



# Barrack St Investments Limited

JUNE 2016 UPDATE

SHAREHOLDERS' QUARTERLY REPORT

## STRATEGY

High-conviction portfolio of quality Australian listed small to mid-cap companies constructed using a research driven, bottom-up investment philosophy

## DIVIDEND INFORMATION

AUD 0.01 at 07 April 2016  
AUD 0.005 at 09 October 2015

## COUNTRIES WHERE LISTED

Australian Securities Exchange:  
August 2014

## STOCK EXCHANGE CODE

ASX: BST

## RATINGS

• Independent Investment Research  
– Recommended<sup>1</sup>

## DIRECTORS

Murray d'Almeida

*Chairman*

David Crombie

*Independent*

Dr Emmanuel (Manny) Pohl

*Non-Independent*

## COMPANY DETAILS

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## OVERVIEW

The Barrack St Investments portfolio return of 24.75% outperformed the market during the year as markets around the world reflected increased uncertainty, volatility and fear of economic slowdowns. The Company's underlying Net Tangible Asset Value (NTA) before estimated tax on unrealized gains increased from 96.38 cents per share to 111.6 cents per share, an increase of 15.8%. In addition, the Company paid fully franked dividends totalling \$0.015 per share during the financial year ended 30 June 2016.

## UNDERLYING PORTFOLIO PERFORMANCE

	Since Inception	3 months	6 months	1 year	2 years
Portfolio <sup>^</sup>	14.91%	2.44%	-3.79%	24.75%	N/A
ASX All Ordinaries Index	-3.13%	3.08%	-0.64%	-2.58%	N/A

<sup>^</sup> Source: ECP Asset Management

Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns.

## INVESTMENT ACTIVITY

During the quarter, we added BT Investment Management Limited (ASX: BTT), Reliance Worldwide Corporation (ASX: RWC), and SilverChef Limited (ASX: SIV) to our portfolio. Our new position in BTT is centered around the businesses ability to use its brand and distribution to attract FUM growth; RWC enjoy leading market positions across various geographies and have an attractive growth strategy by way of new and innovative plumbing supplies; and SIV's unique offering, particularly their economic business model, long-standing management team and their meticulous execution on their long-term strategy, position it as a high quality growth company.

During the quarter we exited from two of our positions - ARB Corporation Limited (ASX: ARB), and BigAir Group Limited (ASX: BGL) from our portfolio. BGL has been removed from our portfolio due to issues around clarity of strategy and ARB currently doesn't meet our return requirements at its current valuation.

## MARKET COMMENTARY

During the past twelve months global investors have been subject to a period of heightened uncertainty and increasing volatility, due to the fear of economic slowdowns in the US and Europe; undesirable side-effects of negative interest rates; lagging corporate investment in the US; and, China's increasing debt burden. Commodities have rebounded slightly but remained subdued for most of fiscal 2016.

In the US, the Federal Reserve raised interest rates in December causing global equity markets to come under pressure with bond markets declining significantly. In June the world watched as Britain voted to exit ("Brexit") the European Union (EU), leaving a political crisis with some adverse economic consequences. Despite Britain's vote to leave the EU, global markets have largely been resilient across most regions - supporting the notion that this was not a global financial crisis.

This financial year has proved to be another turbulent one for the Australian share market. While the ASX is likely to experience some increased volatility from global uncertainty, it's important to note that only around 5.0% of aggregate earnings are derived from the UK and Europe. Weakness in the economy was partly driven by the miners and energy stocks in the first half and a shift in sentiment toward the banks in the second half. The All Ordinaries Index posted gains over the quarter of 3.1% although posted a decline of 2.6% for the year. The AUD/USD exchange rate has fallen 3.3% over the year closing at 0.745 US cents.

## PORTFOLIO CHARACTERISTICS (as at 30 June 2016)

NTA (before tax on unrealized gains) – total	\$17,923,626
NTA (before tax on unrealized gains) – per share	111.6c
Concentration of the Top 20 Holdings	90.1%
Stocks in the underlying portfolio	18




## FUND MANAGER

ECP ASSET MANAGEMENT  
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 Sydney NSW 2000  
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 Fax: +61 2 8651 6899  
 Email: info@ecpam.com

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## INVESTMENT PHILOSOPHY

-  Investments should outperform the risk-free rate
-  The price one pays determines the ultimate long-term return
-  High quality growth companies outperform over the longer term

## INVESTMENT PROCESS

### INITIAL SCREENING PROCESS

- ROE
- IPOs
- Revenue Growth
- Broker Ideas
- Interest cover
- Internal Ideas

### FUNDAMENTAL ANALYSIS

- Understanding the Business Model
- Sustainable Competitive Advantage
- Organic Growth Opportunities
- Assessing Management
- Assessing the Operating Environment

### PORTFOLIO WEIGHTING

- 5 Year Risk Adjusted Total Return
- Market Risk Analysis

### HIGH CONVICTION

#### PORTFOLIO OF COMPANIES

This process is the basis for all our Australian equities investment decisions.



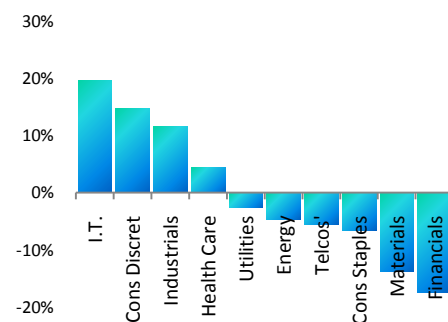
## SECTOR BREAKDOWN

Financials	22.6%
Consumer Discretionary	19.5%
Information Technology	19.3%
Industrials	18.2%
Health Care	10.5%
Cash	9.9%

## TOP 5 STOCK HOLDINGS

IPH Limited	11.3%
TradeMe Group Limited	8.7%
Aconex Limited	8.4%
BT Investment Management	8.2%
Magellan Financial Group	8.0%

## ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



## PORTFOLIO CHANGES during the Quarter

### ADDITIONS

- BT Investment Management (BTT)
- Reliance Worldwide (RWC)
- Silver Chef Limited (SIV)

### REMOVALS

- ARB Corporation (ARB)
- BigAir Group Limited (BGL)

## ACTIVELY PROMOTING THE COMPANY

Barrack St Investments (BST) is committed to growing the Company and promoting itself to investors, financial advisers and stockbrokers.

In the September quarter BST will be delivering two presentations to the Australian Investors Association National Conference in addition to regional investors' association groups in Melbourne and Brisbane. BST is also a participant in the SMSF Strategies Day workshops being held in Brisbane, Melbourne and Sydney in July. Please contact us if you would like us to present at your investor function or to visit your office.

## OPTIONS

Shareholders will receive communication from the Company relating to the Expiry of Options (ASX: BSTO - final exercise date being 17 August 2016) and the various courses of action available to them.

## DIVIDEND GUIDANCE MINIMUM OF 1.5cps

In the NTA released on 6 July 2016 the Company offered dividend guidance that the FY16 Final Dividend payable Sep/Oct 2016 will be a minimum of 1.5 cents per share. Refer to the NTA release for full information.

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## STRUCTURE AND TERMS

Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)
Fees	Management Fee – 1.0% p.a. Performance Fee 20% of the annual outperformance over 8.0%.
MER	Estimated at 1.2%
Options	16,020,500 Options (ASX: BSTO) expire 17 August 2016. Exercise price \$1.00
Reporting and Correspondence	Monthly Net Tangible Asset Values on <a href="http://www.asx.com.au">www.asx.com.au</a> and quarterly reports, half-yearly and annual reports on <a href="http://www.barrackst.com">www.barrackst.com</a> .
Auditor	Leslie Pines
Registry	Boardroom Pty Limited - 1300 737 760 OR <a href="mailto:enquiries@boardroomlimited.com.au">enquiries@boardroomlimited.com.au</a>
Share price and NTA	<a href="http://www.asx.com.au">www.asx.com.au</a> and <a href="http://www.barrackst.com">www.barrackst.com</a>

<sup>1</sup> This opinion is provided by Independent Investment Research and must be read together with whole report including the disclaimer and relevant legal notices which can be found at [www.independentresearch.com.au](http://www.independentresearch.com.au)