

## Ellerston Global Investments (ASX: EGI)

Investment Update – May 2018

### Performance (Net)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a	Annualised Return <sup>^</sup>	1 Nov 2014
EGI*	2.36%	0.20%	1.17%	11.59%	7.27%	10.66%	43.75%
MSCI World Index (Local)	1.27%	0.85%	2.07%	10.52%	7.44%	8.93%	35.84%

\*Net Return (before tax) and excluding option dilution

<sup>^</sup>1 Nov 2014 p.a

### Key Facts

Listing date	Oct 2014
<b>NTA (before tax) **</b>	<b>\$1.1513</b>
NTA (after realised tax)	\$1.1556
NTA (after tax)	\$1.1284
<b>Share price at 31/05/2018</b>	<b>\$1.055</b>
EGI Market Capitalisation	\$115.89m
Management Fee	0.75%
Dividend Profit Reserve <sup>^^</sup>	4.0 cps

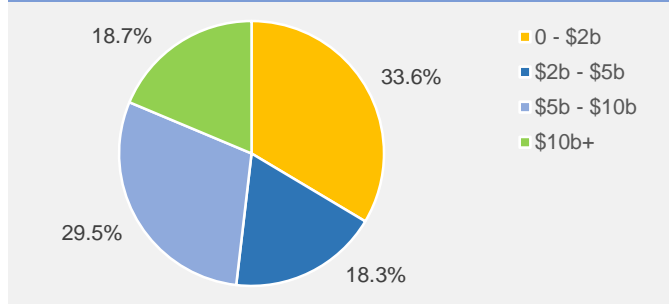
\*\* NTA (before tax) - Includes taxes that have been paid. NTA after realised tax - Includes a provision for tax on realised gains from the Company's Investment Portfolio. NTA after tax- Includes any tax on unrealised gains and deferred tax.

<sup>^^</sup> Based on the total shares on issue at 31/05/18. The Dividend Profit Reserve is calculated ex-dividend. Cps refers to cents per share.

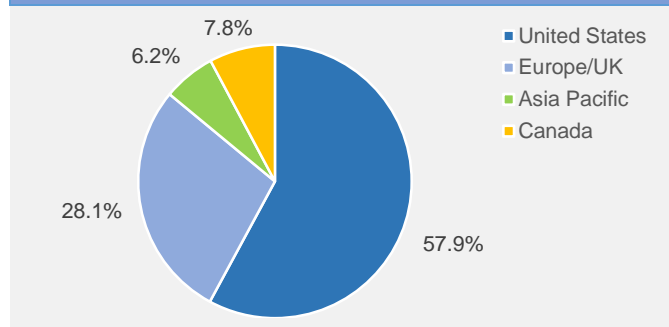
### Top 10 Holdings

	Weight
Entertainment One Ltd	9.06%
Stars Group Inc-The	6.68%
Zayo Group Holdings Inc	6.34%
Equiniti Group Plc	5.64%
Huntsman Corp	5.27%
Interxion Holding NV	5.03%
Cellnex Telecom SA	4.17%
XPO Logistics Inc	3.89%
Venator Materials Plc	3.88%
Keysight Technologies Inc	3.58%

### Market Capitalisation (% of Invested Capital)



### Geographic Gross Exposure (% of Invested Capital)



Sector	Portfolio	MSCI World Index
Consumer Discretionary	20.32%	12.81%
Information Technology	18.91%	18.48%
Telecommunications	13.19%	2.50%
Industrials	9.26%	11.41%
Materials	9.16%	5.16%
Financials	8.67%	17.12%
Health Care	5.15%	11.90%
Energy	1.32%	6.65%
Real Estate	0.00%	3.00%
Consumer Staples	0.00%	8.06%
Utilities	0.00%	2.92%
Cash	14.03%	0.00%
Other	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>



## Portfolio Update

The **EGI portfolio** increased 2.36% net during the month of May. The NTA (before tax) at the end of May was \$1.1513.

Contributors to performance included **The Stars Group, Entertainment One** and **Keysight Technologies**. Detractors from performance included **Zayo Group, Hostelworld** and **Equiniti**. EGI had 15 companies report earnings in May.

In early May, **Huntsman Corporation** reported Q118 earnings well ahead of consensus estimates. On 23 May 2018, Huntsman held its biennial investor day which highlighted the transformation that has taken place at Huntsman. The company provided robust guidance reflecting the strength in Huntsman's end markets which are all benefitting from structural tailwinds (products for insulation, light weighting of aircrafts/cars, sustainable textiles etc.).

This is a different Huntsman than that of a few years ago both in terms of its product set, cash flow generation and balance sheet. Huntsman has grown its downstream differentiated business to >75% of the total portfolio with EBITDA margins >15%. As a result, Huntsman is removing any outsized cyclicality in the business associated with more commodity chemical products. From a balance sheet perspective, net debt/EBITDA has reduced from 3.8x in 2015 to 0.9x (pro forma for its 53% stake in Venator). The company upgraded its 2018 FCF guidance (\$500-\$650m), increased its share buyback authorization to \$1.0b over the next 3 years and confirmed that they will exceed current consensus estimates for Q218.

We were very impressed with the investor day with Huntsman benefitting from favorable industry dynamics, a tight demand/supply outlook and healthy balance sheet. At the last investor day in 2016, Huntsman's stock price was \$11 and the management team guided to deliver \$20 per share of incremental value to 2018 (stock price was \$32.07 at 2018 investor day). This time around, management showed a bridge to \$27 per share of incremental value creation out to 2020 and with accretive bolt-on acquisitions this may prove conservative.

On 10 May, **The Stars Group** reported earnings well ahead of market expectations. However, the most significant announcement came mid-May when the US Supreme Court struck down the nearly 30-year ban on sports betting under the Professional and Amateur Sports Protection Act (PASPA). The decision will enable individual states to pass legislation to permit sports betting. **The Stars Group** having recently acquired Sky Betting & Gaming and CrownBet will be well positioned to take advantage of this new market opportunity.

## Market Commentary

**Global equity market** performance was mixed in May with weakness in Europe and parts of Asia offset by the strength in US equities. The MSCI World Index was up 1.27%. The resurfacing of political uncertainty in Europe, the unexpected cancellation of the summit by President Trump with North Korea's Kim, and the prospect of renewed trade wars rattled markets. Also, the US withdrawal from the Iran nuclear deal and the potential impact on global oil supply saw oil hit a near 4-year high in mid-May.

**US equity markets** were up in May with the S&P 500 Index and the Dow Jones Industrial Average Index +2.4% and +1.4%, respectively, but the NASDAQ was the star performer, returning an impressive 5.5% for the month. The ongoing US-China trade dispute showed no signs of a resolution, but had some notable developments. China offered to buy more US goods, but fell short of meeting demands from the US of reducing its trade surplus by \$200 billion. US 10-year bonds were sold down initially in the month, with the yield hitting 3.1% on 17 May, the highest level since 2011. But 'risk off' towards the end of the month, driven by the political machinations in Italy and concerns over other Southern European countries, saw yields in Italy, Spain and Greece rise sharply, while US yields declined as investors once again sought the safety of US bonds.

**European stocks** were generally weaker, with the Euro STOXX 50 Index declining 2.5%, France's CAC 40 returning -0.6% and Germany's DAX modestly in the red, returning -0.1%. Only the UK's FTSE 100 Index was in positive territory, up a healthy 2.8%, with the Bank of England voting to keep rates on hold at 0.5%. European stocks were buffeted by the political uncertainty in Italy, as investors digested the twists and turns in Italy's attempt to form a government. A proposed coalition between the anti-establishment Five Star Movement and the far-right League party fell apart as the President intervened to prevent the appointment of a Eurosceptic finance minister.

**Asian equities** finished May weaker, with the Hang Seng ending the month down 0.4% and Japan's Nikkei 225 faring worse down 1.2%. In the month, trade talks between the US and China remained inconclusive, uncertainty in the Korean peninsula persisted and Malaysia elected a new government.

The **Australian equity** market produced a month of positive returns with the S&P/ASX 200 Accumulation Index ending the period higher by 1.1%. Overall, May was volatile, marked by the release of the Federal Budget, the fallout from the Royal Commission and the geopolitical events mentioned previously.



## 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](mailto:EGI@linkmarketservices.com.au)

### Disclaimer

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# Monthly NTA Statement

May 2018

Ellerston Global  
Investments Limited  
ACN 169 464 706

13<sup>th</sup> June 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 May 2018.

<b>NTA per share</b>	<b>31 May 2018</b>
NTA before tax <sup>#</sup>	\$1.1513
NTA after realised tax	\$1.1556
NTA after tax	\$1.1284

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 May was 2.36%.**



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](mailto:EGI@linkmarketservices.com.au).

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