



## Barrack St Investments Limited

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11 May 2016

The Manager  
Company Announcements Office  
ASX Ltd  
Exchange Centre  
Level 6  
20 Bridge Street  
**SYDNEY NSW 2000**

Dear Sir

### **Retail Presentation – BST as at 31 March 2016**

Attached is a retail presentation to be presented on Thursday 12 May 2016 at 8:30am, by the Investment Manager of Barrack Street Investments Limited.

Yours sincerely

**Brian Jones**  
Company Secretary



## ECP Asset Management

BST and FSI Year-end Update 2016-5-10

# Overview



Barrack St Investments Limited



Our two listed investment companies, Barrack St Investments (BST) and Flagship Investments (FSI) offer investors an opportunity to invest in a portfolio of quality ASX listed companies managed by a disciplined and experienced investment manager whose objectives are to:

- ❖ achieve medium to long-term capital growth and income;
- ❖ preserve and grow the NAV per share; and
- ❖ provide shareholders with a fully franked dividend, which, over time will grow at a rate in excess of the rate of inflation.

They differ as follows:

- ❖ FSI may invest in any listed company; and
- ❖ BST is restricted to only invest in small and mid-cap ASX listed companies (EX50).

# ECPAM Brand Promise

1. We are buyers of quality businesses not share traders.
2. We will not diversify to cover up for poor due diligence; and
3. We will not speculate to generate excess returns for our clients.

# **We're disciplined growth managers, with a focus on quality.**


Our investment process is based primarily on two hypotheses about market inefficiencies:

- ❖ On average the market undervalues extremely high quality, capital efficient, organic growth businesses; and
- ❖ The market tends to over-emphasize temporary themes and short-term factors.

# A Fully Aligned Investment Team



|                                              |                                              |                                              |                                             |                                               |
|----------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------|-----------------------------------------------|
| Jared Pohl                                   | Andrew Dale                                  | Dr Manny Pohl                                | Jason Pohl                                  | Daniel Broeren                                |
| BCom. BIT. MBA                               | BCom. CA                                     | B.Sc(Eng). MBA. DBA                          | BCom. LLB                                   | BBus. BEng. M.Acc                             |
| Years in Industry: 10+<br>Years at ECPAM: 3+ | Years in Industry: 15+<br>Years at ECPAM: 1+ | Years in Industry: 30+<br>Years at ECPAM: 3+ | Years in Industry: 2+<br>Years at ECPAM: 1+ | Years in industry: 10+<br>Years at ECPAM: < 1 |



**Interim update**

# BST & FSI Metrics

## BST(EX 50)

- Share Price            94 cents
- NTA                    113 cents
- Discount              16.8%
- Dividend Yield      1.6%

## FSI (All Cap)

- Share Price            143 cents
- NTA                    179 cents
- Discount              20.1%
- Dividend Yield      5.1%



# Half-Year Snapshot

- ❖ The All Ordinaries Index increased by 2.0% while:
  - The FSI (All Cap) portfolio increased by 12.6%; and
  - The BST (EX50) portfolio increased by 29.7%.
- ❖ Pat Corrigan retired from the FSI Board and was not replaced
- ❖ FSI Expenses reduced by removing duplicate structures
- ❖ Both companies declared interim dividends of:
  - FSI – 3.5 cps (3.5cps)
  - BST – 1.0 cps (0.5 cps)

# December Quarter Summary

- ❖ Financial markets once again exhibited increased volatility on uncertainty around the global economic outlook and U.S. and European economic policy pronouncements and as the appetite for risk diminished.
- ❖ Overall monetary policy remains remarkably accommodative.
- ❖ The short-term profit results and outlook statements were generally positive for our companies.
- ❖ The online stocks continued to performed well on the back of strong organic sales growth.
- ❖ The portfolios under-performed the broader market as the materials and bank stocks rebounded

# Portfolio Performance

## Historical Performance to 31 March 2016\*

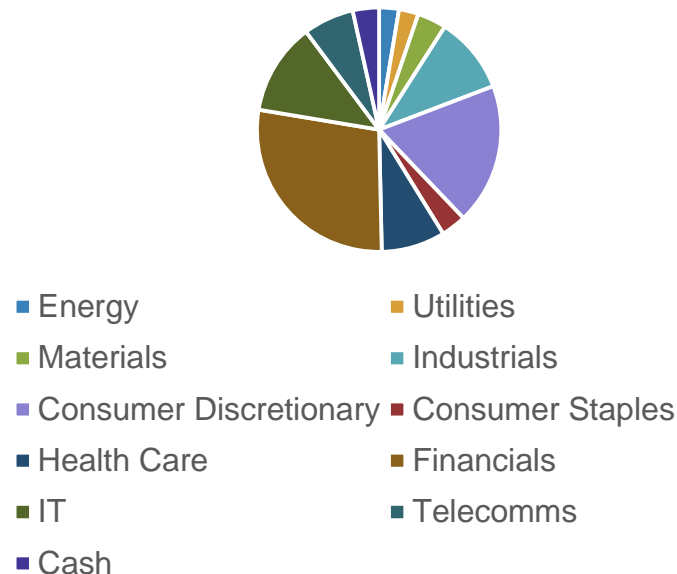
| Product (% change) | 3m    | 1 year | 3 Years | 5 Years | 10 Years | Inception<br>(May 1998) |
|--------------------|-------|--------|---------|---------|----------|-------------------------|
| FSI Portfolio      | -4.96 | 1.28   | 12.27   | 11.14   | 8.79     | 12.09                   |
| S&P ASX All Ords   | -3.61 | -12.11 | 1.14    | 0.89    | 0.13     | 3.64                    |
| Alpha              | -1.35 | 13.39  | 11.13   | 10.25   | 8.66     | 8.45                    |

\*All returns are gross of fees and charges. Excess returns are calculated against the S&P ASX All Ordinaries Index. Returns greater than one year are expressed as per annum.

# Portfolio Holdings

| Company                        | Weight |
|--------------------------------|--------|
| Macquarie Group                | 7.23   |
| REA Group                      | 6.14   |
| Commonwealth Bank of Australia | 5.96   |
| Catapult Sports                | 5.49   |
| Telstra                        | 5.34   |
| Westpac Banking Corp           | 5.06   |
| CSL                            | 5.05   |
| Seek                           | 4.92   |
| Carsales.com                   | 4.33   |
| Catapult Sports                | 4.22   |
| RIO                            | 3.83   |

GICS Sectors



# Portfolio Performance



Barrack St Investments Limited

## Historical Portfolio Performance to 31 March 2016\*

| Product (% change) | 3m    | 1 year | Inception<br>(August 2014) |
|--------------------|-------|--------|----------------------------|
| BST                | -6.08 | 14.89  | 15.68                      |
| S&P ASX All Ords   | -3.61 | -12.11 | -5.44                      |
| Alpha              | -2.47 | 26.00  | 21.12                      |

\*All returns are gross of fees and charges. Excess returns are calculated against the All Ordinaries Index. Returns greater than one year are expressed as per annum.

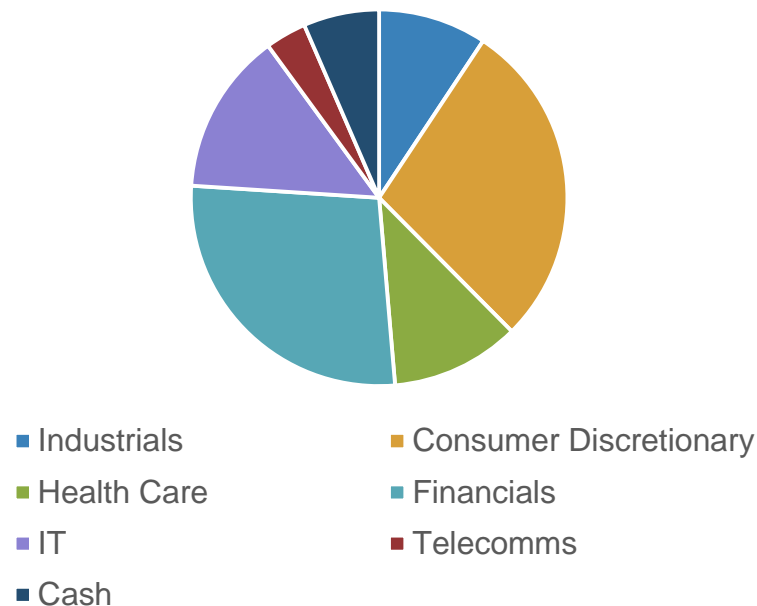
# Portfolio Holdings



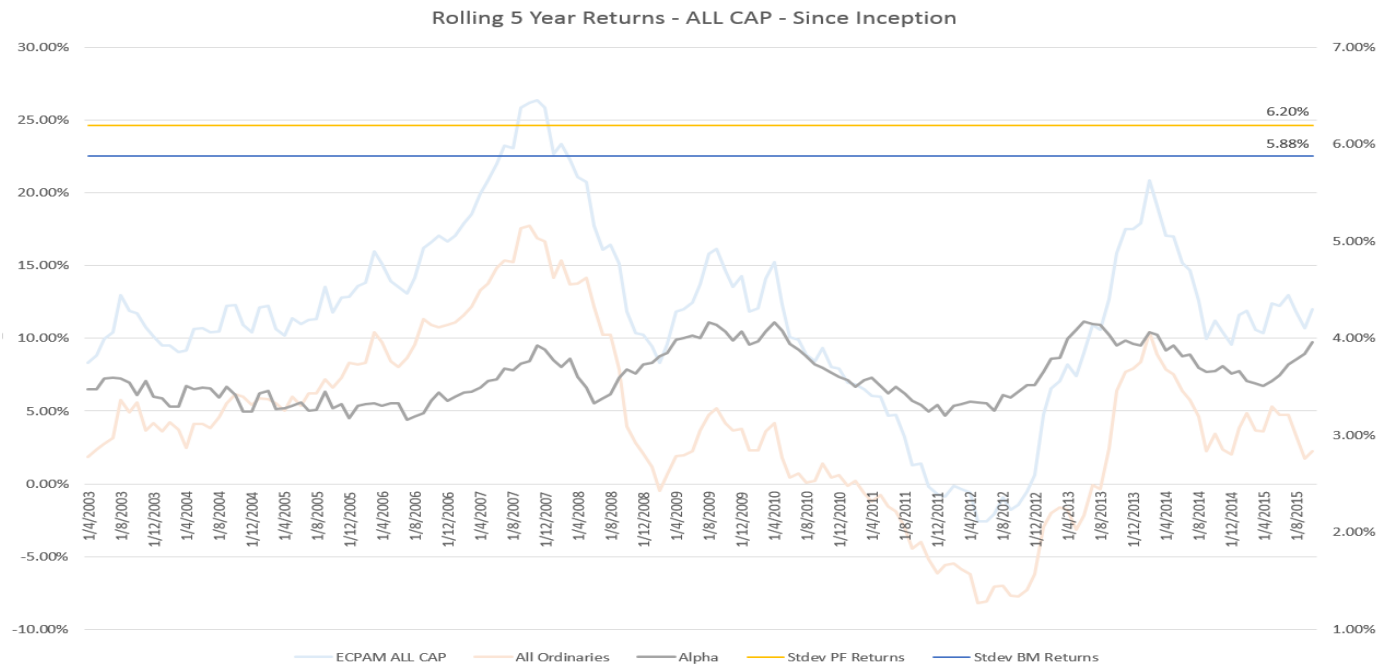
Barrack St Investments Limited

| Company                  | Weight |
|--------------------------|--------|
| IPH                      | 9.32   |
| Sirtex Medical           | 8.52   |
| Magellan Financial Group | 8.27   |
| Blue Sky Alternatives    | 7.38   |
| Trade Me Group           | 6.62   |
| Carsales                 | 6.27   |
| Austbrokers              | 5.96   |
| REA Group                | 5.89   |
| Cover-more               | 5.78   |
| Catapult Sports          | 5.64   |
| PWR                      | 5.73   |

## GICS Sectors



# Rolling 5 Year Volatility\*



We've managed to deliver rolling 5 year volatility that is in line with the market (since inception), while delivering significant alpha over the same time frame.

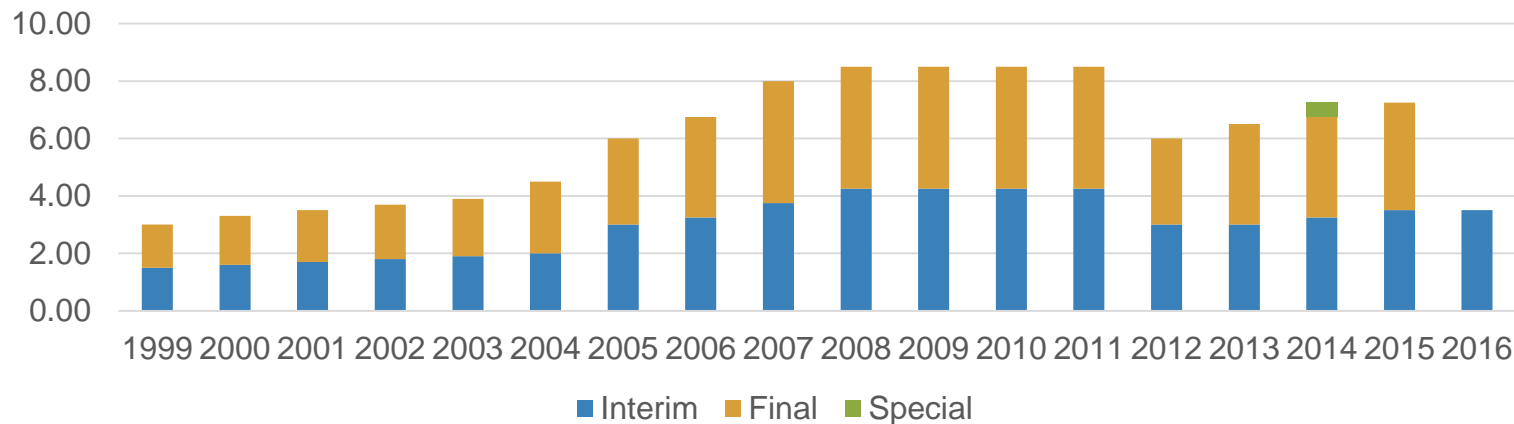
\*ECPAM All Cap

# FSI Historical Dividends



| Year     | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012  | 2013 | 2014  | 2015 |
|----------|------|------|------|------|------|------|------|------|-------|------|-------|------|
| Dividend | 4.5  | 6.0  | 6.75 | 8.00 | 8.50 | 8.50 | 8.50 | 8.50 | 6.0   | 6.5  | 7.25* | 7.25 |
| Chg %    | 15.4 | 33.3 | 12.5 | 18.5 | 6.25 | 0.0  | 0.0  | 0.0  | -30.0 | 8.3  | 3.8   | 11.1 |
| CPI      | 2.50 | 2.50 | 4.00 | 2.10 | 4.50 | 1.50 | 3.10 | 3.60 | 1.20  | 2.20 | 2.90  | 1.6  |

\* Including special dividend





# Divestments from the portfolios

## Large Cap Stocks

- ❖ AMP

## EX 50 Stocks (from both FSI and BST)

- ❖ Platinum Asset Management

## Only from BST

- ❖ Invocare

# New additions to the portfolio

## Magellan Financial Group

- ❖ Our investment thesis on MFG is supported by its success in emerging as a leader in the Australian funds management sector for international equities and global listed infrastructure strategies.
- ❖ Strong industry tailwinds of mandated growth in the superannuation industry with contributions set to rise from 9% of gross salary currently to 12% by 2019.
- ❖ The drivers for investment are the growth in FUM to \$85B in five years, including a successful launch of a new global product and their continued success in their Infrastructure strategy.

## Baby Bunting

- ❖ 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.

## PWR Holdings

- ❖ 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.



**Future performance**

# Portfolio overview

- The small and mid cap stocks had a huge tailwind in the first six months which was reversed in the first quarter of the year as the oversold large caps corrected
- Quality IPO's have continued to provide new blood for the portfolio.
- Debt levels remain low across the portfolio.
- The price to prospective return gap has narrowed as a result of the excellent performance of the stocks and is reflected in the current forecast IRR for the various portfolios.

# Portfolio Prospects

## 5 YEAR IRR (Pre Franking)

|                 |      |
|-----------------|------|
| Broad Cap (FSI) | +14% |
| EX50 (BST)      | +13% |

## PE Expansion

|                 |      |
|-----------------|------|
| Broad Cap (FSI) | -11% |
| EX50 (BST)      | -16% |

## Dividend Yield

|                 |     |
|-----------------|-----|
| Broad Cap (FSI) | +4% |
| EX50 (BST)      | +3% |

## 5 YEAR DPS Growth

|                 |      |
|-----------------|------|
| Broad Cap (FSI) | +9%  |
| EX50 (BST)      | +13% |

# Disclaimer

This communication is not a securities recommendation.

Any person considering action on the basis of this communication must seek out individual advice relevant to their particular circumstances and investment objectives.

Past performance is no guide for future performance.