

Monthly NTA Statement

June 2018

Ellerston Global
Investments Limited
ACN 169 464 706

12th July 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 30 June 2018.

NTA per share	30 June 2018
NTA before tax [#]	\$1.1734
NTA after realised tax	\$1.1645
NTA after tax	\$1.1445

The NTA is based on fully paid share capital of 109,845,725.

- | | |
|-------------------------------|---|
| # 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 June was 1.92%.



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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Ellerston Global Investments (ASX: EGI)

Investment Update – June 2018

Performance (Net)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a	Annualised Return [^]	1 Nov 2014
EGI*	1.92%	3.94%	1.27%	13.77%	8.48%	10.98%	46.51%
MSCI World Index (Local)	0.33%	3.58%	1.29%	10.86%	8.64%	8.81%	36.29%

*Net Return (before tax) and excluding option dilution

[^]1 Nov 2014 p.a

Key Facts

Listing date Oct 2014

NTA (before tax) ** \$1.1734

NTA (after realised tax) \$1.1645

NTA (after tax) \$1.1445

Share price at 30/06/2018 \$1.07

EGI Market Capitalisation \$117.53m

Management Fee 0.75%

Performance Fee*** 15%

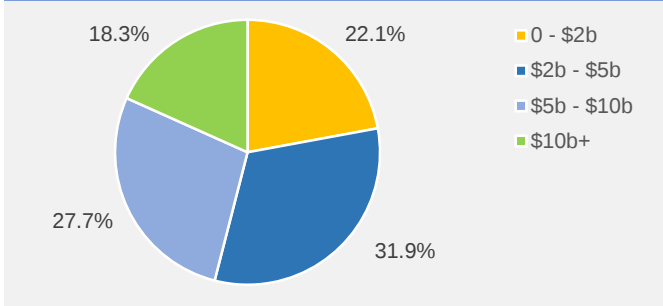
Annualised Fully Franked Dividend FY18^^ 3.0 cps

** 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.

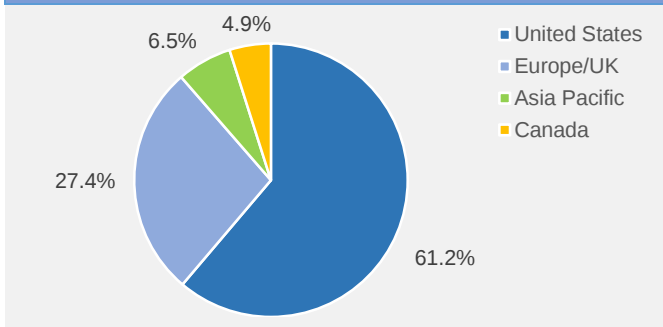
Top 10 Holdings

	Weight
Equiniti Group Plc	7.55%
Zayo Group Holdings Inc	6.67%
Entertainment One Ltd	4.96%
Interxion Holding NV	4.93%
Huntsman Corp	4.83%
Cellnex Telecom Sa	4.16%
Stars Group Inc-The	3.99%
Premier Inc	3.88%
Keysight Technologies Inc	3.61%
Comerica Inc	3.22%

Market Capitalisation (% of Invested Capital)



Geographic Gross Exposure (% of Invested Capital)



Sector	Portfolio	MSCI World Index
Information Technology	25.50%	18.54%
Consumer Discretionary	13.98%	12.73%
Telecommunications	13.56%	2.61%
Financials	8.41%	16.76%
Industrials	8.03%	11.17%
Health Care	5.80%	12.16%
Materials	4.83%	4.93%
Energy	1.21%	6.78%
Real Estate	0.00%	3.04%
Consumer Staples	0.00%	8.29%
Utilities	0.00%	3.01%
Cash	18.66%	0.00%
Other	0.00%	0.00%
Total	100.00%	100.00%

^^ Annualised dividend is a financial term of analysis based on the total shares on issue at 30/06/18 and on the 1.5cps dividend paid on FY18 interim results. Any actual dividend declared by the Company is subject to Board discretion and may vary. Past performance is not an indicator of future performance.

*** 15% of the investment return over the Benchmark return (MSCI World Index Local), after recovering any underperformance in past periods.



Portfolio Update

The **EGI portfolio** increased 1.92% net during the month of June. The NTA (before tax) at the end of June was \$1.1734. For the full financial year to 30 June 2018, EGI returned 13.77% net, while the MSCI World Index (Local) returned 10.86%.

Contributors to performance for the month included, **Entertainment One, The Stars Group** and **Premier Inc.** Detractors from performance included **Huntsman, Equiniti** and **Venator**. EGI had one company, **Hostelworld**, report a trading update in June.

On June 11, **Hostelworld** provided a trading update at its AGM. The company reaffirmed its expected earnings estimate for fiscal 2018 despite noting that competition has increased in Europe (previously known to market) and that they are facing headwinds from adverse FX movements. The company also commented that the recent move to offer free cancellation has resulted in growth in both volume and average revenue per booking. Hostelworld announced a final dividend of €0.12 bringing the total dividend for the year to €0.17 (5.4% dividend yield). EGI reduced its holding in Hostelworld in February 2018 close to its highs and more recently purchased shares in July 2018. Hostelworld remains a small position as we wait to hear from the new CEO, Gary Morrison who started this month. Morrison was previously head of Retail Operations at Expedia.

Our largest position at the beginning of the month, **Entertainment One** was a significant performer with the stock climbing 22.5% in June. On 5th June, **Entertainment One** in partnership with Merlin Entertainment (MERL.UK) announced plans for the first ever *Peppa Pig World of Play*, a standalone indoor attraction with first locations to be Shanghai's LC Mall (set to open doors late 2018) and the Grapevine Mills in Dallas, TX (to open in early 2019). Additional sites have been secured in Beijing, Michigan and New York all to open in 2019. This announcement follows Merlin's launch early this year of two in-park dedicated Peppa Pig brand areas at their Gardaland Resort in Italy and Heide Park, Germany which the company cited are "*proving very popular with guests*". As the valuation materially increased, the risk/reward dynamic adjusted and we realized profit and resized the position.

During the month we sold our position in **Venator Materials**. Our investment thesis was that Venator was highly free cash flow generative, benefitting from rising TiO₂ prices with an attractive valuation. Earlier this year, the company announced that it had increased its cost and timing expectations for the reconstruction of its Pori, Finland facility. This impacted a key part of our thesis and we were too slow to appreciate the level of uncertainty that this would create in the medium term.

Market Commentary

Global equity market performance was subdued in June with the MSCI World Index up 0.33%. Trade tensions did not abate during June, with the US and China failing to reach a resolution. US, Canadian and European officials also continued to ratchet up their rhetoric on tit-for-tat tariffs. Markets weren't given much direction from the G7 summit either, ending with the leaders squabbling over the contents of their final communique, and President Trump refusing to sign the final release. The much anticipated meeting between President Trump and North Korea's Kim Jong-Un finally took place and resulted in a vague statement on nuclear disarmament.

US equity markets were mixed in June with the S&P 500 Index up 0.6% and the Dow Jones Industrial Average Index (DJIA) down 0.5%. The NASDAQ continued its stellar run, up 1.0% after having delivered an impressive +5.5% the previous month. The ill-tempered rhetoric on trade continued with seemingly no resolution with the DJIA trading down 5.3% intra-month. The Fed meanwhile hiked rates by another 25 basis points, with policy makers making it clear that market volatility would not divert them from their previously flagged intentions. The US 10-year bond yields closed at 2.86%, broadly unchanged versus their level from the previous month.

European stocks were again weaker in June, with the Euro STOXX 50 Index declining 0.2%. France's CAC 40 returned -1.1% while Germany's DAX was down 2.4%, impacted by Trump's call for tariffs on German cars and parts and compounded by political uncertainty in Germany. The UK's FTSE 100 Index was also modestly in negative territory, down 0.2% and continued to be dogged by the lack of real progress on a post-Brexit deal. The ECB confirmed it will taper quantitative easing, with QE expected to be completed by this December.

Asian equities finished June weaker with fears of an all-out trade war having a dampening effect on Asian equities. The Shanghai Stock Exchange Composite Index was down almost 7.0%, the Hang Seng Index was down 4.5% and Korean equities were down 4.0%. Markets were also hit by a strengthening US dollar. Japan's Nikkei 225 Index had a volatile month: it initially sold off after the Trump-Kim summit, before closing the month in positive territory, up 0.6%.

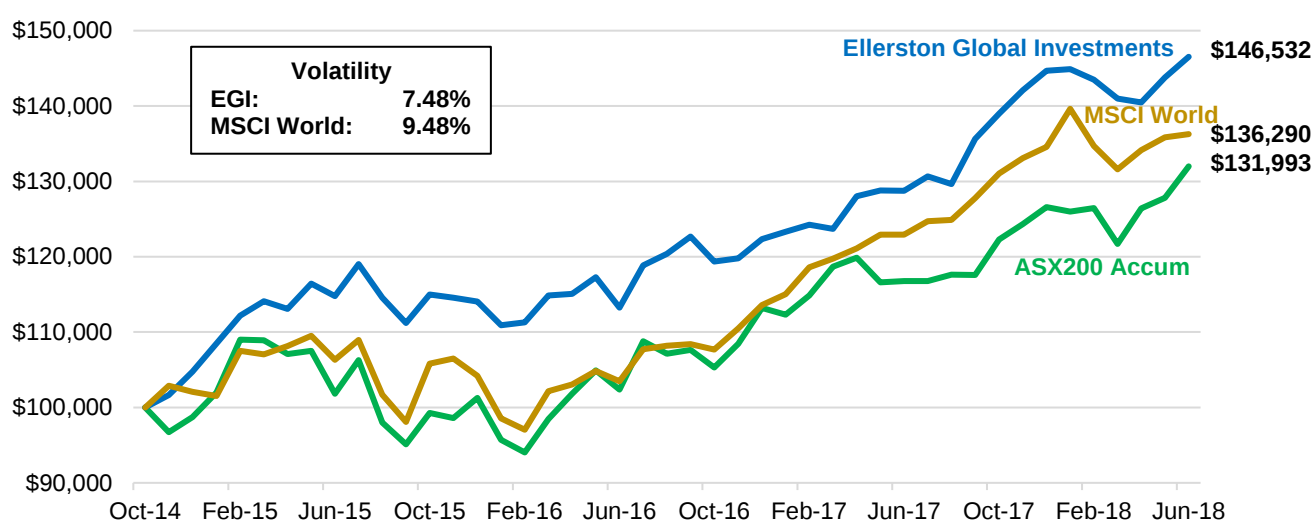
The **Australian equity** market produced strong returns in the month of June, with the S&P/ASX 200 Accumulation Index closing up 3.3%. Both the ASX 200 Resources and Industrial Accumulation Indices returned +3.3% in the period. The Small Ordinaries Accumulation Index lagged the broader market and delivered a more modest return of +1.1%.



We have not included our normal Quarterly Stock Overview, as we thought it would be beneficial to investors to provide an overview of the 2018 Fiscal Year portfolio performance.

2018 Financial Year in Review

For the Fiscal Year ended June 30, 2018 the portfolio returned 13.77% net. This compares to the benchmark (MSCI World Index Local) which increased by 10.86%. The portfolio was fully hedged throughout all of Fiscal Year 2018 and therefore was not impacted by any currency movements. Since 1 November 2014, when EGI commenced investing, the portfolio has returned 46.51% net. This compares to the benchmark (MSCI World Index Local) which has risen 36.29% over the corresponding period. The annualised return over this period for EGI has been 10.98% (net) versus 8.81% for the benchmark. Further, EGI has been able to achieve this return with meaningfully less volatility than the market as illustrated in the chart below.



From a stock specific point of view, key contributors to performance in FY18 were Entertainment One, The Stars Group and XPO Logistics. Whilst each of these businesses have their own distinct drivers, one commonality among them is a demonstration of fantastic underlying operating momentum and diligent execution of their respective business strategies.

Whilst FY18 was a strong year overall with a number of individual winners, it's important to address the investments we got wrong. Philips Lighting, Acuity Brands and Venator Materials as mentioned in various newsletters throughout the year were key detractors. Whilst we believe an element of this result is a function of being early on timing, the stories did not play out as our original investment theses anticipated. A critical risk management characteristic of the EGI strategy is our strong sell discipline, particularly in regards to a change in investment thesis, this was again apparent in FY18.

Whilst at our core we are fundamental stock pickers and all stocks added to the portfolio are done so based upon individual merit, the aggregate portfolio returns of EGI in FY18 demonstrate the results of how we think about position sizing based on risk/reward asymmetry. Evidence of this is predicated on the fact that the top 5 contributors added 15.3% to EGI's FY18 performance, contrasted against our bottom 5 detractors which cost 5.2%.

We look forward to providing you with our Investment Manager's letter in our upcoming Annual Report where we will give some deeper insights on the year that was, our investment style and a brief outlook into what FY19 may hold.



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](#)

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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

Disclaimer

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