



# Barrack St Investments Limited

SHAREHOLDERS' QUARTERLY REPORT

JUNE 2019

## 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)*

1.50 cps on 20 March 2019

2.00 cps on 21 September 2018

1.25 cps on 23 March 2018

1.50 cps on 22 September 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

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Sydney NSW 2000

AUSTRALIA

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## OVERVIEW

During the quarter the Barrack St Investments Limited (ASX: BST) share price under-performed the overall market, posting +2.1% vs the All Ordinaries Index +7.0%. However, the underlying portfolio increased by 5.3% over the quarter, and 17.3% for the full year. The Company Net Tangible Asset Value (NTA), as at 30 June 2019 (before estimated tax on unrealised gains) grew by +6.4% over the financial year, closing at 125.5 cents per share.

## UNDERLYING PORTFOLIO PERFORMANCE

	3 months	1 year	3 years p.a.	Since Inception (20 August 2014) p.a.
Portfolio <sup>^</sup>	5.3%	17.3%	13.1%	13.8%
ASX All Ordinaries Index	7.0%	6.5%	8.1%	3.7%

<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 Altium Limited (ASX: ALU) and Costa Group (ASX: CGC) which are two high quality companies that present strong growth prospects. Altium is an electronics design software for engineers who design printed circuit boards; while Costa is Australia's largest horticultural company and a major supplier of produce to food retailers. During the quarter, we removed IPH Limited (ASX: IPH) and Netwealth Group (ASX: NWL) due to their valuation falling below our return threshold.

## MARKET COMMENTARY AND OUTLOOK

Despite mid-quarter jitters following the ongoing trade dispute, most equity markets saw incremental gains, which appear primarily influenced by the continuing decline in interest rates. On the global stage, business confidence seems to be subdued, with US indicators plunging to levels similar to the GFC, however, on the domestic front, business confidence has rebounded following the return of the Liberal-National Coalition. Europe continues to be impacted by ongoing geopolitical factors, while Asia appears to be affected by the trade war tariffs and its impact on supply chains.

In the US and despite the ongoing political uncertainty, the S&P500 set a new record high. This gain appears to be driven by the Federal Reserve's more dovish stance and expectations of progress on trade. The US jobs market has continued to remain healthy, with consumer spending appearing to be on the rise. On the corporate side, it seems that business investment has slowed, along with housing investment and manufacturing output. The S&P500 posted +3.8%, the Dow Jones +2.6% and the NASDAQ +3.6%.

In Europe, trade tensions are causing instability in equity markets and ongoing geopolitical news continues to weigh on confidence levels as evidenced in the UK where the Prime Minister Theresa May resigned. The German Dax posted +7.6%, the French CAC posted +3.5%, and the UK's FTSE delivered +2.0%, by quarter-end.

In Australia, the Australia Federal Election saw Scott Morrison lead the Liberals to a surprise election victory. The market viewed this positively, with equities and property markets rebounding on the back of improved business confidence. The RBA announced cuts to the cash rate from 1.5% to 1.25%, while the ten-year government bonds rallied from 2.6% to 1.3%, which are expected to drive further household borrowing. When combined with the expected government tax cuts, the outlook seems incrementally positive compared to the start of the year. With a renewed sense of political stability and easing monetary policy, attention turns toward corporate earnings at financial year-end. The ASX All Ords posted +7.0% for the quarter, and the Small Ordinaries posted +3.3%, respectively.

The AUD weakened against most major currencies, posting -1.1% against the US Dollar (70.2 US cents), +1.6% against the Pound (55.3 pence), and -2.4% against Euro (61.8 cents), by quarter-end.

## PORTFOLIO CHARACTERISTICS (as at 30 June 2019)

NTA (before tax on unrealised gains) – total	\$22,981,536
NTA (before tax on unrealised gains) – per share	125.5 cents
Concentration of the Top 20 Holdings	81.2%
Stocks in the underlying portfolio	24

## FUND MANAGER

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

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ecpam.com

## 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
- Revenue Growth
- Interest cover
- IPOs
- Broker Ideas
- 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.

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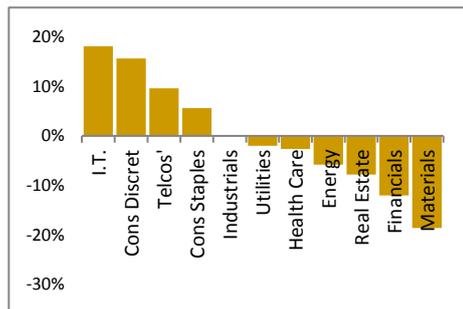
/barrack-st-investments-limited



## SECTOR BREAKDOWN

Consumer Discretionary	19.2%
Information Technology	18.1%
Financials	14.6%
Cash	14.3%
Telecommunications Services	12.0%
Consumer Staples	9.4%
Industrials	7.5%
Health Care	4.9%

## ACTIVE SECTOR WEIGHTS to the ALL ORDINARIES



## TOP 8 STOCK HOLDINGS

SEEK Limited	7.5%
Pendal Group Ltd	7.2%
Domino's Pizza Enterprises	6.9%
Afterpay Touch	5.7%
Corporate Travel Limited	5.3%
HUB24 Ltd	5.0%
Costa Group Holdings	4.9%
REA Group	4.9%

## PORTFOLIO CHANGES during the Quarter

### ADDITIONS

Altium Limited	ALU
Costa Group Holdings	CGC

### REMOVALS

IPH Limited	IPH
Netwealth Group	NWL

## 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 Shareholders Association "Investing in the Age of Uncertainty" National Conference in Melbourne as well as at various other Investor presentations and exhibitions. In the coming quarter the Company will be present at the Australian Investors Association Conference in Gold Coast and presenting in various capital cities.

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 - <b>1300 737 760</b> 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)