

Ellerston Global Investments

Investment Update – April 2017

Monthly Review

The EGI portfolio increased 3.49% net during the month of April. The NTA (before tax) at the end of April was \$1.1493.

Global equity markets edged higher in April after a slow start. On top of the Trump reflation trade seemingly fizzling out, the lead up to the French elections and rising geopolitical tensions in North Korea, Russia and Syria were the latest events to rattle global equities. Markets ultimately recovered later in the month post Round 1 of the French Presidential Election. The MSCI World Index ended up 1.15%.

US equity markets rose with the S&P 500 up 0.91% and the Nasdaq up 2.30% in April with first quarter earnings results in the US generally supportive of equities. On 27th of April, White House officials proclaimed the 'biggest tax cut' in U.S. history, with cuts that would benefit businesses, the middle class and certain high-earning individuals, but left unanswered questions as to how the plan would be paid for. Investors are anticipating a solid rebound in US GDP growth data during 2Q following a soft 1Q, negatively impacted by seasonal factors, delayed tax refunds and uncertainty around the timing of potential US policy changes.

In European markets, the Euro Stoxx gained 1.68% in April. The DAX increased 1.02% while the FTSE100 was down 1.62%. Nine months after becoming UK's Prime Minister, Theresa May called a snap general election to be held on June 8th. May is betting that a crushing election victory will win her the freedom to negotiate a preferred Brexit outcome. The focal point in Europe was the French Presidential election, with markets obtaining what they hoped on Sunday 23rd of April - Emmanuel Macron facing off against Marine Le Pen for the Presidency. A decisively positive reaction to lessening political risk in Europe saw the STOXX Europe 600 index surge 3.98% on the next trading day post the outcome of round 1. On May 7th, Macron convincingly won the second round to become France's President-elect.

In Asian markets, the Nikkei 225 Index rose 1.52%. The Hang Seng rose 2.09% and the Shanghai Composite was down 2.11%. Domestically, the **Australian** S&P/ASX 200 Accumulation Index rose 1.03%.

EGI Portfolio: Contributors to performance included HostelWorld, Equiniti and PayPal. Detractors from performance included Vistra Energy and Manchester United. EGI had 8 portfolio companies report earnings or trading updates in April, with PayPal a standout.

PayPal reported Q117 results with revenue and EPS ahead of guidance and market expectations. This quarter potentially marks an inflection point for the PayPal story, with the largest organic quarterly increase in net new active users over the past 3 years (PYPL has 203m active users). Customer engagement is benefitting from new strategic partnerships (Citi, Android Pay) as well as growth in Venmo and OneTouch leading to less churn and increased user activity. PYPL is clearly demonstrating the inherent operating leverage of the business model with the lowest growth rate in fixed expenses since separation. As a result, management raised FY17 guidance and announced a \$5b buyback. The stock price has responded up 10% since earnings.

EGI Performance

	EGI (%)*	Index (%)
1 Month	3.49%	1.15%
3 Months	3.82%	5.29%
6 Months	7.26%	12.49%
One Year	11.25%	17.55%
1 Nov 2014	28.03%	21.12%
Annualised Return	10.39%	7.97%

*Net Return (before tax)

Key Information

ASX Code: Shares	EGI
Listing date	Oct 2014
NTA (before tax) *	\$1.1493
NTA (after realised tax)	\$1.1448
NTA (after tax)	\$1.1296
NTA Fully Diluted (after realised tax)	\$1.1004
Share price at 31/03/2017	\$0.95
EGI Market Capitalisation	\$72m
ASX Code: Options	EGIO
Option price	\$0.025
Exercise price	\$1.00
Management Fee	0.75%

* NTA before tax - Includes taxes that have been paid.

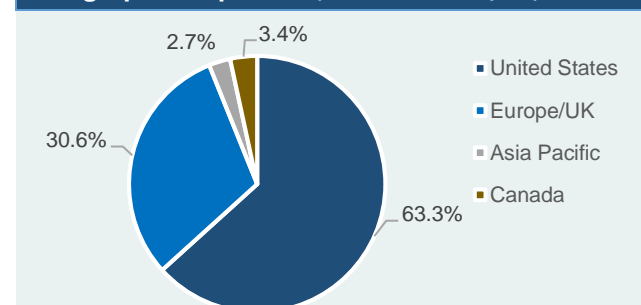
NTA after realised tax - Includes a provision for tax on realised gains from the Company's Investment Portfolio.

NTA after tax - Includes any tax on unrealised gains and deferred tax.

NTA Fully Diluted (after realised tax) - If all of the remaining 2018 options had been exercised by 30 April 2017.

Top Holdings	%
Zayo Group Holdings Inc	5.45%
Interxion Holding NV	5.43%
Entertainment One Ltd	5.35%
Paypal Holdings Inc	5.29%
Equiniti Group Plc	4.78%

Geographic Exposure (% of invested capital)





Should investors have any questions or queries regarding the company, please contact our Investor Relations team on 02 9021 7797. All holding enquiries should be directed to our share registrar, Link Market Services on 1300 551 627 or EGI@linkmarketservices.com.au

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