

11<sup>th</sup> January, 2016

Half Year to 31 December 2015

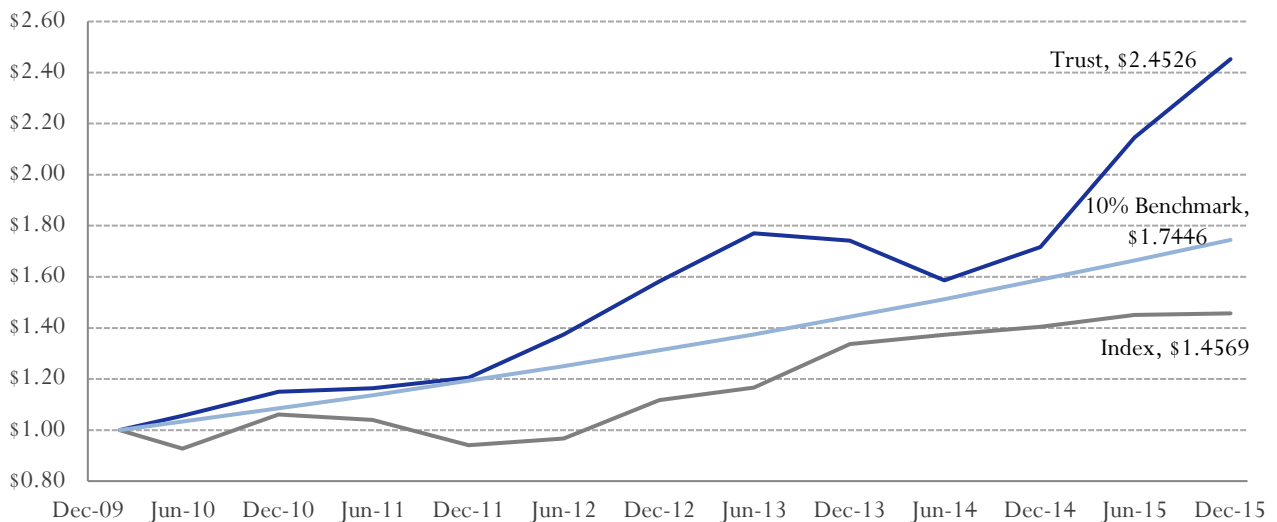
The Trust has performed soundly over the half year period, rising 14.77% (after all fees) to \$2.3836/unit. A summary of this performance is shown in the table below, together with a comparison to the All Ordinaries Accumulation Index (Market Index) – the broadest measure of performance for the Australian stock market.

	Trust (before Perf. Fee)	Trust (after Perf. Fee)	10 % Benchmark	Market Index
01-July-2015	\$2.0768	\$2.0768	\$2.0768	47,574.92
31-December-2015	\$2.5601	\$2.3836	\$2.1806	47,788.21
<b>Return</b>	<b>23.27%</b>	<b>14.77%</b>	<b>5.00%</b>	<b>0.45%</b>

While a performance fee has been provisioned for at 31 December, it is important to note that it is the Trust's policy to only pay the performance fee (if any) on an annual basis, after the end of the full year. This allows for alignment between the annual 10% hurdle used to calculate the performance fee and the payment of any fee.

The following graph illustrates the historical performance of \$1 invested in the Trust versus the Index. The investment in the Trust is after performance fees and includes any distributions which have been paid.

\$1.00 Investment - Trust, Index & 10% Benchmark



## Operating Review

### Income

Of the three earnings streams the Trust generates income from, being:

1. Long term investments
  - a. Realised positions
  - b. Unrealised positions
2. Arbitrage transactions
3. Dividend income

Approximately 13.6% of the 14.77% half year return was attributed to unrealised gains on our long term investments, with dividend and interest income responsible for 1.1%. Event driven activity remained largely dormant over the period.

	<u>1H 2016</u>	<u>1H 2015</u>
<i>Income</i>		
Investments - Realised	\$ -	(\$ 2,754)
Investments - Unrealised	\$ 393,751	\$ 72,188
Arbitrage	\$ 876	\$ 428
Dividends and interest	\$ 31,826	\$ 25,706
Other	\$ -	\$ 20
<b>Total Income</b>	<b>\$ 426,454</b>	<b>\$ 95,588</b>

When considered in proportion to the net assets prevailing at the beginning of the period, the dividend income the Trust received for the half year of 1.98% is modestly down on the prior year of 2.19%. The primary reason for this is due to the Trust investing more capital in businesses that are undertaking significant expansion in their asset base in order to grow their operations; limiting their capacity to pay dividends.

The impatience of an investment community whose performance is being measured against market based metrics has severely crimped the ability of a public company to make investment decisions based on long term themes. Instead, companies are cajoled into allocating capital toward measures that produce quick returns, in order to pacify an army of shareholders who have their focus firmly set on end of quarter numbers. While these capital management measures dress-up the shopfront, they do nothing to ensure the assets will be in the engine room to generate enduring growth in future periods – hollowing out the durability of an organisation's operations and in turn its intrinsic value.

Given the Trust takes a much longer approach to investing than the next quarter, we have a preference toward businesses that seek out opportunities to further invest in their operations. After watching closely where this capital is being deployed and having comfort that it will produce returns that the Trust would not readily be able to replicate, then as a patient investor it only makes sense for us support this initiative and grow with the business.

## Expenses

To help evaluate how efficiently the Trust is operating, expenses are split into three categories, as follows:

1. Investing
2. Operating
3. Performance

	<u>1H 2016</u>	<u>1H 2015</u>
<i>Investing Expenses</i>		
Brokerage - Investments	\$ 2,509	\$ 1,022
Brokerage - Arbitrage	\$ -	\$ 56
Total brokerage expense	\$ 2,509	\$ 1,078
Interest expense	\$ 12,052	\$ 4,141
<b>Total Investing Expenses</b>	<b>\$ 14,561</b>	<b>\$ 5,219</b>
<i>Operating Expenses</i>		
Annual management fee	\$ 10,480	\$ -
<b>Total Operating Expenses</b>	<b>\$ 10,480</b>	<b>\$ -</b>
<i>Performance Expenses</i>		
Performance fee - provisioned	\$ 162,144	\$ -
<b>Total Performance Expenses</b>	<b>\$ 162,144</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 187,185</b>	<b>\$ 5,219</b>

Investing Expenses are costs that relate directly to securing and holding the assets of the Trust, of which drive the investment returns achieved. Whereas operating expenses are those incurred for the incidental running of the Trust and thus are distinct from the investment performance.

As the Trust continues to grow, its ability to absorb the running costs likewise develops, of which is the reason for the stepped increase in operating expenses for the half year. However, despite this increase we remain on track to achieve for the full year, the goal of having these expenses comprising less than 1% of the Trust's average equity.

As mentioned earlier, given the return achieved by the Trust for the half year, a provision has been made for the Performance Fee, however no amount (if any) will become payable until after the end of the full year.

## Net Profit/Loss

	<u>1H 2016</u>	<u>1H 2015</u>
Total income	\$ 426,454	\$ 95,588
Total expenses	(\$ 187,185)	(\$ 5,219)
<b>Net Profit</b>	<b><u>\$ 239,269</u></b>	<b><u>\$ 90,369</u></b>

The net profit of the Trust for the half year drove the increase in the unit price to \$2.3836.

As is the case at any time, an investment in listed shares is inherently uncertain – even without regarding the current sensitivity of financial markets. Accordingly, while the result discussed above is for a half year period, it does not naturally follow that a similar result may prevail for the next half year. Instead, an investor should bear in mind that this half year result was more than the average annual return the Trust had achieved at the beginning of this period (on a before Performance Fee basis).

Luke Trickett

This document contains general information only and is not an investment recommendation. Blue Stamp Company Pty Ltd (ACN 141 440 931) (AFSL 495417) ('Blue Stamp') is the Trustee and Manager of the Blue Stamp Trust ('Trust'). Blue Stamp accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Blue Stamp does not guarantee the performance or repayment of capital from the Trust. Past performance is not a reliable indicator of future performance. Application for investment should be made via the Information Memorandum ('IM') available from the Trustee (at [www.bluestampcompany.com](http://www.bluestampcompany.com)). Please consider the IM and investment risks before making any decision to invest, acquire or continue to hold units in the Trust.