Ellerston Global Investments Limited
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Company Announcements Office
ASX Limited
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QUARTERLY INVESTMENT REPORT.

Ellerston Global Investments Limited (**ASX: EGI**) encloses its quarterly investment report for December 2015.

Yours sincerely

Ian Kelly
Company Secretary
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Quarterly Investment Report

December 2015

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December Quarter Review

The quarter ending 31 December 2015 was positive for global markets despite a challenging December which saw markets fall as they spent most of the month in limbo ahead of an expected rise in the Fed funds rate which finally occurred on December 16th. Also weighing on markets late in the year was turmoil in the junk bond market and further weakness in the oil price.

For the December quarter, the Ellerston Global Investments (EGI) portfolio increased 2.56% while the MSCI World Index (Local) rose by 6.22%.

Since 1 November 2014 the portfolio has returned 14.04%. This compares to the benchmark return (MSCI World Index Local) which rose by 4.20%.

2016 has started with an aggressive sell-off in equities, and all major indices down significantly during the month. EGI is a long only Investment Company. While currently down for the month of January it has materially outperformed global indices and has a significant cash holding. This is a very strong position to be in as uncertainty reigns and great opportunities emerge. EGI has a high conviction portfolio that we believe is well positioned to provide solid returns in the year ahead.

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 31/12/15	$1.05
EGI Market Capitalisation	$79.3 Million
ASX Code: Options	EGIO
Options price at 31/12/15	$0.11
Option expiry date	10th April 2018
Exercise price	$1.00
Management Fee	0.75% p.a.
Performance Fee	15%

Concerns about China and the US economy, a sliding oil price, credit market dislocations and tepid corporate profit growth are among the factors weighing on global markets. The outsized returns associated with the seven year bull market in equities, fuelled by Quantitative Easing, will moderate. This was best highlighted by Former Dallas Federal Reserve President Richard Fisher in a candid interview during the first week of January. He provided a salient reminder for investors that the Federal Reserve had "frontloaded a tremendous market rally starting in 2009 in order to accomplish a wealth effect" and markets have now entered a "great digestive period". Fisher then stressed that "now we go back to fundamental analysis, the kind of work that used to be done analysing whether or not a company truly on its own is going to grow its bottom line and grow its shareholder value and price accordingly, and not just expect the tide to lift all boats."

At the same time, we have a collapse in the oil price which is still working its way through the system. Although cheap energy will end up having a silver lining, there will be some broken bones along the way. The impact on high yield credit with the looming collapse of highly indebted energy companies will be painful for associated investment and credit markets. That said, the impact on consumers will eventually have the effect of a meaningful tax cut.

With the backdrop of a Federal Reserve rate increase, sluggish earnings growth and concerns over the US economy, markets are experiencing a P/E derating. The last leg of US EPS growth was largely driven by accelerating corporate buybacks.

Europe appears to have gone to sleep with European equities appearing to have lost their mojo since the Greek fiasco unfolded. For Europe to perform, we need a catalyst of the Central Bank variety. The timing of this is unclear as the ECB appears lukewarm in terms of expanding their balance sheet.

Equity markets are going through a period of transition as they recalibrate to reflect the changing environment. This is a healthy development and value is starting to emerge as the market continues to weaken. Market dislocation means more companies are going through a period of price discovery. We remain cautious, disciplined and patient but also excited by the prospect of new investment opportunities created by the current environment.

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Portfolio Performance

Performance %	1 Month	3 Months	6 Months	1 Year	Since 1 Nov 2014
EGI return Pre-tax NTA	-0.44%	2.56%	-0.63%	8.85%	14.04%
Index	-2.16%	6.22%	-1.99%	2.07%	4.20%

Portfolio Structure & Key Positions

TOP 5 Portfolio Holdings	
Company	**Country**
GE	United States
Equity Commonwealth	United States
Synchrony Financial	United States
Paypal Holdings	United States
Nielsen	United States

Equity Exposure by Country - Invested Capital		
Country Exposure	**%**	**Currency**
United States	66%	Part Hedged
Great Britain	19%	Hedged
Spain	6%	Hedged
Australia	9%	N/A

Nielsen (Share Price $45.67, Market Cap US$16.6b)

Fallen Angel – Global leader in third party performance measurement repositioning to increase its addressable market as advertising spend shifts to digital with media increasingly being consumed across platforms and devices.

EGI purchased its initial stake at the end of October 2014 after the price declined significantly from its previous high and have since added to this position.

Nielsen delivers critical media and marketing information/analytics about what and where consumers buy (Buy Segment) and what consumers read, watch and listen to (Watch Segment) on a local and global basis. Based on the strength of the Nielsen brand and the breadth and depth of its products, it is the global leader in measuring and analysing consumer behaviour in its operating markets. Its business model is incredibly resilient to changing economic cycles and the Company has delivered constant currency revenue growth every quarter for almost 10 years, a reflection of its sustainable recurring revenue business model, expanding addressable markets and significant barriers to entry.

However, there has been some market uncertainty as to Nielsen's dominant position in an increasingly changing media landscape. With the explosive growth in online and mobile content consumption and increased competition, the market over the last few years has questioned whether Nielsen will be able to maintain its "currency" status in measuring consumer viewing habits.

This uncertainty provided EGI with an opportunity to purchase shares in Nielsen at a compelling valuation.

As the incumbent, Nielsen has considerable brand equity, outsized R&D capabilities and a large customer base. With the recent release of new products such as Total Audience Measurement to capture viewership across platforms and devices, Nielsen will likely be the only player in the market capable of offering a complete solution to customers. As a result, over time, Nielsen will become further entrenched as the advertising currency in the US.

Company Overview

Nielsen is the global leader in its two principle reporting segments:

1. **Buy (56% of revenue)** – Measures packaged goods buying habits of consumers in 106 countries covering >90% of the global population. The Company provides consumer packaged goods manufacturers and retailers with comprehensive proprietary data sets that aid in managing and improving product performance.

   To do this, Nielsen tracks billions of sales transactions per month in retail outlets globally and its proprietary data sets are used to determine brand sales and market share. With e-commerce and omni channel shopping changing consumer buying patterns, measurement and information analytics are becoming more and more valuable to manufacturers and retailers.

   Nielsen has continued to invest in its Buy segment and as a result has the dominant retail measurement presence in emerging markets and will benefit from population growth and the rise of the middle class. Additionally, Nielsen will continue to benefit from multinational expansion into emerging markets while concurrently aiding local enterprises in growing their international presence.

2. **Watch (44% of revenue)** – Measures consumer media consumption (television, radio, online and mobile) in 45 markets around the world covering 80% of global advertising spend.

   Nielsen ratings are the primary metric used to determine the value of programming and advertising in the $74bn US television market. Given its market position, Nielsen is the current ratings “currency” on which advertising buying decisions are based.

   However, as viewing of content shifts from linear TV to online/mobile and consumers become device agnostic (content viewing on any device, anywhere), accurate measurement of viewing habits has become increasingly complex. Nielsen’s established position as the “currency” for linear TV predates the explosive growth in mobile and online viewing and as a result there has been some concern over the last few years that Nielsen’s “currency” status was becoming uncertain.

   In response to the changing market dynamics, Nielsen has been developing new products, the most significant of which is called Total Audience Measurement which measures content viewing across all platforms from TV to online to mobile making Nielsen the only player with the full breadth of unduplicated measurement capability. This product is currently being rolled out to clients with industry support setting it up for broad based adoption in 2016 or early 2017. If Nielsen’s Total Audience Measurement product becomes the currency in the digital world, its competitive moat will expand significantly.

Strategic Growth Areas

1. *Big Data/Analytics opportunity* - consumers continue to expand usage of smartphones for ecommerce and comparison shopping. Nielsen has developed an Enterprise Marketing Platform (EMP) which combines all of its datasets in Buy and Watch to connect its clients directly with consumers in real time.

2. *Fragmentation of content consumption* – time shifted viewing, multi-tasking and multi-screen usage trends continue to grow and Nielsen’s Total Audience Measurement capability is becoming more and more in demand. Its total addressable market will increase significantly as it enables measurement across device and channel.

3. *Ad spend shifting to digital* – with accelerating growth of content being viewed on desktop and mobile devices, advertising spend is also following the eyeballs. Nielsen is one of the few players globally that can provide advertisers with a common currency across all platforms.

4. *Emerging markets* – Multinationals want a local measurement service in place while local players also want the best data available for international aspirations. Despite current weakness in emerging market economies, Nielsen expects 8-10% revenue growth in 2016.

At current valuation, Nielsen trades on 14x FY17 PE with a 2.9% dividend yield, which is well funded by its >6% Free Cash Flow yield. At its recent Investor Day, Nielsen re-affirmed FY15 earnings and Free Cash Flow while providing FY16 guidance in line with its long term growth aspirations (revenue growth at mid-single digit with 50-70bps of annual margin improvement delivering double digit EPS growth). It also announced an increase to its share buyback authorisation by $500m to $850m (c5% of the market cap) which should be completed by the end of 2017.

Over the past five years, Nielsen has demonstrated the strength of its business model as it expanded margins by 350bps (despite investment in emerging markets) while delivering 30% annually compounded Free Cash Flow growth. Since 2013, Nielsen has returned more than $2bn of cash to its shareholders in the form of dividends and buybacks and has increased its quarterly dividend by 75%. EGI's investment in Nielsen provides exposure to the dominant global marketing measurement provider with market complexities increasing its competitive moat.

Updates

Synchrony Financial (SYF): During the quarter, SYF received approval from the Federal Reserve to become a standalone Savings & Loan holding company following the completion of the GE exchange offer. The GE exchange offer whereby GE offered its shares in SYF (c85% of SYF shares outstanding) in exchange for shares of GE stock was completed on November 17, 2015 at which time SYF became an independent company and the "GE overhang" was removed. Now that separation from GE has occurred, SYF will initiate capital returns through dividends and share buybacks in the coming year.

Fair Isaac Corporation (FICO): EGI first acquired a holding in FICO, a company that provides credit worthiness scores to finance related businesses and consumers, in December 2014. We provided initial commentary on this investment in the December 2014 Quarterly Newsletter.

Our investment thesis focussed on the embedded optionality and upside potential associated with the Consumer FICO Scores business as it renewed its strategy in the B2C segment of the division. This is now showing early signs of success.

1. *Consumer FICO Scores:* FICO has a meaningful opportunity to expand the traditionally B2B Scores business via the consumer channel. FICO has seen increased demand from consumers for FICO Scores and strong uptake from its partnership with Experian which combines the FICO Score with Experian's direct-to-consumer products. This partnership helps consumers better understand their credit profile and its impact on their financial goals. Given the ever-increasing importance of credit worthiness in the US (lenders use credit scores to determine eligibility for new credit cards, car loans, mortgages and other lines of credit), consumers will use such products to manage their credit score as they become available. There is potential for FICO to partner in a similar way with other credit bureaus.

Over the past several months it has become clear that the level of optionality within FICO is significantly greater than originally thought as the following initiatives begin to gain momentum:

2. *The Return of Affinity Programs:* An example of an affinity program would be a US bank partnering with a credit bureau like Experian to white label a personal credit and identity protection product. The product would include a FICO score that the bank provides to their customers as a bank product. Post the financial crisis, affinity programs grinded to a halt with banks retreating from these programs due to increased consumer regulatory oversight. Both the credit bureaus and FICO are now beginning to see this market open up again and expect this channel to be a near term growth prospect as financial institutions look to drive customer loyalty, engagement and retention.

3. *FICO Score XD:* This new score is designed to expand credit opportunities by giving financial institutions the ability to identify credit worthy, previously unscorable, borrowers. This new score leverages alternative data sources (e.g. telecom payment history, cable bills, rental data) to extend the scorable universe. FICO estimates that up to 45 million consumers were previously unscorable that are now able to be scored with FICO Score XD. The Company also believes that about 60% of the previously unscorable would qualify for credit. This in turn will allow previously unscorable consumers to borrow and develop a history that will then lead to them being able to obtain a FICO score. This product is in the test phase with 12 banks today.

4. *Cloud-Enabled Products:* Cloud-based versions of industry-leading FICO applications to open up new market opportunities in emerging markets and mid-tier financial institutions.

5. *Decision Management Suite:* FICO is now providing its analytic tools on an open platform to meet the growing demand for Big Data analytic applications.

FICO has made significant investments over the last several years in the above product developments and expects to start seeing some of the benefits in the coming years as it broadens its distribution efforts and sales force. As the core FICO product continues to perform strongly and new products and partnerships with industry leaders like Experian continue to be rolled out, the optionality within and the strategic value of FICO will increase commensurately.

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