



Barrack St Investments Limited

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 2016

STRATEGY

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

DIVIDEND INFORMATION

(Cents per share, fully franked)
AUD 0.015 at 23 September 2016
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
– Recommended¹

DIRECTORS

Murray d'Almeida
Chairman

David Crombie AM
Independent

Dr Emmanuel (Manny) Pohl
Non-Independent

COMPANY SECRETARY

Brian Jones

COMPANY DETAILS

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barrackst.com



OVERVIEW

Barrack St Investments Limited posted a Net Tangible Asset Value (NTA) of 104.08 cents per share at 31 December 2016. This reflected a decrease of 7% from the last quarter end.

UNDERLYING PORTFOLIO PERFORMANCE

	Since Inception	3 months	1 year	3 years	5 years
Portfolio [^]	10.8%	-6.2%	-5.3%	N/A	N/A
ASX All Ordinaries Index	0.7%	3.5%	7.0%	2.2%	6.8%

[^] 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 TPG Telecom (ASX: TPM) was added to the portfolio. This was driven by TPM's quality infrastructure network, despite the challenges presented by the NBN, which will be able to provide strong growth in earnings over the long term through exploiting their network advantages and achieving market share gains in the corporate market and expansion into the mobile market.

Class Limited (ASX: CL1) was also added to the portfolio. This is predicated on an industry wide move away from desktop software for the majority of accountants opting for a cloud-based administration solution and CL1's drive for a dominant market share in the cloud software as a service offering for the SMSF administration market.

During the quarter the investment in Cover-More group (ASX: CVO) was disposed of due to a cash bid for the business by Zurich Insurance for \$1.95 per share.

MARKET COMMENTARY

It may long be remembered that 2016 was the year in which the effects of the GFC permeated into the political process, delivering Brexit and a Trump presidency. World markets recovered from the shock of the Brexit vote in late June and in the US, equities posted positive gains with the S&P500 increasing by 3.3% over the quarter as markets welcomed a more business-friendly incoming Trump administration.

In Australia, the All Ordinaries posted similar gains of 3.5% while the Small Ordinaries declined over the quarter by 2.9%. The overall market improvement during the quarter was largely driven by the Financial Sector which was up by 10.8% while the Materials Sector, which was up 43.5% for the year, increased by 7.4%. Furthermore, there was a spread of performance between large caps and small/midcaps in which your company invests. The Midcap Index was flat while the ASX Small Ordinaries Index had a much more challenging quarter, finishing down 2.9% albeit with positive movements in December (Oct: -4.8%, Nov: -1.2%, Dec: +3.3%). The poor performance of Small caps over the past quarter was mostly due to investors moving away from high PER growth stories to the security of low PE large cap stocks, uncertainty related to global politics, interest rates, currency movements and the general economic outlook. However, as we approached year end, performance did start to improve, something that has continued into 2017.

A closer look at the ASX Small Industrials and the ASX Small Resources reveals that the pattern of performance during the December quarter was roughly the same. The ASX Small Industrials was down 3.2% and the ASX Small Resources was down 1.8%. Perhaps the most notable performance difference was the annual performance of these two indexes with the ASX Small Resources finishing the year up 57.8% as compared to the ASX Small Industrials which finished the year up only 2.3%.

PORTFOLIO CHARACTERISTICS (as at 31 December 2016)

NTA (before tax on unrealized gains) – total	\$19,230,267
NTA (before tax on unrealized gains) – per share	104.08 cents
Concentration of the Top 20 Holdings	90.3%
Stocks in the underlying portfolio	19




FUND MANAGER

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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.



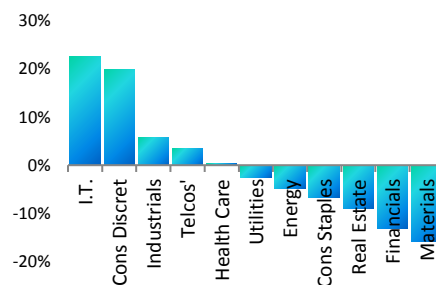
SECTOR BREAKDOWN

Consumer Discretionary	23.9%
Information Technology	21.9%
Financials	19.6%
Industrials	11.8%
Cash	9.7%
Telecommunications Services	7.1%
Health Care	6.0%

TOP 7 STOCK HOLDINGS

REA Group	11.1%
Magellan Financial Group	10.4%
Aconex Limited	9.3%
Carsales.com Ltd	8.2%
TPG Telecom Limited	7.1%
BT Investment Management	5.9%
Trade Me Group	5.8%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



PORTFOLIO CHANGES during the Quarter

ADDITIONS

TPG Telecom	TPM
Class Limited	CL1

REMOVALS

Cover-More Group Ltd	CVO
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ACTIVELY PROMOTING THE COMPANY

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

In January BST will be presenting to brokers and financial advisers in Sydney. In March BST will be participating in the Australian Investors Association Investment Summit in Sydney, as well as undertaking presentations to Shareholders and investors across Australia. Interested parties can contact the Company through info@ecpam.com for further information about events.

Please contact us through info@ecpam.com or at +61 2 8651 8600 if you would like us to present at your investor function or to visit your office.

VISIT THE WEBSITE

The Company has a website which has additional information about the Barrack St and links to all Announcements and Reports. The address is www.barrackst.com

Subscribe to our latest updates through www.barrackst.com

STRUCTURE AND TERMS

Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)
Fees	Management Fee of 1.0% p.a. Performance Fee 20% of the annual outperformance over 8.0%.
MER	Estimated at 1.2%
Reporting and Correspondence	Monthly Net Tangible Asset Values on www.asx.com.au and quarterly reports, half-yearly and annual reports on www.barrackst.com .
Auditor	Leslie Pines
Registry	Boardroom Pty Limited - 1300 737 760 OR enquiries@boardroomlimited.com.au
Share price and NTA	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