

Monthly NTA Statement

February 2018

Ellerston Global
Investments Limited
ACN 169 464 706

8th March 2018

Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Ellerston Global Investments Limited (**ASX: EGI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the company as at 28 February 2018.

NTA per share	28 February 2018
NTA before tax [#]	\$1.2434
NTA after realised tax	\$1.2422
NTA after tax	\$1.2043

The NTA is based on fully paid share capital of 80,479,215.

- # 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.

The company's net performance before tax for the month of February was -0.98%.

Option Conversion - During the month of February 1,564,644 options were exercised and converted to shares which diluted the NTA after realised tax by **\$0.005** per share.

Options - If all of the remaining 2018 options had been exercised by 28 February 2018, the fully diluted NTA after realised tax would have been **\$1.1778** per share.



Ian Kelly
Company Secretary

Important note

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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Contact Details

**Ellerston Global
Investments Limited**
ACN 169 464 706

Address
Level 11, 179 Elizabeth Street
Sydney 2000 NSW Australia

Website <https://ellerstoncapital.com/listed-investment-companies/>
Email EGI@linkmarketservices.com.au

Investor Telephone
1300 551 627

Ellerston Global Investments (ASX: EGI)

Investment Update – February 2018

Fund Performance (Net)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a	Annualised Return [^]	1 Nov 2014
EGI*	-0.98%	0.99%	10.68%	15.48%	8.54%	11.44%	43.48%
MSCI World Index (Local)	-3.53%	1.21%	7.86%	13.58%	7.81%	9.35%	34.70%

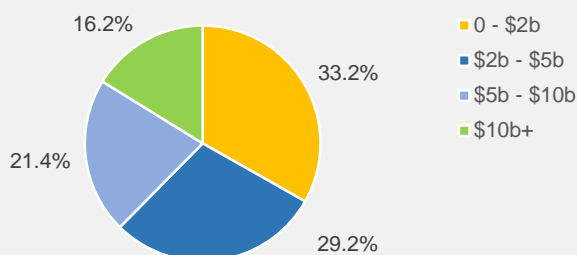
*Net Return (before tax) and excluding option dilution

[^]1 Nov 2014 p.a

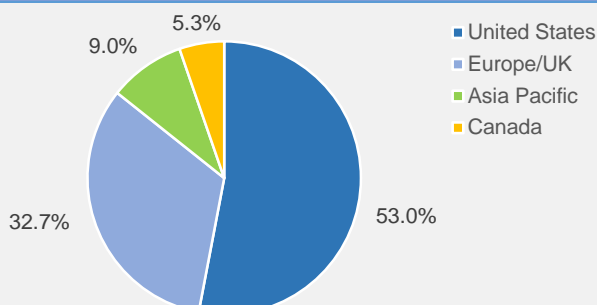
Key Facts

Listing date	Oct 2014
NTA (before tax) **	\$1.2434
NTA (after realised tax)	\$1.2422
NTA (after tax)	\$1.2043
NTA Fully Diluted (after realised tax)	\$1.1778
Share price at 28/02/2018	\$1.15
EGI Market Capitalisation	\$92.55m
Management Fee	0.75%
Option price (ASX: EGIO)	\$0.13
Exercise price	\$1.00
Dividends Paid FY 2017	2.0 cps
Dividends Paid (YTD) - FY 2018	1.5 cps
<u>Fully Franked Dividends Declared Feb 2018</u>	
Interim Dividend	1.5 cps
Special Dividend	1.0 cps
Dividend Profit Reserve ^{^^}	8.9 cps

Market Capitalisation (% of Invested Capital)



Geographic Gross Exposure (% of Invested Capital)



Top 10 Holdings

Top 10 Holdings	Weight
Entertainment One Ltd	8.43%
Equiniti Group Plc	5.83%
Zayo Group Holdings Inc	5.57%
Stars Group Inc-The	4.15%
Interxion Holding NV	4.00%
Venator Materials Plc	3.69%
Playa Hotels And Resorts NV	3.64%
Huntsman Corp	3.41%
XPO Logistics Inc	3.28%
Comerica Inc	3.11%

Sector	Portfolio	MSCI World Index
Consumer Discretionary	20.80%	12.70%
Information Technology	12.40%	17.81%
Financials	10.70%	18.34%
Industrials	9.19%	11.64%
Materials	8.47%	5.17%
Telecommunications	6.40%	2.62%
Real Estate	0.00%	2.88%
Health Care	3.74%	11.72%
Energy	3.39%	5.84%
Consumer Staples	0.00%	8.50%
Utilities	0.00%	2.78%
Cash	19.27%	0.00%
Other	5.64%	0.00%
Total	100.00%	100.00%

**** 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 28 February 2018.

^{^^} Based on the total shares on issue at 28/02/18 and before the payment of the most recently declared dividends. Cps refers to cents per share



Portfolio Update

The **EGI portfolio** decreased 0.98% net during the month of February. The NTA (before tax) at the end of February was \$1.2434.

Contributors to performance included **Stars Group, Equiniti and Hostelworld**. Detractors from performance included **Jeld-Wen, Venator Materials, and Interxion**. EGI had 9 companies report earnings in February.

Global markets rose every month for 15 consecutive months through January 2018. February saw the return of volatility with the S&P 500 down over 8% during the first week of the month. Since the inception of EGI, there have been 12 months where global equities have declined. EGI has successfully demonstrated a track record of protecting capital during these periods and in the month of February the portfolio's performance reflected this dynamic. We are conscious that markets will not go up in a straight line month after month and as such we will always seek ways to hedge and position the portfolio to mitigate market risk. Over the first week of February, market instability combined with a complete unwind of short VIX ETF/ETN's saw spot VIX reach a high of 50. EGI reduced its VIX futures position during this time capturing the upside from the outsized move in volatility. EGI ended the month with elevated cash levels.

Philips Lighting reported solid FY17 earnings in line with guidance and consensus. Standouts for the year were the Professional and Home divisions which delivered strong growth and profit improvement in 2H17 as guided by management earlier in the year. Of note, Systems & Services Sales (connected lighting) grew 51% in FY17 and now represents €900m of total sales. To put the connected lighting opportunity in perspective, at the end of 2017 **Philips Lighting** had connected 29 million light points compared to an installed base of 26 billion! The two divisions, Professional and Home, are the 'connected' future of **Philips Lighting** and their performance during the year was outstanding. We think it is only a matter of time before the growth of these divisions change the narrative, focusing the market away from **Philips Lighting's** 'legacy' business to its leading global position in 'connected' lighting.

Venator Materials reported strong full year results reflecting momentum in the Titanium Dioxide (TiO₂) industry. All listed TiO₂ players reported continued tightness with demand/supply dynamics suggesting an "elongated cycle". Results were overshadowed by an unexpected increase to the costs to rebuild its Pori facility (suffered fire damage in January 2017). **Venator** is paying a "fast-track premium" to get Pori back online which is one of the most profitable facilities in Europe.

Market Commentary

Global equity markets turned down in February with the MSCI World Index falling 3.53%. Volatility was back with a vengeance. Early in the period, a sudden futures related technical sell-off hit global stock markets, amid concerns over both rising inflation and interest rates. The VIX index, which measures volatility, saw the sharpest one-day spike in its history. The spike was exacerbated by so-called "target volatility funds" that scrambled to sell stocks and buy VIX options.

After logging its strongest January since 1987, the **US equity market** was down in February with the S&P 500 index and the Dow Jones Industrial Average index declining 3.7% and 4.0%, respectively. Considering the underlying fundamental strength of the US economy and better-than-forecast corporate profit reports, a number of several hundred point swings in the Dow Jones caught many investors unawares. Optimism over the effect of the Trump corporate tax cuts on earnings quickly gave way to concerns over rising inflation, interest rates and a tight labour market. Towards the end of the month, Federal Reserve Chairman Powell provided a bullish assessment of the US economy and hinted that the Fed could step up the pace of rate rises.

In Europe, markets were sluggish across the board. The weakness in the US and similar fears about stronger inflation and higher rates pulled markets lower, with the UK's FTSE100 down 3.4%, Germany's DAX down 5.7% and the French CAC40 down 2.9%. Politically, it was heartening that a deal was struck in Germany for a coalition government to be formed, ending the political limbo. The Bank of England left rates on hold and the European Central Bank President indicated that the true amount of economic slack "could slow down the emergence of price pressures", putting Europe slightly at odds with the commentary from the US.

Asian markets followed the US markets' lead. Japan's Nikkei closed down 4.4%, Hong Kong's Hang Seng was down 6.0% and the Chinese market (CSI 300) lost 5.9%. Chinese PMI dipped to 50.3 from 51.3 in January (weaker than consensus), the lowest reading since July 2016 and was enough to dampen growth expectations.

The **ASX/S&P 200 Accumulation Index** performed better than its global peers up 0.4% in February. The Reserve Bank of Australia kept interest rates on hold in February, warning that "one continuing source of uncertainty is the outlook for household consumption. Household incomes are growing slowly and debt levels are high".



Research Ratings

Independent Investment Research (IIR) is an independent investment research house based in Australia and the United States. IIR conducted research in December 2017 and has assigned Ellerston Global Investments Limited (ASX code: EGI) a **Recommended** rating.



Dividends

If you would like to have dividends re-invested under the Company's Reinvestment Plan, click [here](#)

Options

If you would like to exercise your options, click [here](#)

Contact

Andrew Seddon 0417 249 577
aseddon@ellerstoncapital.com

Simon Glazier 0410 452 949
sglazier@ellerstoncapital.com

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