



Barrack St Investments Limited

SEPTEMBER 2015 UPDATE

SHAREHOLDERS' QUARTERLY REPORT

STRATEGY

High-conviction portfolio of quality Australian listed small to mid-cap companies constructed using a research driven, bottom-up investment philosophy

COUNTRIES WHERE LISTED

Australian Securities Exchange:
August 2014

STOCK EXCHANGE CODE

ASX: BST

RATINGS

- Independent Investment Research
– Recommended¹

DIRECTORS

Murray d'Almedia
Chairman

David Crombie
Independent

Dr Emmanuel (Manny) Pohl
Non-Independent

Company Secretary

Brian Jones

COMPANY DETAILS

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OVERVIEW

The Barrack St Investments (BST) underlying portfolio outperformed the market during the quarter as shown below. The share price enjoyed positive momentum, increasing by 8.97%, versus the All Ordinaries Index decline of 3.13%. The underlying NAV per share of the portfolio closed at 105.4 cents before tax on unrealized gains.

UNDERLYING PORTFOLIO PERFORMANCE (as at 30 September 2015)

	Since Inception (21 August 2014)	3 months	1 year	3 years	5 years
Portfolio [^]	11.7%	9.0%	16.6%	N/A	N/A
ASX All Ordinaries Index	-9.4%	-7.2%	-4.5%	N/A	N/A

[^] Source: ECP Asset Management

INVESTMENT ACTIVITY

BST had significant investment activity over the quarter as we added four new positions: Aconex Limited (ASX: ACX); Cover-More Group Pty Ltd (ASX: CVO); InvoCare Limited (ASX: IVC); and Pacific Smiles Group (ASX: PSQ). ACX operates a highly scalable cloud platform (SaaS) that connects teams on some of the world's largest construction projects. CVO is one of Australia's largest travel insurers that has a strong business model and strong management team; IVC is the dominant player in the funeral industry; and, PSQ is a capital-light business with a roll-out story involving dental centers. There have been no positions removed from the portfolio other than Bendigo and Adelaide Bank.

COMMENTARY

For the first time since 2011, world equity markets as represented by the MSCI index posted two consecutive quarterly declines, with an 8.86% decline in the September quarter following a 0.3% decline in the June quarter. Much has been written about the cooling Chinese economy, economic stress in Greece as well as underwhelming corporate earnings reports and falling energy prices in the US, however, the catalyst for the major market decline was the significant Yuan devaluation which lead to plunging commodities prices and a drop in the price of oil.

By the end of the quarter-end, the US had experienced their worst investment returns in four years. Volatility increased with investors fearing that the Fed would raise interest rates and the Dow Jones Index closed down 1,334.81 points for the quarter. The S&P500 fell 6.94%, its worst performance since the 14.3% decline in the third quarter of 2011 and the NASDAQ dropped 7.35% during the quarter.

Europe's economy remained stagnant, struggling with low inflation, large numbers of refugees and protracted negotiations about renewed funding for Greece showing little progress. The German DAX posted an 11.74% decline, while the FTSE posted a 7.04% decline.

In Asia, China took centre-stage as the government looked to address the plunge in their equity markets with little effect. The Shanghai Composite Index fell by 28.63%, removing all its positive gains made from the previous two quarters. The NIKKEI posted a significant decline of 14.07% and similarly the HANG SENG posted a 20.59% decrease.

In Australia, Malcom Turnbull become Australia's 29th Prime Minister which could mean that the government focus will be on small business, support for innovation, public transport, education and tax reform. This should provide the impetus required for the economy to transition from mining to non-mining as corporate CAPEX and business investment has remaining weak, in spite of a stimulatory interest rate environment and a relatively benign budget. The second quarter improvement in the AUDUSD exchange rate was short lived. By quarter-end, we saw the exchange rate decline by a further 8.94%; the biggest decline since mid-2013. The All Ordinaries

**FUND MANAGER**

ECP ASSET MANAGEMENT

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-  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

- 3 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.

Index posted another significant quarter decline of 7.20% after posting a strong improvement in July; and the Small Ordinaries Index closed at 1963.6, declining by 5.26%.

PORTFOLIO CHARACTERISTICS (as at 30 September 2015)

NAV (tax on realized gains only) – total	\$ 16,900,159
NAV (tax on realized gains only) – per share	105.38c
Concentration of the Top 20 Holdings	100%
Stocks in the underlying portfolio	17

SECTOR BREAKDOWN as at 30 September 2015

Consumer Discretionary	37.8%
Financials	22.3%
Information Technology	16.1%
Health Care	9.1%
Industrials	6.7%
Telecommunication Services	4.5%
Cash	3.5%

TOP 5 STOCK HOLDINGS as at 30 September 2015

REA Group	10.5%
Platinum Asset Management	7.7%
Caresales.com	7.5%
Domino's Pizza Enterprises	6.7%
IPH Limited	6.7%

STRUCTURE AND TERMS

Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)
Fees	Management Fee – 1.0% p.a. Performance Fee 20% of the annual outperformance over 8.0%.
MER	Estimated at 1.2%
Reporting and Correspondence	Monthly Net Asset Value prices on www.asx.com.au and quarterly reports, half-yearly and annual reports on www.barrackst.com .
Auditor	Leslie Pines
Registry	Boardroom Pty Limited
Share price and NAV	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