



Barrack St Investments Limited

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Chairman's Address – Annual General Meeting

Friday 9 November 2018

Ladies and Gentlemen, it gives me great pleasure to present the fifth Annual Chairman's Report of Barrack St Investments Limited.

THE YEAR IN REVIEW

At 30 June 2018, the Net Assets of the Company increased by \$1,896,181 (9.8%) due to strong performance of the portfolio. In spite of ongoing political volatility in the US during the year, the Australian share market produced a reasonable return over the period with the All Ordinaries Index rising by 9.1%. In reverse to FY 2017, small and medium sized stocks have dominated active share returns in the market during the year with larger companies under-performing. Our portfolio was perfectly positioned to benefit from this trend and grew 20.0% (excluding fees and charges).

Due to an increase in realised gains from the sale of investments, the After-Tax Profit of the Company increased by 143.8%. While revenue from dividends increased by 13% for the year, and expenses, excluding fees, decreased by 2.6%.

The Company was listed on the ASX on 14 August 2014 and was formed to satisfy a growing appetite for access to boutique investment managers with an expertise in small and mid-cap companies. The performance for the year validates our strategy as we look ahead to the future.

THE MARKET OUTLOOK

Global markets over the recent quarter were dominated by US led discussions on trade. Concerns over growth in the Chinese economy and "Trade Wars" have become a major feature of the global market and there is heightened risk that the US's major trading partners may now impose tariffs on US manufacturers as a retaliation measure. While the results of all this are still unclear, what is clear is that this sort of activity will create more uncertainty for markets which are already facing headwinds from future interest rate policy and a slowing Chinese economy.

Even though future increases in interest rates should result in 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.

At the time of writing (early November) we have seen heightened volatility in world equity markets, partly as a reaction to trade tensions and partly it may be seen as a natural market correction. We have also experienced weakness in the Australian Dollar.



Not unusually, it is not possible to predict the extent of any correction or the timing of a recovery, it does appear that a number of Investors are seeking safe haven investments and also looking to secure investments that offer consistent yields. Volatility is not necessarily to be avoided or feared, but caution is warranted. The Australian domestic markets are likely to be skittish as we move into an electoral season with uncertain results, political uncertainty does cause volatility.

DIVIDEND

With the strong performance of our investments, the Board has decided to approve a final dividend of 2.0 cents per share. The overall dividend for the year of 3.25 cents per share, fully franked, representing a dividend yield of 3.3%.

Given the value of realised gains the dividend will have a LIC attributable amount attached. This can be an enormous tax benefit to Shareholders, depending on their circumstances, and we will endeavour to pass this on as and when the LIC gains are available.

THE INVESTMENT MANAGEMENT TEAM

ECP Asset Management, led by Dr Manny Pohl (Chief Investment Officer) manages the portfolio of investments of the Company. Manny has a long and successful track record in investment management. Your Board believes that the performance since inception of 12.8% compared to an increase of the All Ordinaries Index by 2.9% for the same period, is testimony of the investment philosophy implemented by ECP Asset Management.

THE BOARD

Your Board remains optimistic about the future and in our view, companies with good strong management and healthy balance sheets will continue to perform well and reward our Shareholders over the longer term. I look forward to your continued support.

Finally, I wish to thank my fellow Board members, Company Secretary, our Consultants and in particular the staff of ECP Asset Management Pty Ltd for their input and support in the past year and we, (including myself as Chairman) look forward to the year ahead.

Murray H d'Almeida

Chairman

9 November 2018