Foreign Exchange Risk Management Policy

In respect of foreign exchange contracts for Barramundi Limited and Marlin Global Limited

Last Updated November 2007

Background

Fisher Funds Management Limited (Fisher Funds) manages the investment portfolios on behalf of Barramundi Limited ("Barramundi") and Marlin Global Limited ("Marlin"). The objective of these investment portfolios is to achieve a high real rate of return for New Zealand based investors within risk parameters acceptable to the Directors of Barramundi and Marlin.

The Manager is appointed to invest the portfolio primarily in equity securities of Australian companies in the case of Barramundi, and securities of companies outside New Zealand and Australia in the case of Marlin. By investing in portfolios of international equity securities, yet seeking to maximise the New Zealand Dollar value of the portfolio, investors in Barramundi and Marlin are exposed to movements in the currency cross rate between New Zealand and other countries.

The Management Agreement allows the Manager to purchase foreign currency on the spot market and to purchase forward foreign exchange contracts in order to facilitate the management of the portfolio and to mitigate this foreign exchange risk.

The purpose of this policy is to outline the process, limits and controls that Fisher Funds use in respect of those foreign exchange transactions.

Types of Foreign Exchange contracts

Two broad categories of foreign exchange contracts are used by Fisher Funds in the management of the Barramundi and Marlin portfolios:

1. 'Spot' foreign exchange contracts. Spot contracts that are transacted for immediate delivery (normally two days after the contract date); and

2. 'Forward' foreign exchange contracts. Forward contracts are transacted at a rate set now, but are for future delivery.

Spot foreign exchange transactions are generally used to convert currency from one currency to another. For example, the majority of the Barramundi IPO proceeds were raised in New Zealand dollars and needed to be converted to Australian dollars to allow the purchase of Australian smaller company shares. Further New Zealand dollars will be received by Barramundi when the warrants are exercised. In future, Barramundi may also need to convert

Australian dollars to New Zealand dollars to have sufficient funds in the right currency to pay expenses etc.

Forward foreign exchange contracts are used as an investment tool to either protect against adverse currency movements or take advantage of expected currency movements to maximise the New Zealand dollar value of the portfolio.

Foreign Exchange Risks

There are a number of risks associated with having exposure to foreign exchange risk and through exposure to foreign exchange contracts and forward foreign exchange contracts.

1. Market risk – the risk that the movements in the value of the spot FX rate between New Zealand and other countries varies adversely

2. Counterparty / settlement risk – the risk that the other party to the contract does not deliver for whatever reason.

3. Inappropriate / fraudulent trading – the risk that undisclosed deals or deals outside predetermined limits go undetected.

4. Leverage risk – the risk that contracts are entered into that create an inappropriate level of exposure for the company. Forward foreign exchange contracts are derivatives that can create an exposure for Barramundi or Marlin because the cost of closing out a forward contract varies as the cross rate between the two currencies changes. This can move positively or negatively.

Market Risk

On a long term basis the Manager assumes, in line with academic research on the topic, that there is no expected return from currency hedging except for the cost of maintaining the hedge. With liquid markets for foreign exchange hedging it is assumed that the costs of maintaining a hedge are negligible (in the order of 0.2%pa).

On this basis, and acknowledging that many investors in Barramundi and Marlin, based on anecdotal feedback from the investor base, seek exposure to the currencies other than the New Zealand dollar, Fisher Funds is of the view that the discretion to hedge foreign currency risks for Barramundi and Marlin should be applied sparingly.

The Manager of Barramundi and Marlin has been granted full discretion, within compliance to this Foreign Exchange policy document and investment policy, to implement any hedging strategies on behalf of Barramundi and Marlin. It is expected that the Manager will be cognisant of the impact of hedging on the long term return and the nature of the Barramundi and Marlin investor base when applying their discretion.

On this basis it is expected that the Manager will only enter into foreign exchange hedging contracts on behalf of Barramundi and Marlin at high perceived levels of New Zealand dollar undervaluation based on objective measures such that currency hedging activity is economically justifiable on an after tax and costs basis.

Internal Controls and Key Limits

Counterparty Risk will be managed by ensuring all counterparties are financially sound and limiting the exposure to any single counterparty.

1. Fisher Funds will not enter into any contracts unless the counterparty has a Standard and Poors Credit Rating of AA- or better (or the Moody's equivalent).

2. The maximum exposure to any one counterparty will be 20% of the portfolio based on the New Zealand dollar face value of any foreign exchange contract.

Internal controls exist to protect against inappropriate or fraudulent trading and leverage risk:

1. **Only pre-approved counterparties / treasury operations may be used.** Treasury operations and dealers in foreign exchange contracts require documentation to be completed to protect themselves from exposure created by a client. This documentation needs to be signed by the Fisher Funds Board and protects against a dealer entering into transactions with an unknown counterparty.

2. **Foreign exchange contracts can only be entered into by Fisher Funds staff with delegated authority.** The signing authorities are included in the documentation provided by the counterparty and can only be changed by the directors of Fisher Funds.

3. **All foreign exchange transactions must use standard settlement instructions.** As with all share brokers, all pre-approved counterparties are provided with standard settlement instructions that can not be altered without the express written consent of the Fisher Funds Board. The standard settlement instructions include sending a contract note to the custodian (Trustees Executors) and to Fisher Funds as soon as the deal is done. If Trustees Executors does not receive a deal ticket from Fisher Funds, the contract will remain outstanding and the custodian will request documentation from Fisher Funds to match the trade to the contract note. Once matched the transaction will be loaded in their investment system and will be revalued each week and included in the reporting to Barramundi and Fisher Funds.

4. **The aggregate mark to market exposure on foreign exchange contracts must not exceed 5% of the overall portfolio value of Barramundi or Marlin**. Foreign exchange contracts are marked to market each day, with the profit or loss on each contract representing the cost or benefit of closing out that contract on any particular day. Similarly forward foreign exchange contracts are typically rolled over on a regular basis with cash settlement required. This policy ensures that the aggregate mark to market exposures are able to be cash settled in such a manner as not to compromise the cash management and investment strategy of Barramundi or Marlin. In order to reduce mark to market cash risk it will be expected that Barramundi and Marlin, should either company enter into forward foreign exchange contracts, will ensure that such contracts will be of no more than one month duration.

5. **The Manager may only enter into foreign currency exchange contracts to manage currency exposures, including contracts to maximise the New Zealand dollar returns of Barramundi or Marlin, provided that an authorised investment is held in the relevant country, or the Manager intends to purchase an authorised investment in that country in the near future.**

Reporting to the Barramundi and Marlin Boards

Information will be provided on demand (and at least monthly) to the Barramundi and Marlin Boards to enable them to monitor compliance with these internal controls and for reporting purposes. The Manager will include commentary on their current currency view in the body of the monthly investment report to the Barramundi and Marlin Boards.