

# Ellerston Global Investments (ASX: EGI)

Investment Update – July 2018

## Performance (Net)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a	Annualised Return <sup>^</sup>	1 Nov 2014
EGI*	0.15%	4.48%	1.27%	12.30%	7.22%	10.77%	46.73%
MSCI World Index (Local)	3.15%	4.80%	0.68%	12.73%	8.86%	9.51%	40.58%

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

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

## Key Facts

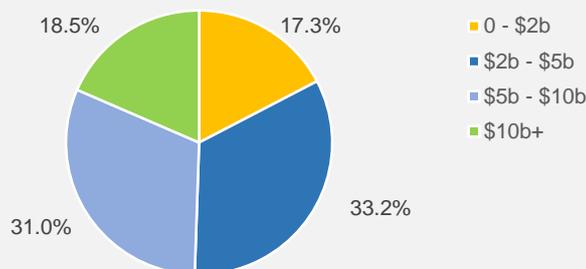
Listing date	Oct 2014
<b>NTA (before tax) **</b>	<b>\$1.1677</b>
NTA (after realised tax)	\$1.1663
NTA (after tax)	\$1.1457
<b>Share price at 31/07/2018</b>	<b>\$1.05</b>
EGI Market Capitalisation	\$115.34m
Management Fee	0.75%
Performance Fee***	15%
Annualised Fully Franked Dividend FY18 <sup>^^</sup>	3.0 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.

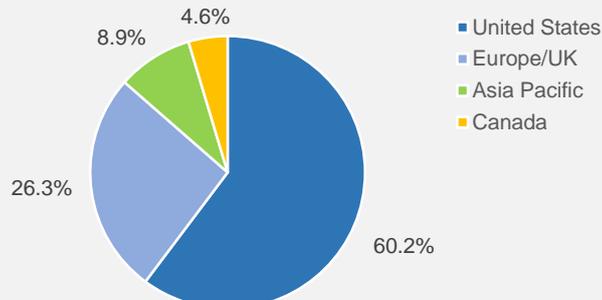
## Top 10 Holdings

	Weight
Zayo Group Holdings Inc	6.77%
Equiniti Group Plc	6.49%
Huntsman Corp	5.55%
Interxion Holding NV	5.12%
Entertainment One Ltd	4.79%
Cellnex Telecom SA	4.38%
Stars Group Inc-The	3.76%
Keysight Technologies Inc	3.55%
Comerica Inc	3.43%
Premier Inc	3.41%

## Market Capitalisation (% of Invested Capital)



## Geographic Gross Exposure (% of Invested Capital)



Sector	Portfolio	MSCI World Index
Information Technology	28.63%	18.34%
Telecommunications	13.88%	2.61%
Consumer Discretionary	10.65%	12.49%
Financials	8.69%	16.94%
Industrials	8.05%	11.35%
Materials	5.55%	4.87%
Health Care	5.39%	12.53%
Energy	1.34%	6.68%
Real Estate	0.00%	2.98%
Consumer Staples	0.00%	8.22%
Utilities	0.00%	2.98%
Cash	17.82%	0.00%
Other	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>^^</sup> Annualised dividend is a financial term of analysis based on the total shares on issue at 31/07/18 and on the 1.5cps dividend paid on FY18 interim results (excluding special dividend). Any actual dividend declared by the Company is subject to Board discretion and may vary. Past performance is not an indicator of future performance.

\*\*\* 15% of the investment return over the Benchmark return (MSCI World Index Local), after recovering any underperformance in past periods.



## Portfolio Update

The **EGI portfolio** increased 0.15% net during the month of July. The NTA (before tax) at the end of July was \$1.1677.

Contributors to performance for the month included, **Huntsman, Cellnex** and **Comerica**. Detractors from performance included **Equiniti, Stars Group** and **Hostelworld**. EGI had eight companies report earnings in July.

Our largest position, **Equiniti** detracted 100bps during the month with the stock falling 13.5% in July. Despite this, EGI still managed a positive return this month.

Why was **Equiniti** down 13.5% in July? On July 9, a Panmure Gordon report initiated on **Equiniti** with a SELL rating and raised “15 red flags”. At the same time, there were rumours in the market of an active short seller in **Equiniti**. The ‘red flags’ ranged from concerns over the accelerating growth in accrued income growth, the use of invoice factoring, the recurring use of exceptionals, disappointing organic growth and poor cash conversion.

Attached to the Panmure report were **Equiniti's** responses to each red flag. We were comfortable with management's explanations and when **Equiniti** reported later in the month the company delivered impressive first half 2018 results with 7.7% organic revenue growth and strong operating cash flow conversion. The company guided FY18 “*earnings to be towards the top end of market expectations*”. More importantly, the company provided additional disclosure to address the concerns raised.

The market responded positively to the results with Equiniti +6.3% that day. However, it will take time for Equiniti to convince the market of its current growth profile and the potential of their recent Wells Fargo Shareholder Services acquisition. Equiniti's core UK business over time has demonstrated a loyal customer base, provided consistent revenue growth, attractive free cash flow characteristics and operating leverage. If Equiniti can bring its best in class performance and seize the cross-sell opportunity in the US, then the market will re-rate the stock and the positive impact would be material.

**Huntsman** reported Q218 results towards the end of July with another outstanding result. Revenue and earnings were well ahead of consensus. All divisions showed earnings growth and the CEO sees a “*positive outlook*” and favourable demand/supply dynamics. The company narrowed its free cash flow guidance range for 2018 to \$550m - \$625m. This was tightened from the \$500m - \$650m at Investor Day in late May. Management reaffirmed that it intends to deliver \$27 per share of incremental value and EBITDA exceeding \$1.6b by the end of 2020.

## Market Commentary

**Global equity markets** rebounded in July with the MSCI World Index up 3.15%. Trade war tensions escalated in July, with the US publishing a list of \$200b of Chinese imports that will be subject to tariffs.

**US equity markets** were strong in June with the S&P 500 Index and Dow Jones Industrial Average Index (DJIA) up 3.7% and 4.8%, respectively. The US market was supported by strong earnings results that generally beat expectations. The NASDAQ's performance (+2.2%) was impacted by the selloff in Facebook towards month end. Facebook dropped 19% the day after it disappointed on revenue, user growth and earnings. Apple continued to find favour with investors and recently hit a US\$1 trillion market capitalisation. US June activity indicators were mixed. The manufacturing ISM bounced to 60.2 (previously 58.7), non-farm payrolls beat consensus at 213,000 in June, but June housing starts dropped unexpectedly (-12.3% month-on-month). As investors continue to weigh the impact of the trade dispute, Fed Chairman Jay Powell was trying to nurture the second-longest US expansion on record by slowly reducing the amount of support that monetary policy provides to growth.

**European stocks** rebounded strongly in July, with the Euro STOXX 50 Index up 3.9% driven by France's CAC 40 (+3.5%) and Germany's DAX (+4.1%). The UK's FTSE 100 was up 1.5%, despite continued Brexit uncertainty and the resignation of the Foreign Secretary, a staunch supporter of Brexit. Markets in Europe were supported by stronger corporate earnings and activity indicators remained resilient, with the Eurozone manufacturing PMI of 55.1 up on the previous month and beating consensus. Inflation held steady at 2%.

**Asian equities** performance was subdued, dampened by fears of a trade war. Korean stocks were hit again, with the KOSPI Composite Index down 1.3% in July and down 10.6% over the last six months. The Hang Seng finished down 0.5%. Japan's Nikkei 225 was up 1.1%. The Chinese yuan continued to depreciate against the US dollar, largely driven by market concerns over slowing Chinese growth. Q2 real Chinese GDP growth was 6.7% vs 6.8% in Q1.

The **Australian equity** market started the new financial year in positive territory, with the **S&P/ASX 200 Accumulation Index closing up 1.4%**. The ASX 200 Resources Accumulation Index was a drag on the market returning a very modest +0.1% with the ASX 200 Industrial Accumulation Index led the way up 1.7%.



## 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](#)

**For further information, please contact:**

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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

July 2018

Ellerston Global  
Investments Limited  
ACN 169 464 706

13<sup>th</sup> August 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 July 2018.

NTA per share	31 July 2018
NTA before tax <sup>#</sup>	\$1.1677
NTA after realised tax	\$1.1663
NTA after tax	\$1.1457

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 July was 0.15%.**



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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