



Barrack St Investments Limited

SHAREHOLDERS' QUARTERLY REPORT

SEPTEMBER 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
 – Recommended¹

DIRECTORS

Murray d'Almeida
Chairman

David Crombie AM
Independent

Jared Pohl
Non-Independent

COMPANY SECRETARY

Brian Jones

COMPANY DETAILS

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OVERVIEW

During the quarter the Barrack St Investments Limited (ASX: BST) investment portfolio generated a total return of 9.7%, significantly outperforming the All Ordinaries Index, which generated a return of 0.6%. Over the 12 months the portfolio return of 30.0%, tripled the Index return of 10.1%, a continuation of the track record of outperformance since inception as shown below. In August, the Company traded ex-dividend and in September paid Shareholders a fully franked dividend of 2 cents per share.

At 30 September, the Company Net Tangible Asset Value (NTA) (before estimated tax on unrealised gains) closed at \$1.25 per share, with the Share Price of \$1.03 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 [^]	9.7%	30.0%	15.7%	14.6%
ASX All Ordinaries Index	0.6%	10.1%	7.7%	2.9%

[^] Source: ECP Asset Management

Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns.

INVESTMENT ACTIVITY

Cochlear was sold from the portfolio as it was included in the S&P/ASX 50 Index; AUB Group was sold after share price appreciation compressed the IRR to below our minimum requirements; Reliance Worldwide was sold after acquiring John Guest in the UK for A\$1.22 billion, which breached our size limit on acquisitions; and Trade Me was sold on our concern over a weakening competitive position and the departure of the long-term CEO. Fisher & Pykel Healthcare (FPH) is a new addition to the portfolio, while ARB and Netwealth were added back into the portfolio on an improved IRR. FPH specialises in breathing related devices, has been a successful innovator and creator of medical devices that are sold into Hospitals as well as into a Home Care situation and has a material market share in humidification technology.

MARKET COMMENTARY AND OUTLOOK

During the September Quarter the US market was up strongly with the S&P 500 up 7.2% and the Nasdaq Composite up 7.1%. These movements meant US markets finished September on a record high which seems at odds with market commentary related to trade wars. The reality of it is, underlying economic growth and employment in the US economy remains strong and investors are buying into these stories and stocks are performing well. There are definitely some concerns as to the impact trade wars are going to have on the US and broader global economies, but the real impacts are yet to be felt in terms of the data or investor sentiment. Unlike the US, China is reporting some negative economic data despite Government attempts to stimulate the economy.

The Australian market was relatively stable during the quarter with the ASX 200 up 0.2%. While the market was relatively flat there were some very large moves within individual sectors with Telecommunications and other Tech related sectors performing well. The Telecommunications sector was up 22.6%, Information Technology was up 9.9% and Energy was up 2.7%. The Utilities sector was down 5.7%, Materials were down 2.8% and Consumer Staples were down 2.2%. The Midcap 50 had a stronger quarter with the index up 2.2% (Industrials up 3.5% and Resources down 4.1%) while the ASX Small Ordinaries was up 0.2% (Industrials up 2.3% and Resources down 7.4%).

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.

PORTFOLIO CHARACTERISTICS (as at 30 September 2018)

NTA (before tax on unrealised gains) – total	\$22,886,696
NTA (before tax on unrealised gains) – per share	124.9 cents
Concentration of the Top 20 Holdings	89.80%
Stocks in the underlying portfolio	24

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

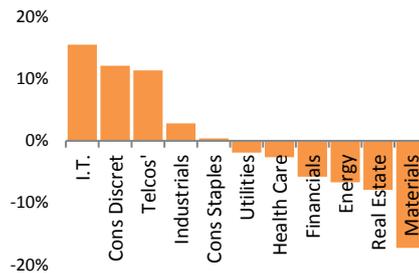
This process is the basis for all our Australian equities investment decisions.



SECTOR BREAKDOWN

Financials	22.6%
Information Technology	17.5%
Consumer Discretionary	16.5%
Telecommunications Services	15.1%
Industrials	10.9%
Consumer Staples	7.4%
Health Care	5.3%
Cash	4.7%

ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



TOP 8 STOCK HOLDINGS

Pendal Group Ltd	6.5%
Magellan Financial Group	6.1%
Afterpay Touch	5.9%
Carsales.com	5.9%
SEEK Limited	5.6%
The A2 Milk Company	5.5%
Domino's Pizza Enterprises	5.4%
Fisher & Paykel Healthcare Corp	5.3%

PORTFOLIO CHANGES during the Quarter

ADDITIONS

ARB Corporation	ARB
Fisher & Paykel Healthcare Corp	FPH
Netwealth Group	NWL

REMOVALS

AUB Group	AUB
Cochlear Limited	COH
Reliance Worldwide	RWC
Trade Me Group	TME

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 September 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 national conference in Gold Coast, where investment manager Dr Manny Pohl was a key speaker, as well as at various other Investor presentations and exhibitions.

Please contact the Company for further information about these and other events through 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 all Announcements and Reports. The address is www.barrackst.com

Subscribe to our latest updates through 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 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 www.asx.com.au and Quarterly Reports, Half-Yearly and Annual Reports on www.barrackst.com .
Auditor	WPIAS Pty Ltd
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