7%) slipped after a delay to licensing of Bronchitol for Cystic Fibrosis in Europe. We expect final approval to now come through in the second quarter. Dart Energy (-22%), an international coal seam methane business, fell following the sale of a large quantity of stock that had been placed to the shareholders of Composite Energy which Dart has acquired – this satisfied demand for the stock in the short-term. WHK (-5%) fell after an average first half result although we see this stock as representing superb value so are buying enthusiastically. >

### At a Glance as at 31 March 2011

|                         |        |
|-------------------------|--------|
| Net Asset Value         | \$0.98 |
| Diluted Net Asset Value | \$0.91 |
| Share Price             | \$0.79 |
| Warrant Price (BRMWB)   | \$0.04 |

#### Notable March Quarter share price changes in NZD and including dividends:

|                      |      |
|----------------------|------|
| RP Data              | +69% |
| Credit Corp          | +48% |
| Austbrokers          | +29% |
| McMillan Shakespeare | +22% |
| Dart Energy          | -22% |

#### Portfolio Holdings as at 31 March 2011:

| Company                         | Holding %     |
|---------------------------------|---------------|
| Austbrokers                     | 4.8%          |
| Bravura Solutions               | 5.3%          |
| Centrebet                       | 5.9%          |
| Credit Corp                     | 6.1%          |
| CSG                             | 3.2%          |
| Dart Energy                     | 3.0%          |
| DWS Advanced Business Solutions | 4.6%          |
| McMillan Shakespeare            | 5.6%          |
| McPhersons                      | 2.3%          |
| Nanosonics                      | 1.8%          |
| Noni B                          | 1.7%          |
| Oakton                          | 0.5%          |
| Pharmaxis                       | 10.4%         |
| Reckon                          | 4.3%          |
| Retail Food Group               | 2.9%          |
| ToxFree Solutions               | 5.3%          |
| Treasury Group                  | 2.2%          |
| Universal Biosensors            | 2.9%          |
| Vision Group                    | 0.3%          |
| WHK Group                       | 6.7%          |
| <b>Equity Total</b>             | <b>79.8%</b>  |
| FFX                             | -1.1%         |
| <b>Cash Total</b>               | <b>21.3%</b>  |
| <b>Total</b>                    | <b>100.0%</b> |

| Performance to 31 March 2011                           | Three Months | Since Inception |
|--------------------------------------------------------|--------------|-----------------|
| Undiluted Net Asset Value (includes dividends*)        | +3.1%        | +17.6%          |
| Total Shareholder Return (share price plus dividends*) | +5.2%        | -3.3%           |
| Relative Performance 31 March 2011 (in NZD terms)      | Three Months | Since Inception |
| S&P/ASX Small Ords industrials (gross index)           | +5.7%        | +1.5%           |

\* Assumes dividends are reinvested. Imputation credits have been excluded.



## What is the key news from your companies?

Late in March **Bravura Solutions** advised the market that despite getting expressions of interest from four private equity firms they wouldn't be proceeding with a "change of control" transaction. In short they couldn't get a price for the business that the Board felt reflected intrinsic value. This is a disappointing outcome and unsurprisingly saw the share price fall. On balance we do not see this as the end of the World. From a value perspective we understand that indicated takeover prices were comfortably ahead of the current share price. Most importantly, though, from a fundamental point of view the business is going well. We have confidence in the medium term future of the wealth management business given its competitive positioning and that the market demand for new systems isn't going away, although the timing of these purchases remains an issue as financial services firms are loath to spend. We are happy holders.

**Retail Food Group**, a fairly new addition to the portfolio, has conditionally agreed to acquire the New Zealand master franchise business Esquires Coffee Houses. In our view the strategic appeal of the Esquires acquisition is significant. It resolves the uncertainty relating to the bb's café system (it did lack scale), with the combined Esquires and bb's café systems accounting for 106 stores. This provides a more sizeable base from which to grow the combined business. We expect further bolt-on acquisitions to be a feature of the growth outlook for the combined Esquires and bb's café system.

Fairly recent addition to the portfolio **RP Data** received a takeover offer in January from 40.2% shareholder Corelogic. This takeover was pitched at a healthy 67% premium to the 12 month VWAP of the stock. Fisher Funds accepted this takeover offer.

**Universal Biosensors** advised that Johnson & Johnson subsidiary Lifescan has launched its OneTouch Verio blood glucose monitoring system in France and Italy. The system uses UBI's glucose strip. The French market is one of the largest in Europe with a high growth rate which is expected to amount to 11% compound growth each year for the next 5 years, and growth in Italy is expected to reach 9% on a similar basis. Lifescan currently has a 19% share of the European market so this represents a material revenue opportunity for UBI.

Our investment thesis for UBI was based on a global rollout for the company's strip technology by J&J. The announcement that France and Italy are the next cabs off the rank (after test markets the Netherlands and Australia) is positive and lends credence to our thesis. Of particular importance is that the market leader in France is Roche, and the launch in France provides some indication of Lifescan's confidence in UBI's technology.

## What did we do in the portfolio?

Long time Barramundi investors will be aware of the portfolio's large cash position following a spate of takeovers. The first quarter of the year gave us plenty of chances to invest some of this cash on your behalf with weak prices

following the Queensland flood and dramatic sell off post the Japanese Earthquake. This kept us active on the buy side increasing positions in CSG Ltd, Dart Energy, Universal Biosensors, WHK Group, McPherson's and Pharmaxis.

On the sell side we took profits in McMillan Shakespeare and Credit Corp and sold our entire RP Data position into a takeover offer for a tidy 60% plus return on a ten month holding period.

We are happy that our patience has paid off giving you the chance to build positions in some of our favoured companies at what we believe will prove to be great long term entry prices.

## Where to from here?

We have exercised a lot of patience over the past twelve months looking for opportunities to wisely invest your capital. As noted above, the first quarter gave us a superb opportunity to get some of this cash to work on your behalf.

During the quarter, prices were very attractive – many investors over-reacted to some of the, admittedly scary, headlines on the Japan earthquake and the floods in Queensland. As always, smaller companies tend to be treated more harshly creating even more exciting chances to buy. We are of the view that this panic selling is going to be our long term gain as we have assembled new positions in highly cash generative solid businesses at very reasonable prices.

We get excited by the numbers. Barramundi's 12 month forward Price Earnings ratio is hovering around 10 times, the stocks in the portfolio are likely to generate a dividend yield of almost 5% over the next twelve months and at the same time will continue to healthily grow earnings – that combination of price, earnings growth and yield should, all things being equal, deliver attractive returns to Barramundi shareholders.

Carmel Fisher, Managing Director  
Fisher Funds Management Ltd  
6 May 2011

Frank Jasper, Senior Portfolio Manager  
Fisher Funds Management Ltd  
6 May 2011

## Dividends

A dividend of 1.92 cents per share was paid to shareholders on 25 March 2011 under the Company's quarterly dividend policy. The next dividend payment is scheduled to be paid on 24 June 2011. The record date for this upcoming dividend will be 10 June 2011 and the shares will trade ex-entitlement on 8 June 2011.

## Computershare contact

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For managing your shareholding online, please visit [www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre). You will need your FIN number to access the investor centre.

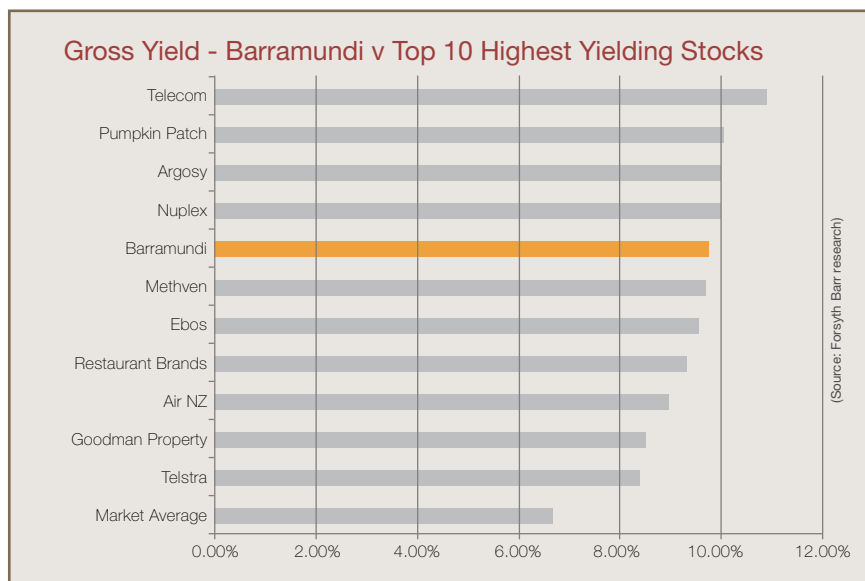


## New Director – Mark Todd

On 21 March 2011, Barramundi was pleased to announce that Mark Todd had joined the Board.

Mark's extensive experience includes over 15 years as a specialist legal adviser to the funds management industry. He has been heavily involved in industry activities over that period. Mark was ranked by Chambers Global 2010 as a leading practitioner, noting that he is a "leading specialist in financial services law, covering superannuation, unit trusts and insurance". Mark continues to practice as a partner in law firm Bell Gully.

In accordance with the Company's constitution, Mark's appointment runs until the next Annual Shareholders Meeting when he must retire and seek re-election by the shareholders.



The above graph illustrates the projected gross dividend yield based on the gross dividends paid in the year to 31 March 2011 and the share price on that date. It therefore assumes that dividends paid will remain the same going forward.

The above stocks which Barramundi has been compared with have been selected from the NZX50, ranked in order of gross dividend yield.

## What's Coming Up?

- » Warrant exercise date – 24 May 2011
- » Dividend payment – 24 June 2011
- » Year end – 30 June 2011
- » Warrant exercise date – 23 August 2011
- » 2011 Annual report publication – September 2011
- » Dividend payment – September 2011
- » Annual shareholders meeting – October 2011
- » Final warrant exercise date – 27 October 2011
- » September update newsletter – October/November 2011

The Barramundi *Update* newsletter is produced for the March and September quarters only. The Annual and Interim Reports cover the June and December periods. Should you prefer to receive future Update newsletters electronically please email us at [enquire@barramundi.co.nz](mailto:enquire@barramundi.co.nz).

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. 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.

6 May 2011

Dear Shareholder

**BARRAMUNDI LIMITED – SHARE BUYBACK – NOTICE TO SHAREHOLDERS FOR PERIOD FROM  
21 FEBRUARY 2011 TO 2 MAY 2011**

This notice to shareholders is issued in accordance with the requirements of section 65(2A) of the Companies Act 1993.

The Barramundi Board announced on 1 November 2010, its intention to continue the share buyback programme of Barramundi ordinary shares and warrants. The buyback period is from 1 November 2010 to 31 October 2011 and is for up to 5,000,000 shares and up to a maximum of 2,500,000 warrants.

In accordance with the requirements of section 65(2A) of the Companies Act 1993, Barramundi Limited advises that between 21 February 2011 and 2 May 2011, it purchased a total of 241,590 ordinary shares at a total cost of \$190,716, an average price of \$0.7894. All these shares acquired under the buyback scheme are held as treasury stock but are available to be re-issued.

As the shares acquired under the buyback were purchased on-market via an appointed independent broker, the sellers of the shares are not known to the company.

Yours sincerely

On behalf of the Board,



**Ben Doshi**  
**Chief Financial Officer**  
**Barramundi Limited**