



Barrack St Investments Limited

Chairman's Address – Annual General Meeting

Friday 27 October 2017

Ladies and Gentlemen, it gives me great pleasure to welcome you to the 4th Annual General Meeting of our Company, Barrack St Investments Limited.

THE YEAR IN REVIEW

At 30 June 2017 the Net Assets of the Company increased by \$1,730,107 (9.8%) primarily due to the capital raising during the year. In spite of the political turmoil during the year, the Australian share market produced a reasonable return over the period with the All Ordinaries Index rising by 8.5%. The past financial year was very much a year of two halves as growth stocks underperformed during the first half of the year when (political) uncertainty caused future growth to be heavily discounted. This was reversed over the course of the latter part of the financial year as discerning investors paid up for quality growth companies once again. However, it can be said, that large cap stocks have dominated active share returns in the market during the year with small caps underperforming. This shift to large cap companies has meant that the portfolio underperformed the market with a 2.6% return.

The After Tax Profit of the Company (before the performance fee) decreased by 58%. Revenue from dividends decreased by 10% for the year, while expenses decreased by 44%. Net increase in Total Assets which includes fair value of investments, cash and dividends receivable was 4.4%.

When the Company was listed on the ASX on 14 August 2014, securities were issued comprising one Option and one ordinary share. Whilst some of these Options have been exercised, the remainder expired on 17 August 2016. During the year ended 30 June 2017, 2,220,000 Options were exercised at \$1 each.

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 MARKET OUTLOOK

The first six months of the financial year was a very unusual period where pretty much everything we stood for, was working against us. A recent report published by Macquarie Bank indicated that in 2016 active management faced headwinds resulting in returns being down in the first quartile. Moreover, the moves were relatively large in standard deviation terms, indicating to us that the market was at an inflection point at the end of 2016. This proved to be the case as stock selection and quality factors enabled us to perform against the broader market once again with the portfolio increasing by 4.3% since January 2017 versus the All Ordinaries which increased by 0.8%.

Over time we believe we can drive returns through stock selection and this has been the case in 2017 with normality returning to the market.

Furthermore, we are comfortable with the long-term fundamental drivers of return in our portfolio, and have maintained our positioning despite considerable market pressure. In our view, companies with strong market positions, strong balance sheets and good management, will continue to perform well and reward patient investors, although we expect market returns to be modest again in the coming year.

DIVIDEND

Notwithstanding the underperformance of our investments, the Board has decided to approve a final dividend of 1.5 cents per share. The overall dividend for the year of 2.5 cents per share, fully franked, representing a dividend yield of 3%.

There is a LIC attributable amount available and the dividend to be paid will have an attributable amount attached – refer also to Note 15(d).

THE INVESTMENT MANAGEMENT TEAM

ECP Asset Management, led by 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 10.4% compared to an increase of the All Ordinaries Index by 0.8% for the same period, is testimony of the investment philosophy implemented by ECP Asset Management.

THE BOARD

Dr Manny Pohl retired from the Board at the end of the year and Jared Pohl, who was his Alternate, has been appointed as a Director in his stead. I would like to thank Manny for his contribution to the establishment of this business and welcome Jared to 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.

A handwritten signature in black ink, appearing to read 'Murray H d'Almeida', with a long horizontal line extending to the right.

Murray H d'Almeida

Chairman

27 October 2017