



Barrack St Investments Limited

DECEMBER 2014 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

COUNTRIES WHERE LISTED

Australian Securities Exchange:
August 2014

STOCK EXCHANGE CODE

ASX: BST

RATINGS

- Independent Investment Research – Recommended¹

DIRECTORS

Murray d'Almedia
Chairman

David Crombie
Independent

Emmanuel (Manny) Pohl
Non-Independent

COMPANY DETAILS

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OVERVIEW

Following the negative stock market returns during the September quarter, it is pleasing to see an improvement in the overall market over the past three months. During the December quarter, the portfolio increased by 7.0% compared to the ASX Small Ordinaries Accumulation Index which declined by 3.9% with cash returning 0.8%.

UNDERLYING PORTFOLIO PERFORMANCE (as at 31 December 2014)

	Since Inception (21 August 2014)	3 months	1 year	3 years	5 years
Portfolio [^]	3.5%	7.0%	N/A	N/A	N/A
UBS Bank Bill Index	1.0%	0.8%	N/A	N/A	N/A
ASX Small Ordinaries AI	-8.9%	-3.9%	N/A	N/A	N/A

[^] Source: ECP Asset Management

INVESTMENT ACTIVITY

During the December quarter, we increased our exposure to REA Group, Seek and acquired a holding in the Catapult Group, a new IPO.

OUTLOOK

Looking back over 2014, one word comes to mind: Volatility. Geopolitical tensions have escalated on the back of Eastern European and Asian conflicts, Ebola scares, ISIS advances into Iraq and Syria as well as Israel's military strikes on Gaza. Volatility in the stock market increased during the last quarter of 2014, particularly in resource stocks which were fuelled by plunging oil prices and declining commodity prices which have responded to reduced global economic growth.

Notwithstanding these issues, the United States economic performance has improved with improved investor confidence. In spite of the fact that the US Federal Reserve announced an end to its quantitative easing (QE) program which began in 2008, the S&P500 performed well over the quarter on the back of lower oil prices that have spurred on a consumer-led recovery. The S&P500 posted a solid improvement of 4.39%, while the Dow Jones Index increased by 4.58%. By comparison the EU is still fragile with a large divergence in the economic performance of its members and which continues to widen. Across the EU and Britain, the energy sectors were underperformers compared to the consumer-orientated sectors. The FTSE100, which is largely skewed toward commodities, saw a slight decrease of -0.86% and the DAX posted a 3.5% increase. In Asia, in spite of the release of negative economic data, the Chinese market has posted positive returns on the back of an interest rate cut which was the first one in over two years. In Japan, the market responded positively to the announcement of further QE by the Bank of Japan and the Nikkei had an impressive 7.9% increase.

In Australia the economy is adjusting to the mining/energy sector investment boom which is now at an end and this is reflected in the value of the Australian dollar which suffered a significant devaluation during the quarter of -6.68% closing with the AUDUSD cross rate at 0.817. However with more than 80% of our trade occurring in the Asia region and sourcing two thirds of all in-bound tourism, Australia is in a position to benefit from the continued economic growth in the region. By comparison, the Australian market increased by 1.73% over the quarter.

In summary, while we do see a slight improvement in P/E ratings from current levels, the short-term financial metrics for the companies in the portfolio, including organic sales growth, earnings and dividend growth, should provide the impetus for an improvement in valuations.

PORTFOLIO CHARACTERISTICS (as at 31 December 2014)

NAV (tax on realized gains only) – total	\$15,603,738
NAV (tax on realized gains only) – per share	97.67cents
Concentration of the Top 20 Holdings	100%
Stocks in the underlying portfolio	16

FUND MANAGER

ECP ASSET MANAGEMENT

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

FUNDAMENTAL ANALYSIS

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

PORTFOLIO WEIGHTING

- 3 Year Risk Adjusted Total Return
- Market Risk Analysis

HIGH CONVICTION PORTFOLIO OF COMPANIES

This process is the basis for all our Australian equities investment

SECTOR BREAKDOWN (as at 31 December 2014)

Consumer Discretionary	38.2%
Financials	23.1%
Information Technology	15.4%
Industrials	12.5%
Health Care	6.3%
Telecommunication Services	3.9%
Cash and Equivalent	0.7%

TOP 5 STOCK HOLDINGS (as at 31 December 2014)

SEEK	12.5%
REA Group	12.3%
Platinum Asset Management	11.7%
Bendigo and Adelaide Bank	7.6%
Carsales.Com Ltd	7.3%

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%
Reporting and Correspondence	Monthly Net Asset Value prices on www.asx.com.au and quarterly reports, half-yearly and annual reports on www.barrackst.com.
Auditor	Leslie Pines
Registry	Boardroom Pty Limited
Share price and NAV	www.asx.com.au and www.barrackst.com

¹ 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

