BLUE STAMP
COMPANY

28th August, 2013

2013 Financial Year

Performance Measures

2013

The Trust had a very strong performance over the 2013 financial year, achieving a return of 50.57% before performance fees and 30.36% after performance fees. A brief summary of the performance measures for the 2013 year are given below. A more detailed review is provided in the Manager's Report.

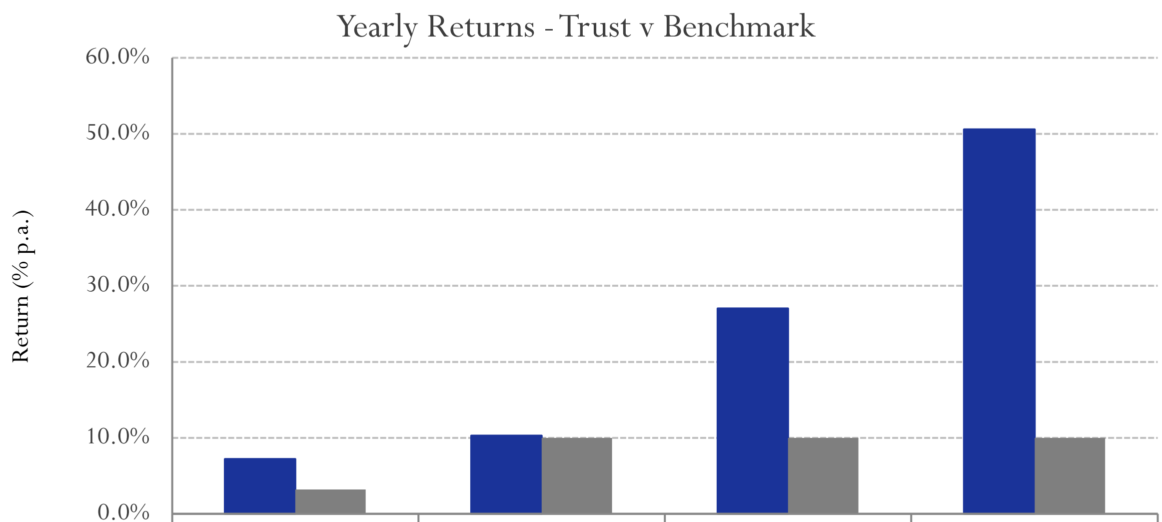
	Unit Price	Return
01-Jul-12	$1.3049	
30-Jun-13 before Perf. Fee	$1.9648	50.57%
after Perf. Fee	$1.7010	30.36%
after Distribution	$1.7010	

High Water Mark (unit price):

01-Jul-12	$1.3049
01-Jul-13	$1.7010

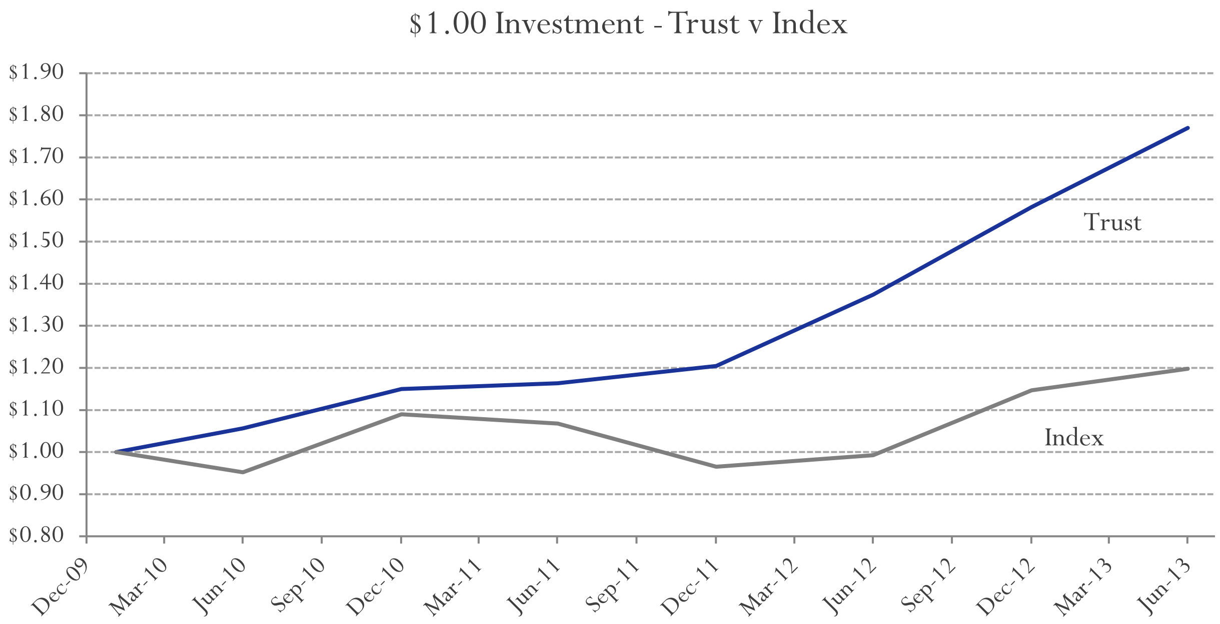
Historical

The performance of the Trust against the preferred yardstick, being a 10% return is shown below. In this data, the return for the Benchmark for the first year has been adjusted to reflect the part year of operation.

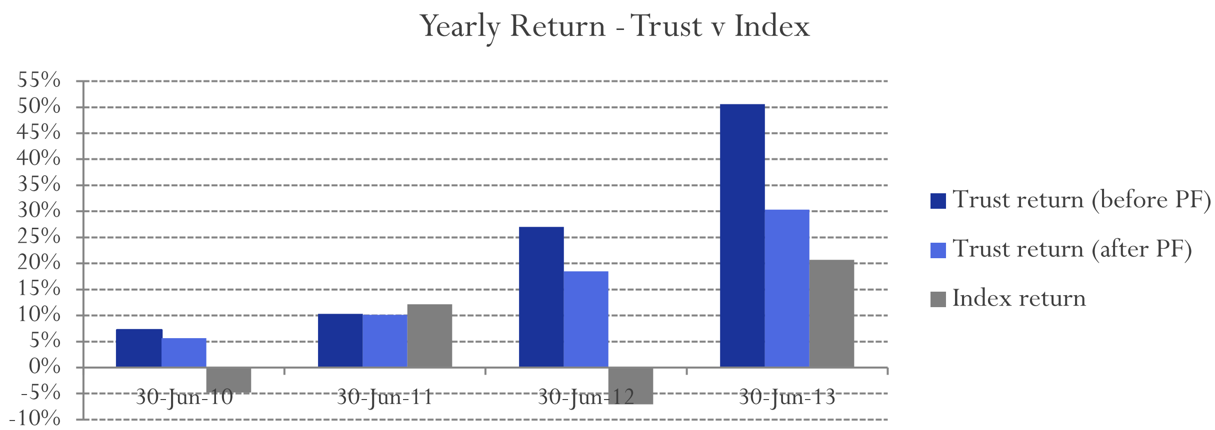


	Jun 2010	Jun 2011	Jun 2012	Jun 2013
Trust - Before PF	7.21%	10.29%	27.01%	50.57%
10% Benchmark	3.18%	10.00%	10.00%	10.00%

The following graph tracks the change in value of $1 invested in the Trust versus the All Ordinaries Accumulation Index (Index). This Index is used because it is the broadest measure of the Australian share market's performance whilst also including the effect of dividends, making it the most comparable to the Trust. The value of the investment in the Trust is after performance fees and includes any distributions which have been paid.

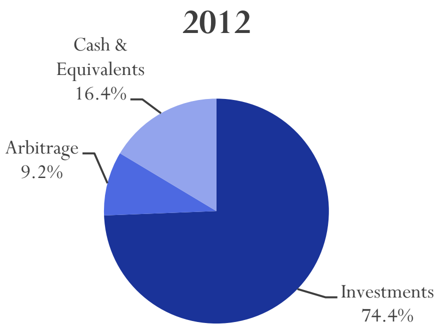


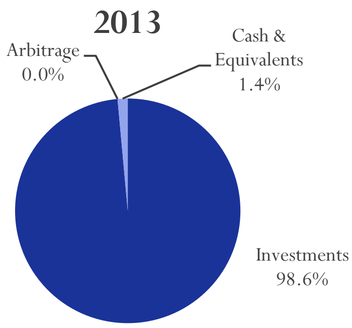
This next chart shows the yearly return of the Trust (before and after the performance fee) against the yearly return of the Index.



As mentioned in prior communications; viewing the return of the Trust against the Index should only act as a supplement in understanding the performance of the Trust in the prevailing climate. Rather, our main concern should be focused toward beating the 10% Benchmark by an acceptable margin. Pursuing this goal will ensure the actions we take are focused on continually moving forward, and by applying this process over a long period of time, significant results can be achieved.

A breakdown of the Trust's assets at 30 June 2013 is shown below against the prior year. The main element comprising the Trust's assets was its holding of long term investments. This composition was a continuation of the dynamic mentioned in the 2012 year commentary and was further amplified by the lack of arbitrage situations to trade. Indeed, this structure was reflective of that experienced for much of the year.





Manager's Report

Operating Review

Much like the half year performance, the full year result was driven primarily by the change in value of our investment holdings. The main expense of the Trust was the Performance Fee, which was chosen to be paid in units of the Trust.

When reflecting on the investing environment to which our 2013 result was produced in, it is clear that the improvement in market sentiment significantly influenced the performance of the Trust. This is shown below with abundant clarity in the breakdown of the income of the Trust.

It is important to note that I do not consider the past year's performance replicable or sustainable. Rather, a reversion to levels closer to the 10% Benchmark is where we should reasonably set our gaze. Also, the possibility and probability of the Trust having a down year should not be forgotten.

	2013	2012
Gross Income of the Trust	**$226,879**	**$78,689**
Comprised of:		
Interest, Dividends and Franking Credits	$17,621	$28,213
Change in Market Value of Investments	$201,785	$24,062
Earnings from Arbitrage	$6,064	$24,175
Earnings from Foreign Exchange	$1,409	-
Other	-	$2,241
	$226,879	$78,689

Investments

The significant contribution made by our long term holdings is comprised almost entirely of unrealised gains. While I am being paid a Performance Fee on these unrealised gains, it is important to note that I have taken consideration of this payment in units of the Trust. This is the policy I have followed each year so far and it is what I intend on continuing in the future. The effect of this is that as time goes by and the quantum of unrealised profit rises and Performance Fees (may) accrue, my personal financial prospects become ever more tightly bound to those of the Trust. This, I feel, is one of the most important dynamics to foster in an environment where an individual acts on behalf of others.

Undoubtedly the extreme actions which have been undertaken by the major central banks around the world have influenced the financial markets, and in turn the Trust's results, although by how much, I could not say. The only tool I have at my disposal to understand the reasonableness of any price movement, is by referencing that price to the underlying worth of the business. Regardless of the catalyst of the price movement, this approach, I feel, is the only way to keep your feet grounded in reality. And on this measure, I am comfortable with where the Trust's businesses are being priced at this point in time. I am aware that during the half year communication I expressed concern at the degree to which prices had moved and I may appear to be contradicting myself. I am also acutely cognisant of the trap of 'talking yourself into the game'. That is, when you can no longer justify the prices being paid, instead of simply sitting out, you change your assumptions and shift the goal posts so that things look cheap again. And voila! You are back in the game. This highlights one of the silent killers in finance; one's own self. Remaining truthful to your investment criteria and guarding against any compromise is difficult and requires a healthy dose of clarity and honesty with one's self, virtues that are fostered in an environment of independence. Being on guard from falling under the spell of the market is just as important as being on the lookout for management carelessness, perhaps even more so. Understanding when your own gaze has been tainted, not only protects your standards and decisions from being compromised by group think, but also helps you identify when others are not seeing things as they are. A management that is not facing reality can be very harmful to your financial health.

Amidst the hype and buzz of a rising market, the compulsive need to participate was summed up well when the former head of Citigroup said just before the onset of the GFC, "as long as the music is playing, you've got to get up and dance." In an environment of this nature, participants find themselves experiencing an 'investing imperative', where they are making decisions purely for the function of being involved in the market. Almost as though they have no other option but to simply accept the price the market is giving them, whatever that may be.

Essentially, the Trust only invests when it makes business sense to do so. And this decision hangs on the balance between the price the market is asking and what you feel the value of the underlying business is. On recognising that the market will always be offering you a price and therefore, the music will always be playing; instead of being compelled into action, you can simply wait until you receive a ball from the market that you want to swing at or, in keeping with the analogy, sitting that song out rather than dancing awkwardly to some else's beat. Your manager is very much aware of the rising tempo…

With the performance of an investment being influenced by both the return achieved and the time taken, an element that can compound this investing imperative is time. Feeling as though time is running out, can be the worst enemy to an investor, compelling them to take action, not because they want to, but because they feel they are in a rush and have no other options. This is a key reason to giving ourselves the luxury of a long time horizon to achieve our result.

To help find the right tune to dance to and protect against this imperative of the need to participate, I feel investors would be well served hanging out at their local flea market on the weekend. Every so often Lib and I hire a stall at the Chandler markets to sell the wares that we invariably accumulate over time. This is something we did just the other week and after being on the merchant's side of the fence, it doesn't take long to realise the two golden words that any market-goer has ingrained into their psyche which are, "how much?" After identifying an item they are interested in, these will invariably be some of the first words out of their mouth. Strangely enough, when dealing with far larger sums of money, often, these two words couldn't be further from an investor's mind as they focus exclusively on securing the asset and participating in the market.

Arbitrage, Dividends & Foreign Exchange

For 2013, the contribution from arbitrage situations was significantly down on 2012. This was a result of the reduced amount of deals that flowed through the capital markets this year and subsequently the limited opportunities to take advantage of. In regards to the income received from dividends and interest, while down on 2012, this was to be expected as the Trust sold some high yielding stocks to reinvest elsewhere and also held less cash throughout the year as we took advantage of buying opportunities.

The Trust also realised a small profit from selling Australian dollars and buying US dollars during the year. Given the US is showing progress in emerging from one of its most significant recessions and China is experiencing a delicate period where it is seeking to engineer a transition of its drivers of economic growth from investment toward consumption, the two largest economies seem to be at near polar opposite points. This is in stark contrast to much of the previous five years where the US was pursuing extreme monetary policy measures to help stimulate their economy and China was trying to keep their own from overheating. This dalliance between the two biggest economies is played out neatly in the form of the Australian dollar, US dollar exchange rate. Where in the recent history the US dollar has been forced lower by their moribund economy and the unconventional policies of the Federal Reserve and the Australian dollar has been boosted by China's reliance on our resources as factors for their economic growth. The unwinding of this situation is what we sought to seize upon.

Luke Trickett