



# Barrack St Investments Limited

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 2018

## 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)

2.00 cps on 21 September 2018

1.25 cps on 23 March 2018

1.50 cps on 22 September 2017

1.00 cps on 13 April 2017

## COUNTRY WHERE LISTED

Australian Securities Exchange:  
August 2014

## STOCK EXCHANGE CODE

ASX: BST

## RATINGS

- Independent Investment Research  
– Recommended<sup>1</sup>

## DIRECTORS

Murray d'Almeida  
*Chairman*

David Crombie AM  
*Independent*

Jared Pohl  
*Non-Independent*

## COMPANY SECRETARY

Brian Jones

## COMPANY DETAILS

Barrack St Investments Limited  
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Sydney NSW 2000  
AUSTRALIA

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barrackst.com



## OVERVIEW

During the quarter the Barrack St Investments Limited (ASX: BST) investment portfolio reversed some of the prior gains, bringing the calendar years' total return decline to 0.3%, substantially outperforming the All Ordinaries Index, which generated a loss of 7.4%. This is a continuation of the track record of outperformance since inception as shown below.

At 31 December 2018, the Company Net Tangible Asset Value (NTA) (before estimated tax on unrealised gains) closed at \$1.07 per share, with the Share Price of \$0.88 per share representing a potential investment opportunity for Shareholders.

## UNDERLYING PORTFOLIO PERFORMANCE

	3 months	1 year	3 years p.a.	Since Inception (23 January 2014) p.a.
Portfolio <sup>^</sup>	-14.0%	-0.3%	3.8%	9.8%
ASX All Ordinaries Index	-9.7%	-7.4%	2.2%	0.3%

<sup>^</sup> 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, we added back ResMed Inc (ASX: RMD) and WiseTech Global Ltd (ASX: WTC) into the portfolio. Previously, the two companies while still rated as investment grade were sold due to their excessive valuation. Recent movements have provided us with an attractive price to re-purchase the stock. In contrast, we have sold Integrated Research Limited (ASX: IRI) and Class Ltd (ASX: CL1). While our investment thesis remained intact for both stocks, recent management departures have triggered an immediate sell motivation.

## MARKET COMMENTARY AND OUTLOOK

As 2018 has drawn to a close, we reflect upon a bitter-sweet year where the world economy looked to be in good health yet heading toward more challenging times. The outlook is now tempered by continuing trade tensions, slowing Chinese growth, monetary policy normalisation, and further geopolitical noise. Around the world, we have seen a continued divide amongst communities as the global liberal order continues to be challenged. This year has seen some of the most influential technology companies subject to the widespread crisis, the effects of climate change are increasingly prevalent, generational inequality has led to political turmoil, and more so than ever, sustainability is becoming a prerequisite for success.

During the quarter, the US midterm elections resulted in the Republicans losing a majority in the house of representatives, which may lead to tempered growth stemming from a gridlocked Congress. Financial markets suffered significant declines despite the underlying momentum from strong consumption and extended corporate investment. European markets were mixed as EU economic growth slowed and Angela Merkle announced her ambitions to step-down. UK economic growth slowed with the continued uncertainty over Brexit. In Asia, the flow on effect from the US-China trade war is being felt with many regional economies slowing and China appears to be suffering from the effects of their moderating economic growth.

In Australia, continued political, economic, and social upheaval fostered further uncertainty and has tempered expectations for growth. Further disorder within the Liberal Party has meant continued volatility, despite Prime Minister Scott Morrison's best efforts. The Royal Commission has laid bare gross dissatisfaction with the banks and some of our largest companies. The cash rate has remained at 1.5% since 2016. The ASX All Ords posted -9.7% for the quarter and -7.4% for the year while the Small Ordinaries was down 14.2% and 11.3%, respectively.

Turning to the AUD, we have seen the currency weaken against all major currencies this year as the housing market downturn began to weigh on the broader economy. During the year, the AUD depreciated by 9.6% against a strong US Dollar, reaching 70.5 US cents, with declines of 4.2% against the Pound (55.3 pence), and 5.4% against the Euro (61.5 cents), respectively.

## PORTFOLIO CHARACTERISTICS (as at 31 December 2018)

NTA (before tax on unrealised gains) – total	\$19,593,934
NTA (before tax on unrealised gains) – per share	107.0 cents
Concentration of the Top 20 Holdings	86.7%
Stocks in the underlying portfolio	24




## FUND MANAGER

ECP ASSET MANAGEMENT  
 ABN 68 158 827 582  
 Suite 305, Level 3  
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 Sydney NSW 2000  
 AUSTRALIA

Tel: +61 2 8651 6800  
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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

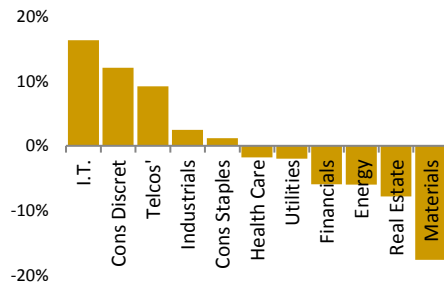
This process is the basis for all our Australian equities investment decisions.



## SECTOR BREAKDOWN

Financials	22.5%
Consumer Discretionary	17.9%
Information Technology	17.8%
Telecommunications Services	12.6%
Industrials	10.6%
Consumer Staples	6.4%
Health Care	6.3%
Cash	5.9%

## ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



## TOP 8 STOCK HOLDINGS

Pendal Group Ltd	8.0%
Afterpay Touch	6.6%
SEEK Limited	6.1%
Domino's Pizza Enterprises	5.4%
Netwealth Group	5.4%
Carsales.com	5.3%
Magellan Financial Group	5.1%
REA Group	5.0%

## PORTFOLIO CHANGES during the Quarter

### ADDITIONS

ResMed Inc	RMD
Wisetech Global Ltd	WTC

### REMOVALS

Class Limited	CL1
Integrated Research	IRI

## ACTIVELY PROMOTING THE COMPANY

Barrack St Investments Limited (the Company) is committed to growing the Company and promoting itself to Investors, Financial Advisers, Stockbrokers and Investor Associations across Australia.

During the quarter the Company continued an active presence meeting with Brokers, Advisers and Shareholders in various cities. It also participated as exhibitor at the Australian Investors Association Investment Summit in Sydney as well as at various other Investor presentations and exhibitions. In the coming quarter the Company will be present at the "Back to the Future" investment Summit in Sydney.

Please contact the Company for further information about these and other events through [info@barrackst.com](mailto:info@barrackst.com) or call 1800 352 474 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 Barrack St Investments and links to Announcements and Reports. The address is [www.barrackst.com](http://www.barrackst.com)

Shareholders and interested observers may also wish to visit the recently expanded website of the Investment Manager of the portfolio [www.ecpam.com](http://www.ecpam.com) for information regarding the investment team, process and other insights.

Subscribe to our latest updates through [www.barrackst.com](http://www.barrackst.com)

## STRUCTURE AND TERMS

Dividend Reinvestment Plan	Dividend Reinvestment Plan (DRP) is an optional way of reinvesting dividends to acquire additional shares. When new shares are issued under the DRP, they are free of brokerage, commission, stamp duty and other costs.
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 <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	WPIAS Pty Ltd
Registry	Boardroom Pty Limited - 1300 737 760 OR <a href="mailto:enquiries@boardroomlimited.com.au">enquiries@boardroomlimited.com.au</a>
Share price and NTA	<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)