Monthly NTA Statement

March 2015

Ellerston Global
Investments Limited

ACN 169 464 706

13 April 2015

Ellerston Global Investments (**ASX: EGI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the company as at 31 March 2015.

NTA per share	Before Tax	After Tax
31 March 2015	$1.1106	$1.0785

The NTA does not include or adjust for Loyalty Options. 33,850,677 Loyalty Options vested at 7.00pm 10 April 2015.

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.

Ian Kelly
Company Secretary

Important note

Quarterly Investment Report

March 2015

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March Quarter Review

During the quarter ending 31 March 2015, markets trended higher with the US market exhibiting elevated volatility as the QE dominated regions of Europe and Japan significantly outperformed. The MSCI World Index (Local) rose 4.85% over the quarter driven by strong double digit gains in Continental Europe and Japan. As Global Central Banks continue their race to the bottom diminishing the value of cash, equities remain a compelling alternative.

Currency movements were a big feature as the USD rallied strongly against the AUD and EUR through till mid-March when volatility picked up.

The USD rally, which began during September 2014 and accelerated from December 2014 through March 2015 will have an earnings impact on US based multinationals. We saw initial signs of this during the December quarter reporting season but expect the impact to be much more material during the earnings season about to commence.

Key Information	
Investment Objective	The Company's objective is to generate superior returns for shareholders, with a focus on risk management and capital preservation.
Investment Strategy	Global long only. Targeting 10 to 25 securities.
ASX Code: Shares	EGI
Listing date	20 October 2014
Share price at 31/3/15	$1.15
EGI Market Capitalisation	$86.63 million
ASX Code: Options	EGIO (Listing pending)
Option Expiry date	10th April 2018
Exercise price	$1.00
Management Fee	0.75% p.a.
Performance Fee	15%

We remain mindful that while Macro is on everyone's minds, geopolitical issues remain very elevated with no risk being priced in global equities.

Portfolio Performance

Performance %	1 Month	2 Months	3 Months	4 Months	5 Months (1 Nov 2014)
EGI return Pre-tax NTA	1.68%	5.15%	8.90%	12.22%	14.09%
Index	-0.43%	5.43%	4.85%	4.04%	7.04%

Inception 17 October 2014

Portfolio Structure & Key Positions

TOP 5 Portfolio Holdings	
Company	**Country**
Vivendi SA	France
Synchrony Financial	United States
Elis SA	France
Experian	UK
Nielsen	United States

Equity Exposure by Country - Invested Capital		
Country Exposure	**%**	**Currency**
United States	44.2%	Unhedged
United Kingdom	15.9%	Hedged
France	14.9%	Hedged
Spain	14.8%	Hedged
The Netherlands	3.8%	Hedged
Australia	6.3%	n/a

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This quarter we have chosen to highlight our investment in Elis SA a newly listed stock during the quarter.

Other stocks also included this quarter for comment are FCC and Tribune Media.

Elis SA

Post IPO – Below the radar IPO of leading European multi-service group with an undemanding valuation given scale advantages, industry trends and strong free cash flow

Elis SA listed in Paris on February 10, 2015 raising €854m at €13.00. It was priced at the low end of its indicative pricing range with a market capitalization of €1.48b and a total enterprise value of €2.7b.

We first came across Elis as a private company at our previous visits with the listed French investment company, Eurazeo. Eurazeo owned 83% and have maintained a 35.1% holding post IPO.

At the issue price, Elis was valued at a FY14 Pro Forma Free Cash Flow Yield of 7.5% and 6.3x EV/EBITDA FY14. We have paid below fair price for a company with leading positions in its key markets and a management team with a proven track record. In addition, Elis will benefit from its sectors long-term tailwinds of increased outsourcing and ever increasing barriers to entry (regulatory, environment and health requirements).

Elis is the type of investment we seek to find – a simple business to understand with real competitive advantages generating strong free cash flow at a compelling risk/reward valuation.

Company Overview

Elis is a leading European multi-services group that specializes in linen & workwear, laundry services and hygiene and well-being services.

1. **Flat Linen (40% Revenue):** includes the rental and launder of restaurant linen (such as tablecloths and napkins) and hotel linen (such as bed sheets, duvets and pillowcases).
2. **Workwear (32% Revenue):** includes rental, customization and launder of workwear, including standard workwear (trousers, shirts, uniforms and jackets), personal protective equipment (firefighter uniforms) and workwear for personnel who work in controlled atmosphere environments (clean rooms).
3. **Hygiene and well-being products (27% Revenue):** rental, installation and maintenance of washroom appliances mainly for toilet hygiene, hand washing and drying, and air freshening.

With 19,000 employees serving 240,000 customers in 12 countries, Elis has a network of 97 processing centres, 161 dispatching centres and 13 clean rooms.

The company has reasonable long-term visibility on customer contracts with the ability to pass through cost increases as they did with cotton price rises in 2011. The average contract duration is 4 years with an estimated 94% contract renewal rate. In addition, the client base is widely spread with the top 10 clients representing only 9% of revenue.

France (72% Revenue)

Elis is the clear leader with a 47% market share in France. Elis has a competitive advantage with its dense network optimizing proximity to clients (1,700 field agents, 1,494 vans and 755 trucks). France is its highest margin business (36.1% EBITDA margin) and while a mature business, the company has had recent success with increased focus on major accounts and big wins in 2014 with companies like Accor, SNCF and Vedici. Further, the “multi-service” model means that all products sit in the same truck and various services are made by the same field agents increasing cross-sell and customer satisfaction whilst at the same time reducing logistic costs.

The French business has traditionally outperformed real GDP growth as evidenced in the recent financial crisis where Elis exceeded real GDP by 1.4% points on average.

Europe (21% Revenue)

Elis has a 12% share of the Continental European market - No. 1 in Portugal with a 30% share and No. 2 in Switzerland with a 16% share. Elis is also present in Spain (11% share), Belux (7% share), Italy and Germany. In terms of competition in the European market, Rentokil Initial has 8% and Berendsen and CWS Boco each have a 7% share.

With recovering economies in Europe and particularly in Southern Europe, Elis’ European business should start to see stronger growth. In Spain, the slight economic rebound in 2014 translated into organic revenue growth of c10% (19.2% total) and a 3pp improvement in EBITDA margin.

Brazil (6% Revenue)

Elis is the market leader in Brazil with an 11% share in a highly fragmented market. In 2014 Elis made 4 acquisitions in Brazil, the largest of which was Atmosfera, the market leader in Hospitality, Healthcare and Industry. While the Brazilian economy is struggling and may pose a near-term headwind for Elis, the company will benefit as it integrates its acquisitions and continues to consolidate the Brazilian market which has great long term prospects.

The remaining 1% of revenue is derived from Elis’ manufacturing entities.

The company has a number of tailwinds that should drive growth:

1. **Increased Outsourcing:** A significant proportion of Elis’ new clients outsource for the first time. Increased regulatory requirements and greater levels of outsourcing by corporates seeking to reduce business complexity and overheads will continue to drive Elis’ growth. KPMG estimates only 35% of flat linen, 30% of workwear and 15% of hygiene & well-being is outsourced in Europe.

2. **Proven Acquisition Strategy:** Elis closed 7 acquisitions in 2014 and we expect the company to continue to make bolt on acquisitions to improve its competitive positioning in Europe and Brazil. Management has guided to €100m M&A spend through 2015-2017. The company has already made 5 acquisition in 2015 in France, Spain, Germany and Switzerland. This bolt-on strategy is an integral part of Elis’ model as the higher the density and proximity of the network the greater the cross selling opportunity and the greater the margin profile.

3. **European Outlook:** As Europe begins to recover, Elis is well positioned to benefit from its recent acquisitions and positioning in markets such as Spain and Germany.

4. **Expansion into new services and cross-selling opportunities:** Since its beginning in the 1950s, Elis has built upon its flat linen business expanding into other services including workwear, hygiene, dust mats, beverages as wells as internationally. Elis continued that tradition with the 2013 launch of its Pest Control business which is now fully part of the Elis service in its main geographies.

Post IPO, Elis has net debt of €1,194m. In its recent 2014 Annual Results Elis reported revenues of €1,331m (up 8.6% YoY) and EBITDA of €429m (up 7.0% YoY) with a 32.2% EBITDA Margin. The company has guided to a +6.5% revenue increase in 2015. With strong free cash flow generation it is expected that Elis will pay close to a 3% dividend yield this year which is compelling in a low European interest rate environment.

While we are conscious of structural issues within the French economy, we believe that Elis will continue to drive cost efficiencies and operational leverage in its business as it expands beyond France providing investors with a stable dividend yield and solid growth prospects.

FCC

Fallen Angel – Following a recapitalisation, FCC continues to sell non-core assets and right size its balance sheet as recovery in the construction and cement markets take hold.

FCC's Water and Environmental Services businesses performed solidly during the financial crisis, however, the company was hit very hard due to an excessive debt load and a sharp downturn in its Construction and Cement businesses.

During December 2014, the company undertook a significant recapitalisation comprising a capital raising of €1 billion and a debt reduction of €1.1 billion. Post the capital raising, Carlos Slim has emerged as a 25.6% shareholder alongside the founders' daughter (Esther Koplowitz) with 22.4%.

Company Overview

FCC operates in 25 countries with over 58,000 employees and 44% of its revenue is generated from international markets. During 2014 the company generated €6.3b of revenue and €804m of EBITDA.

FCC owns four significant operating businesses and a suite of non-core assets.
Water - #2 in Spain, #3 in Europe: 2014 Revenue €954m, EBITDA €208m.
Environmental Services (Waste) - #1 in Spain, Top 5 in UK: 2014 Revenue €2,805m, EBITDA €418m.
Construction - #1 in Spain, Top 15 Globally: 2014 Revenue €2,076m, EBITDA €98m.
Cement (circa 80%) **-** #1 in Spain, Significant US Operation: 2014 Revenue €542m, EBITDA €105m.

While the company still has €5b of net debt, we believe this could be materially reduced by asset sales over the next 18 months.

FCC's Cement business comprises a 78% stake in the listed Cementos Portland Valderrivas (CPV), and it is widely viewed to be a seller of this asset as the cement markets in Spain and the US continue to recover. Separate from the current CPV equity value of €383m, FCC fully consolidates CPV's €1.3b debt. FCC also has approximately €800m of non-core assets earmarked for disposal.

These potential asset sales would reduce net debt to €2.8b. With the stable Environmental Services and Water business divisions benefiting from long-term regulatory developments and environmental considerations, and FCC set to benefit from the recovering Spanish economy, FCC represents a great investment opportunity.

Tribune Media

Fallen Angel – Opportunity to have exposure to one of the largest US broadcasters with a treasure trove of optionality in spectrum and real estate

After emerging from bankruptcy, Tribune spun off its publishing assets and the new CEO is focused on creating a pure media company.

Tribune is a company that we have followed since its bankruptcy and represents an opportunity to buy a traditional broadcaster (largest TV station group in the US by % households reached) on a reasonable valuation with optionality over its iconic real estate, spectrum, its newly re-created cable channel WGN and metadata business Gracenote.

Company Overview

In April 2007, real estate magnate Sam Zell acquired the Tribune Company. As part of his leveraged buyout, Zell saddled Tribune with $12.9b of debt. An ill-timed acquisition with the US economy entering into recession, Tribune subsequently sought bankruptcy protection in December 2008 amid a collapsing advertising market. Tribune emerged from bankruptcy on 31 December, 2012 owning a suite of publishing, broadcasting, cable, digital and real estate assets.

Tribune Media has a diverse range of assets including broadcast distribution, an emerging cable network, digital and data as well as assets in spectrum and real estate:

1. **Television & Entertainment (88% Revenue)**
   a. **Broadcast Television:** 42 owned or operated broadcast stations in major markets across the US reaching 50 million homes.
   b. **WGN America:** a national, general entertainment network airing high quality and original content reaching approximately 73 million households converting from Superstation to Cable Network.
   c. **Tribune Studios:** newly created studio producing original content for WGN America and 42 TV stations.

2. **Digital and Data (9% Revenue)**

   A growing global metadata business driven by Gracenote, a leading entertainment and data provider powering the world's top music services (iTunes, Spotify), automakers (Ford, Audi) and cable providers (Time Warner Cable, DirectTV). Gracenote is critical in describing and categorising content.

3. **Real Estate:** Undermanaged and underutilised property portfolio including the iconic Chicago Tribune Tower and the LA Times Mirror Square.

4. **Spectrum:** Significant presence in large markets – 7 of top 10 markets and 14 of top 25.

5. **Equity Investments:** Key equity investments include 31% of Food Network and 32% of CareerBuilder delivering meaningful distributions to the company.

The stock peaked in August 2014 at $87 and subsequently fell to $54 on market uncertainty regarding reverse retransmission fees. This concern was warranted, however we feel the market significantly overreacted to the issue providing an attractive investment opportunity. Since then, the company has announced and gone ex a special dividend of $6.73 per share.

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Important note

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