

Monthly NTA Statement

January 2018

Ellerston Global
Investments Limited
ACN 169 464 706

13th February 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 31 January 2018.

NTA per share	31 January 2018
NTA before tax [#]	\$1.2640
NTA after realised tax	\$1.2658
NTA after tax	\$1.2176

The NTA is based on fully paid share capital of 78,914,571.

- | | |
|------------------------|---|
| # 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 January was 0.16%.

Option Conversion - During the month of January 243,138 options were exercised and converted to shares which diluted the NTA after realised tax by **\$0.001** per share.

Options - If all of the remaining 2018 options had been exercised by 31 January 2018, the fully diluted NTA after realised tax would have been **\$1.1913** 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.

This document has been prepared for Ellerston Global Investments Limited by the investment manager Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. Any information has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. To the extent any general financial product advice is provided in this document, it is provided by Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or need.

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Ellerston Global Investments (ASX: EGI)

Investment Update – January 2018

Fund Performance (Net)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a	Annualised Return [^]	1 Nov 2014
EGI*	0.16%	4.25%	10.91%	17.51%	10.12%	12.09%	44.90%
MSCI World Index (Local)	3.77%	6.56%	11.97%	21.38%	11.21%	10.82%	39.63%

*Net Return (before tax)

[^]1 Nov 2014 p.a

Key Facts

Listing date Oct 2014

NTA (before tax) ** \$1.2640

NTA (after realised tax) \$1.2658

NTA (after tax) \$1.2176

NTA Fully Diluted (after realised tax) \$1.1913

Share price at 31/01/2018 \$1.15

EGI Market Capitalisation \$90.75m

Management Fee 0.75%

Option price (ASX: EGIO) \$0.145

Exercise price \$1.00

Dividends Paid FY 2017 2.0 cps

Dividends Paid (YTD) - FY 2018 1.5 cps

Dividend Profit Reserve ^{^^} 9.1 cps

Top 10 Holdings

	Weight
Entertainment One Ltd	7.81%
Zayo Group Holdings Inc	5.50%
Equiniti Group Plc	5.46%
Stars Group Inc-The	4.91%
Interxion Holding NV	4.30%
Venator Materials Plc	4.20%
Playa Hotels And Resorts NV	3.61%
QTS Realty Trust Inc	3.39%
Acuity Brands Inc	3.21%
Comerica Inc	2.93%

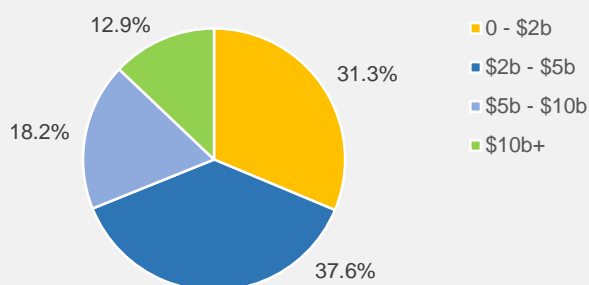
Sector	Portfolio	MSCI World Index
Consumer Discretionary	23.35%	12.58%
Information Technology	12.44%	17.13%
Industrials	10.85%	11.66%
Financials	10.50%	18.26%
Materials	8.04%	5.24%
Telecommunications	7.61%	2.67%
Real Estate	3.40%	2.95%
Energy	3.26%	6.20%
Health Care	2.02%	11.77%
Consumer Staples	0.00%	8.74%
Utilities	0.00%	2.80%
Cash	8.45%	0.00%
Other	10.08%	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 31 January 2018.

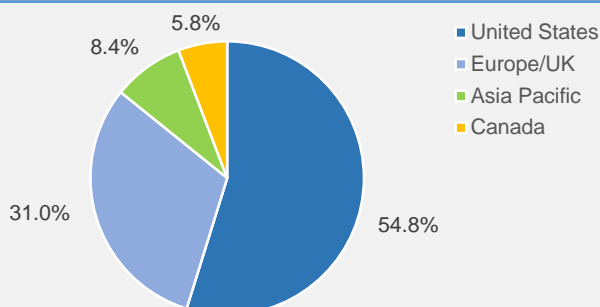
EGI went ex-dividend a 1.5 cent fully franked dividend on the 5th of September 2017, with a payment date of the 6th October 2017.

^{^^} After the payment of the 2017 final dividend the Company will have a dividend profit reserve of 9.1 cents per share based on shares on issue at 31/01/18. Cps refers to cents per share.

Market Capitalisation (% of Invested Capital)



Geographic Gross Exposure (% of Invested Capital)





Portfolio Update

The **EGI portfolio** increased 0.16% net during the month of January. The NTA (before tax) at the end of January was \$1.2640.

Contributors to performance included **PayPal**, **Stars Group** and **Comerica**. Detractors from performance included **Acuity Brands**, **CityFibre**, and **QTS Realty**. EGI had 7 companies report earnings in January.

On 31st January after market close, **PayPal** reported earnings for the full year 2017 ahead of guidance and market expectations. Growth continued to accelerate with **PayPal** adding 29.4m net new active accounts in FY17 - *"we are bringing on record net new actives with higher engagement than ever before."*

However, the positive results were overshadowed by announced changes to eBay and **PayPal's** operating agreement (signed when **PayPal** split from eBay mid-2015 and set to expire in 2020). eBay announced that it will transition to a Merchant of Record (MOR) with payments platform Adyen to become eBay's primary processor. PayPal announced that it had extended its agreement with eBay to accept branded transactions through to 2023.

Whilst the headlines grabbed the markets attention the sell-off was overdone (PayPal fell 8.1% the following day). The transition of eBay to MOR was always anticipated by **PayPal** and had already been included in medium term guidance. Importantly, **PayPal** is extending the branded partnership which is the most profitable part of the relationship and giving up the more commoditised unbranded processing business. To put the change in perspective, by the end of the operating agreement eBay will likely represent only 4% of PayPal's TPV with revenue from eBay growing at an average rate of 4% since separation compared to 23% for the rest of PayPal's business. Finally, the operating agreement restricted PayPal from partnering with other large online marketplaces such as Amazon and this could open up an exciting new opportunity for the company.

Our US regional bank holding **Comerica** closed out 2017 with a solid earnings result ahead of consensus. Encouragingly, management has an optimistic outlook on customer activity levels post the passing of the Tax Cuts and Jobs Act in December. Conversely, **Acuity Brands** reported Q118 results that were impacted by a continued weak US lighting market. We expect that the passing of the Tax Cuts and Jobs Act will release some pent-up demand in the second half and we remain excited about the accelerating growth in **Acuity's** Atrius platform for connected lighting. Acuity will also benefit from an effective tax rate decline of 35.5% to 24.0% in 2019.

EGI maintained its long VIX futures positioning at month end.

Market Commentary

Global equity markets continued their upward charge in January with the MSCI World Index up 3.77% driven by extraordinary returns across the main US indices. However the month ended with markets trading off their intra-month highs as US bond yields backed up sharply, signaling inflationary concerns and potentially stretched equity valuations.

US equity markets continued their explosive rally, with the broader S&P 500 index logging its strongest start to a year since 1987. Solid earnings, positive benefits from Trump's corporate tax cuts and confidence in the economy saw the S&P 500 and the Dow Jones end the month up 5.7% and 5.9% respectively. The American economy finished the year on firm footing and is poised for strong growth in the months ahead. Markets were encouraged by climbing business investment, depleted inventories, a lower jobless rate and surging consumer confidence that all pointed to a resilient US economy. The Federal Reserve, however, kept the federal funds rate unchanged when they met at month end, but acknowledged that they expect economic conditions to evolve in a manner that would warrant further interest rate increases.

In Europe, markets squeezed higher, supported by an earnings turnaround in the region. The rally in the Euro, in part reflecting improved economic conditions (with Eurozone PMIs continuing to rise), dampened the earnings of Europe's major exporters. The outlook for the economy and earnings remains positive. The Euro Stoxx 50 ended the month up 3.1%, with the French and German markets up 3.2% and 2.1% respectively. The UK market was the main laggard ending the month down 2.0%, weighed down by a rising pound and ongoing Brexit issues.

Asian markets recorded another stellar month. Hong Kong's benchmark index, the Hang Seng, ended the month up an impressive 9.9%, amid renewed optimism on global economic growth and accelerated money inflows from mainland China. The Chinese market (CSI 300) also had an impressive month, up 6.1%, supported by the global economy hitting its stride and solid domestic GDP growth momentum. The Nikkei was up 1.5%, bolstered by confidence in the Japanese economy and expectations of a sustained recovery in corporate profitability.

The **ASX/S&P 200 Accumulation Index** ended January down 0.5%. The bond market taking fright was a contributing factor, with bond yield-sensitive sectors (like utilities, banks and real estate) underperforming materially. The month was also characterised by a lack of meaningful corporate news flow ahead of the February reporting season.



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](#)

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