



# Barrack St Investments Limited

MARCH 2015 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  
– Recommended<sup>1</sup>

## DIRECTORS

Murray d'Almedia  
*Chairman*

David Crombie  
*Independent*

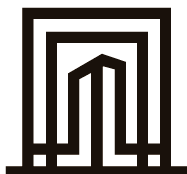
Emmanuel (Manny) Pohl  
*Non-Independent*

## COMPANY DETAILS

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## OVERVIEW

The Barrack St underlying portfolio underperformed the market during the quarter. The underlying NAV of the portfolio posted a solid gain of 6.2% as compared to the Small Ordinaries Index increase of 6.1%.

### UNDERLYING PORTFOLIO PERFORMANCE (as at 31 March 2015)

	Since Inception (21 Aug 2014)	3 months	1 year	3 years	5 years
Portfolio <sup>^</sup>	10.0%	6.4%	N/A	N/A	N/A
UBS Bank Bill Index	1.6%	0.7%	N/A	N/A	N/A
ASX Small Ordinaries	-4.8%	6.1%	N/A	N/A	N/A

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

## INVESTMENT ACTIVITY

During the quarter we removed IRESS (ASX: IRE) from the portfolio and added IPH (ASX: IPH). We increased our holdings in Catapult, Carsales.com and Trade Me, and, we reduced our exposure in Seek, Platinum and Bendigo and Adelaide Bank. The newest addition, IPH, is an intellectual property services firm. IPH offers a wide range of services for the protection, commercialization, enforcement, and management of intellectual property. It provides these services across Australia, New Zealand, Papua New Guinea, the Pacific Islands, and Asia. Its operations can be summarized as Patent and design, Trademarks and Legal.

## COMMENTARY

Currently, the dominant forces at play in the Global economy are firstly, a sharp drop in the price of oil which has been as a result of weak demand and an increase in production; secondly, there has been the shift in US monetary policy, specifically a potential increase in their short term interest rates and; thirdly, we have seen weaker growth in the Eurozone and parts of Asia. The effects of these have been to cause a boost in consumer-purchasing, subdued inflation and an increase in the value of the USD.

The small improvement in the S&P 500 during the quarter of 0.44% ensured that its quarterly winning streak was its longest since 1998, while the NASDAQ's was its longest ever. The Dow registered a slight loss for the quarter declining by 0.26%.

The German DAX was again the strongest performer in the Eurozone, posting a 22.0% improvement while the FTSE 100 only increased by 3.2%. Greece took the top spot as the worst performing equity market worldwide during the quarter, generating negative double-digit returns for the fourth consecutive quarter after the election of Prime Minister Alexis Tsipras, the radical leftist leader who holds heavy anti-austerity views. A surprise policy decision by the Swiss National Bank (SNB) saw the removal of the Franc's peg to the Euro causing huge currency volatility and increasing investor nervousness.

During this quarter, the Reserve Bank of Australia made a cut to the official cash rate, lowering it by 25bps to 2.25%. The move was partially in response to the new 'currency war' between central banks – with over 17 central banks cutting their rates in 2015 thus far. The Australian dollar suffered a third significant quarterly devaluation of 6.9% with the AUDUSD closing at 0.761.

In the equity market, the small and mid cap stocks underperformed the broader market with the Small Ordinaries Index increasing by 6.1% as compared to the All Ordinaries Index which improved by 8.8% over the quarter.

### PORTFOLIO CHARACTERISTICS (as at 31 March 2015)

NAV (tax on realized gains only) – total	\$16,621,554
NAV (tax on realized gains only) – per share	103.70c
Concentration of the Top 20 Holdings	100%
Stocks in the underlying portfolio	16

## FUND MANAGER

ECP ASSET MANAGEMENT  
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 Sydney NSW 2000  
 AUSTRALIA

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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

- 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



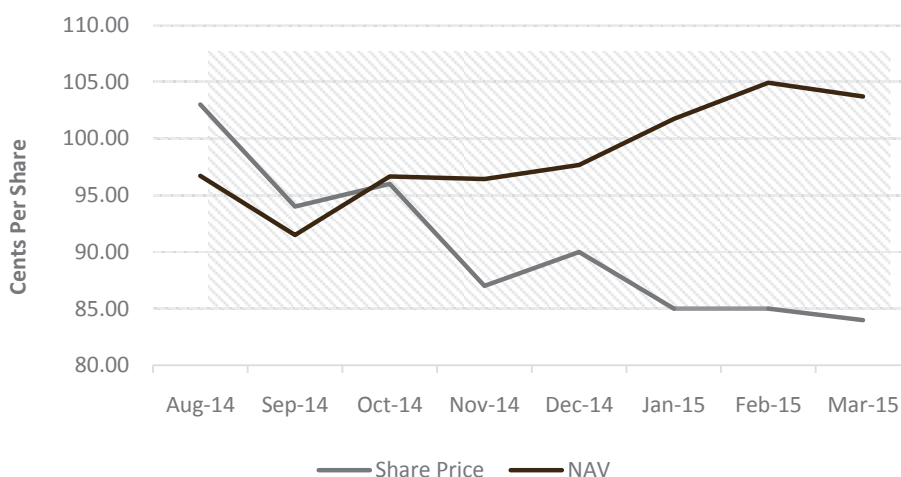
## SECTOR BREAKDOWN as at 31 March 2015

Consumer Discretionary	40.2%
Financials	20.8%
Information Technology	14.0%
Industrials	10.4%
Cash	6.3%
Health Care	4.4%
Telecommunication Services	3.9%

## TOP 5 STOCK HOLDINGS as at 31 March 2015

REA Group	12.4%
Carsales.com	10.9%
Platinum Asset Management	9.8%
Seek Limited	9.5%
Domino's Pizza Enterprises	9.1%

## Share Price vs. Net Asset Value



## 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, ha 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

<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