



# Barrack St Investments Limited

SEPTEMBER 2014 UPDATE

SHAREHOLDERS' QUARTERLY REPORT

## OVERVIEW

Following the listing of Barrack St in August, a large proportion of the cash was invested during the recent decline in the market. The net result is that while the portfolio has underperformed cash, it outperformed the market, declining by 4.6% versus the All Ordinaries Index return of 5.2%. The portfolio currently still has 10.6% in cash.

## UNDERLYING PORTFOLIO PERFORMANCE (as at 30 September 2014)

	Since Inception (14 August 2014)	3 months	1 year	3 years	5 years
Portfolio <sup>^</sup>	-4.6	N/A	N/A	N/A	N/A
UBS Bank Bill Index	0.3	N/A	N/A	N/A	N/A
ASX Small Ordinaries AI	-5.2	N/A	N/A	N/A	N/A

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

## INVESTMENT ACTIVITY

During the September quarter, we used the weakness in the market to acquire shares in the companies we favour. ARB Corporation, Austbrokers, Bendigo Bank, Bigair Group, Blue Sky Alternative Investments, Carsales.com, Dominos, Energy Action, Iress Market Technology, Navitas, Platinum Asset Management, Realestate.com, Seek, Sky Network Television, Sirtex Medical and Trade Me were acquired during the quarter.

## OUTLOOK

During the last quarter we have seen some troubling geopolitical developments in the Middle East and the Ukraine. While these conflicts have serious implications, especially for the energy sector, the markets overall have been largely unaffected by the politically generated turmoil. Rather, we believe the softening of equity markets over the past quarter after their record highs is largely attributed to concern regarding the outlook for economic growth in China and Europe as well as a likely end to quantitative easing and low interest rates in the US.

The US economy is improving albeit with mixed signals. Employment has been solid over the past quarter which should help drive their economy through to calendar year-end while productivity remains in decline due to low levels of capital investment. The S&P500 posted a modest improvement of 0.62%, while the Dow Jones Index had an increase of 1.29%. The Eurozone, economic recovery remains fragile as divergences between member-nations continue to widen on the back of previous austerity measures. The FTSE declined by 1.80% and the DAX posted a decline of 3.65%. In Asia, the Chinese markets have been cause for concern as the economy struggles to retain its growth momentum, while in Japan, Prime Minister Shinzo Abe recently unveiled the third aspect of his economic recovery plan.

In Australia, the economy has been transforming from resource-related to a broader mix, with the falling dollar at the end of the quarter relieving some of the competitive cost pressures and potentially improving the ability for competitive international pricing. At the end of the September quarter, the Australian dollar suffered its biggest monthly drop in over a year and was on the verge of reaching four-year lows. This significant devaluation saw the Australian Dollar decline by 7.23%, closing at a AUDUSD rate of 0.875. The All Ordinaries Index posted a small decline of 1.58% over the quarter with the Small Ordinaries posting a better result of 0.29%.

In summary, while we do see a contraction 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 30 September 2014)

NAV (tax on realized gains only) – total	\$ 14,681,872
NAV (tax on realized gains only) – per share	91.50 cents
Concentration of the Top 20 Holdings	100%
Stocks in the underlying portfolio	16

## 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  
– Recommended<sup>1</sup>

## DIRECTORS

Murray d'Almedia  
*Chairman*

David Crombie  
*Independent*

Emmanuel (Manny) Pohl  
*Non-Independent*

## Company Secretary

Brian Jones

## COMPANY DETAILS

Barrack St Investments Limited  
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Suite 305, Level 3 Barrack House  
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Sydney NSW 2000  
AUSTRALIA

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## FUND MANAGER

ECP ASSET MANAGEMENT

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343 George Street

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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 decisions.

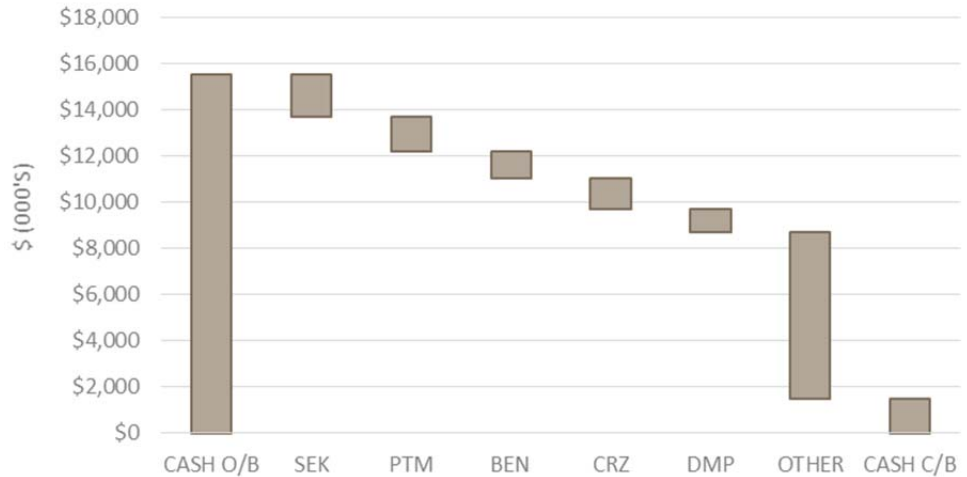
## SECTOR BREAKDOWN (as at 30 September 2014)

Consumer Discretionary	32.5%
Financials	22.0%
Information Technology	13.2%
Industrials	11.8%
Cash and Equivalent	10.6%
Health Care	5.5%
Telecommunication Services	4.5%

## TOP 5 STOCK HOLDINGS (as at 30 September 2014)

SEEK	11.7%
Platinum Asset Management	10.4%
Bendigo and Adelaide Bank	7.5%
Carsales.Com Ltd	7.3%
Domino Pizza	7.2%

## CAPITAL INVESTMENT



## 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 <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
Share price and NAV	<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)