Monthly NTA Statement

October 2014

Ellerston Global
Investments Limited

ACN 169 464 706

13 November 2014

Ellerston Global Investments (**ASX: EGI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the company as at 31 October 2014.

NTA per share	Before Tax	After Tax
31 October 2014	$0.9734	$0.9814

The NTA does not include or adjust for Loyalty Options. Loyalty Options will vest on the Vesting Date of 10 April 2015 if and only if, the applicant holds the same or a greater number of Shares as applied for in the IPO.

Ian Kelly
Company Secretary

Investment Update

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Ellerston Global Investments (**EGI**) was launched in October in the context of our view of global markets, namely:

1. International equity markets offer a superior risk reward profile to the Australian market on a medium to long term basis.

2. The recovery from the GFC is over and a focused stock picker's approach to equity markets may be the best way to invest in equities going forward.

   The end of US quantitative easing has been replaced by renewed quantitative easing enthusiasm from Japan. Additionally, the ECB stands by ready to add fuel to the fire in 2015.

   The tailwind behind equities therefore remains intact.

3. Currency management in quantitative easing countries is the key to international investing. The remarkable weakness in the Yen that has accompanied the jump in the Nikkei is testament to that.

With that in mind, EGI was marketed and launched in the middle of some extraordinary gyrations in financial markets. The S&P500 corrected by almost 10% in October wiping out its gains for 2014, before reversing all the way back up. The US ten year bonds appeared to upcrash during this equity market correction and had an intra-day high yielding 1.92%.

While markets appear to have stabilized now and are back on an even keel, the reaction of the bond market (rallying instead of falling) was unanticipated by most investors and caused extreme short term dislocation. The end result was a stable bond market which points to ongoing disinflation. This is a positive as inflationary concerns continue to recede.

Further supporting markets was the entry of the Bank of Japan with a new unprecedented series of quantitative easing. The Government Pension fund has been directed to buy equities both domestically and internationally.

Portfolio

It is important to note this initial NTA release as at 31 October 2014, is released as a requirement of the ASX Listing Rules. The NTA, however, reflects a small window of 10 days as a listed company during which the markets were extremely volatile.

With the gyrations in the market behind us, we effectively began to invest the capital that you, the shareholders entrusted us with from November 1, 2014.

We are aiming to be at least 25% invested by December 1, 2014 and 50% by January 1, 2015. This is a slightly accelerated schedule over the previous schedule of getting to at least 50% invested within an initial period of 3 months from launch.

We want to reiterate that the focus and intention of EGI is to be very specific in its approach. We concentrate on picking stocks that we feel have an edge. Fallen angels, corporate restructures (spin-offs, mergers/demergers), litigation, hidden assets etc are some of the areas which we believe give us an edge in stock selection. We do not want to be in the business of getting up in the morning and hoping the markets went up rather than down.

At the time of writing this update we have made investments in six companies

Current Portfolio Holdings	
Company	Country
Vivendi	France
Synchrony Financial	US
Lloyds Banking Group	UK
Nielsen	US
Google	US
Tesco	UK

A brief summary for each of these stocks is outlined below.

Finally, although the markets have been choppy, we have no shortage of stock opportunities on the radar. Our challenge is about timing the entry levels appropriately.

1. Vivendi

Vivendi was until recently a giant conglomerate with a market cap of €25bn and €17bn of net debt. Its assets included:

- French telecommunication (SFR)
- Brazilian broadband (GVT)
- Moroccan telecommunication (Maroc)
- French Pay TV (Canal +)
- Gaming (Activision)
- Music (Universal)

The company has closed or announced sales of all these assets excepting Canal + and Universal for an amount in excess of €25bn. The remaining assets are jewels and deeply undervalued in our opinion.

2. Synchrony Financial

Probably the only investment so far, that is not a household name. Synchrony is the former wholly owned US consumer credit business of GE Capital which traces its roots back to 1932. On July 30, 2014 GE sold a 16% stake via an IPO with a plan to spin off the rest of the company to GE shareholders in 2015. Synchrony is the largest provider of private label credit cards in the United States in addition to providing other consumer and health care credit. The private label credit card industry has high barriers to entry due to the long-term nature of contracts (between 5-10yrs) and the significant integration required with Partners. Synchrony also has a banking license and has significantly expanded its online deposit base providing a source of stable and diversified low cost funding for over 50% of its credit activities. When full separation concludes in late 2015, Synchrony will have excess capital well beyond its peers and we believe there is scope for significant capital management initiatives.

Since our purchase, Synchrony has been included in the MSCI World Index.

3. Lloyds Banking Group

Much like the Australian banks in the early 90's Lloyds financial viability was tested during the 2008/9 financial crisis with the UK Government having to bail it out taking a 43% shareholding. Given the oligopolistic nature of the UK banks, we view Lloyds as being part of the fabric of UK society and a major player in the UK economy which should continue to recover over time. Since the crisis, under the guidance of CEO Antonio Horta-Osoria, Lloyds has pared back its global footprint, aggressively managed its Non-Core Portfolio from c£300b to less than £20b, significantly cut costs and simplified the organisation. We see the re-instating of the dividend and continued Government sell down as catalysts for a re-rating of Lloyd's share price.

4. Nielsen

Nielsen is the global leader in audience measurement and market share data. Nielsen's core TV ratings business is the currency for television viewership. The company is aggressively developing new tools to measure digital content viewership while forming key strategic relationships with companies such as Adobe, Facebook and Google. We believe we are paying a fair price for this dominant franchise which generates strong free cash flow and receiving a cheap option on growth to come from its new digital initiatives. Nielsen has also announced further capital management initiatives.

5. Google

At current valuation, we believe we are paying a fair price for the core Google business, Google Search, which will continue to be one of the biggest beneficiaries of the shift of advertising dollars from offline to online. However beyond Search there exists significant hidden value within Google varying in maturity, including Android, YouTube, Maps, Gmail, Google Now, Docs, Fibre, Robotics, Nest, Self-Driving Cars and Google Glass. At current prices we are paying very little for these properties. In particular, we believe that YouTube in its own right will be a significant contributor to Google's revenue in the short to medium term and given its wide moat (hard to replicate the content that has been built on the platform) is a very strategic, valuable and monetizable asset. The key to truly attracting brand dollars to YouTube will lie with the development of third party measurement tools to effectively measure the success of digital advertising.

6. Tesco

UK based Tesco is one of the world's largest multi-channel grocery and general merchandise retailers. In recent years it has lost its way primarily as a result of an over reaching international expansion strategy, the emergence of discounters like Aldi, economic headwinds, poor execution, and more recently accounting issues. As a result the share price has more than halved over the past 14 months with a decline in value of circa 15 billion pounds. While it has been a near perfect storm there are a number of levers to pull which could create significant shareholder value. A new CEO and CFO have joined the company in the last two months. Both have been very successful in previous roles and have an open mandate from the board. Most notably, CEO Dave Lewis is the first outsider to run Tesco and is undertaking a major review. It is early days in the turnaround and we have acquired a small position which could grow if we can gain comfort that the right moves are being made.

We look forward to providing a further investment update in our half yearly report to shareholders to be released in the New Year.

Should investors have any further 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.