



# Barrack St Investments Limited

DECEMBER 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  
– Recommended<sup>1</sup>

## DIRECTORS

Murray d'Almedia  
*Chairman*

David Crombie  
*Independent*

Dr Emmanuel (Manny) Pohl  
*Non-Independent*

## COMPANY DETAILS

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## OVERVIEW

The Barrack St Investments portfolio outperformed the market during the quarter as shown below. The share price increased dramatically over the quarter increasing by +17.06%, versus the All Ordinaries Index (lesser) improvement of +5.65%. The underlying NAV of the portfolio closed at 121.10 cents.

### UNDERLYING PORTFOLIO PERFORMANCE (as at 31 December 2015)

	Since Inception (21 August 2014)	3 months	1 year	3 years	5 years
Portfolio <sup>^</sup>	24.6%	19.0%	30.2%	N/A	N/A
ASX All Ordinaries Index	-3.8%	5.7%	-0.8%	N/A	N/A

<sup>^</sup> Source: ECP Asset Management

## INVESTMENT ACTIVITY

During the quarter, two new positions were added to the BST portfolio: Baby Bunting Group Ltd (ASX: BBN) and PWR Holdings Limited (ASX: PWH). BBN listed during the quarter and is Australia's largest nursery retailer and one-stop-baby shop – 'The Bunnings for Babies' – it is a specialist retailer catering to parents with children from newborn to 3 years of age. PWH is an end-to-end bespoke product design and implementation business that manufactures high-performance auto car cooling systems. PWH operates in a niche part of the industry and only provides this service to high performance motor sports and high end production vehicles. During the quarter we decided to sell our position in Navitas Limited (ASX: NVT).

## COMMENTARY

2015 has been a particularly eventful year for investors with aggressive quantitative easing (QE) by the European Central Bank (ECB), a spike in bond yields, the Greek debt drama, raised concerns over Chinese economic growth, political upheaval in the middle east and the slump in the oil price. Furthermore, monetary policy divergence was evident in December when, within two weeks of each other, the ECB provided more stimulus and lowered interest rates into negative territory and committed to extending its QE program into 2017, while the US Federal Reserve (the Fed) decided to head in the opposite direction, increasing interest rates by 25 basis points for the first time since 2006. 2015 was the fifth consecutive year of negative commodity price returns and spreads over Treasuries moved significantly higher than the historical average.

Employment conditions in the US continued to improve, giving rise to the prospect of U.S. monetary policy normalization and a strengthening of the U.S. dollar in 2015 and the December interest rate rise by the Fed brought an end to the period of low interest rate policy. During the December quarter the S&P500 improved by +6.45% reducing the overall decline over the calendar year to -0.73%; the NASDAQ posted an increase of +8.38% and +5.73% over the same respective periods and the Dow Jones Index was the worst performer, closing the year with a decline of 2.23%.

Europe's economy remained relatively stagnant over the year, struggling with low inflation, large numbers of refugees and political turmoil with member-states. As the markets rallied through to year-end, the German DAX posted a +11.21% improvement during the quarter; the FTSE posted a +2.98% increase while the EUR gained +3.00% against the USD.

China's transition from heavy industrial investment toward a greater service orientation, raised concerns about economic growth and policy stability resulting in a currency devaluation and volatile equity markets. Japan, on the other hand, has continued with their QE and corporate profits have been growing despite a lackluster economic recovery. The Shanghai Index and the NIKKEI posted similar returns for the year of +9.41% and +9.07%, respectively.

There was a +3.89% improvement in the AUDUSD exchange rate during the final quarter of 2015 which tempered the decline during the year to 10.70% which was the second largest devaluation since 2008. The All Ordinaries Index posted a modest improvement of +5.65% during the quarter, reducing the decline in the All Ordinaries to 0.82% for the year.




**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
- 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

**PORTFOLIO CHARACTERISTICS** (as at 31 December 2015)

NAV (tax on realized gains only) – total	\$19,410,513
NAV (tax on realized gains only) – per share	121.10c
Concentration of the Top 20 Holdings	100%
Stocks in the underlying portfolio	18

**SECTOR BREAKDOWN** as at 31 December 2015

Consumer Discretionary	28.0%
Financials	22.0%
Information Technology	18.3%
Health Care	10.2%
Cash	9.3%
Industrials	8.2%
Telecommunication Services	4.0%

**TOP 5 STOCK HOLDINGS** as at 31 December 2015

REA Group	8.4%
IPH Limited	8.2%
Platinum Asset Management	7.8%
Caresales.com	7.6%
Catapult Group	6.9%

**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 <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	Leslie Pines
Registry	Boardroom Pty Limited
Share price and NAV	<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)