

# Monthly NTA Statement

January 2019

Ellerston Global Investments Limited  
ACN 169 464 706

12<sup>th</sup> February 2019

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 2019:

<b>NTA per share</b>	<b>31 January 2019</b>
NTA before tax <sup>#</sup>	\$1.0530
NTA after realised tax	\$1.0580
NTA after tax	\$1.0630

The NTA is based on fully paid share capital of 109,983,363.

- #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 6.74%.**



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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# Ellerston Global Investments (ASX: EGI)

Investment Update | January 19

## PERFORMANCE (%)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	1 November 2014	Annualised Return*
Fund Net <sup>^</sup>	6.74	-1.67	-8.15	-6.98	6.71	34.79	7.28
Fund Gross	6.84	-1.39	-7.65	-5.97	7.78	42.24	8.64
Benchmark	7.24	-0.06	-4.92	-4.27	10.69	33.66	7.06

<sup>^</sup>Net Return (before tax) and excluding option dilution. \*1 November 2014

## PORTFOLIO UPDATE

The EGI portfolio gained 6.74% net during the month of January. The NTA (before tax) at the end of January was \$1.0530.

EGI invests with a mid-small cap bias, defined as companies with a market cap of sub US\$10 billion. The month of January delivered quite a sharp snapback from the broad-based weakness experienced across many asset classes in December.

Contributors to performance included **Zayo Group**, **Keysight** and **Interxion**. Detractors from performance included **Equiniti** and **IGas**.

EGI had five companies reporting results during the month as the US reporting season began in earnest.

**Teradyne** reported strong fourth quarter results that were both above guidance and consensus expectations with the stock reacting quite favourably on the day. Revenue came in at \$520m (vs. guidance of \$480m-\$510m, and consensus of \$494m) a growth rate of +8.5%. Similarly, EPS of \$0.63 came in above guidance and consensus (\$0.46-\$0.54, \$0.49). TER expects the SoC testing market to decline in 2019 after 3 years of strong growth. Longer term it will continue to benefit from its 50%+ market share of the global testing market as 5G, autonomous vehicles, AI, etc. drive demand for increasingly complex chipsets. TER's collaborative robot business has been hampered by the continued tariff dispute between the US and China and only grew underlying revenues by 28% this quarter. Longer term it expects 30-40% growth which is lower than its previous expectation however still appreciable given its dominant market share in this area.

We had two regional US banks report, **BankUnited** and **Webster Financial**. Both reported consistent messages around a continuation of mid-single digit loan growth in 2019 as strong production is still being partially offset by heightened payoffs and paydowns. Asset quality remains pristine with both banks currently holding excess capital which provides strong dividend and share buyback support going forward. BankUnited will be updating the market around a cost optimisation strategy in the next few months while Webster continues to benefit from its exposure to the fast growing Health Savings market in the US.

**Graphic Packaging** delivered a reassuring set of results as the business has been pressured by rising input costs over the past several quarters. It operates in a market duopoly and as such it has been able to pass through price increases to its customers which is now driving a positive price/cost relationship. While it has rebounded nicely off its lows, we consider a low double digit FCF yield as underpinning great value for this asset.

Finally, **Willscot** provided an update to the market in early January in which it outlined both FY18 numbers and guidance for FY19. Both were ahead of market expectations as the business continues to benefit from double digit pricing and increasing utilisation of its modular fleet. We believe the stock is trading well below intrinsic value at current levels with substantial organic earnings growth embedded in its portfolio.

## Key Facts

Listing Date	October 2014
NTA (before tax)**	\$1.0530
NTA (after realised tax)	\$1.0580
NTA (after tax)	\$1.0630
Share Price at 31/01/2019	\$0.93
EGI Market Capitalisation	102.3m
Management Fee	0.75%
Performance Fee***	15%
Annualised Fully Franked Dividend FY19^^	3.0cps
Benchmark	MSCI World Index (Local)

\*\* 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.

^^ Annualised dividend is a financial term of analysis based on the total shares on issue at 31/01/19 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 period.

## MARKET COMMENTARY

In January, **global equity markets** rallied and provided some much needed relief after the painful end to 2018. Developed Markets (+7.3%) and Emerging Markets (+7.2%) both delivered strong, positive returns. Sentiment was boosted by the Federal Reserve suddenly turning dovish. The Fed downgraded the outlook for US economic growth from “strong” to “solid” and reduced future guidance saying that it “will be patient as it determines what future adjustments” to rates might be appropriate. The markets cheered the Fed’s change of direction. Also, the White House improved its rhetoric towards China, leading to speculation of a more positive outcome from the US-China trade talks.

The December ISM manufacturing survey fell significantly to 54.1 (previous: 58.8) - the largest monthly decline since 2008 - dragged down by a fall in new orders. But equity markets looked forward and were buoyed by the prospect of a breakthrough in US-China trade talks, coupled with the Fed’s pivot to being patient on rates. The **S&P 500 Index** and the Dow Jones Industrial Average Index delivered impressive returns in January after a torrid December, ending the month up 8.0% and 7.3% respectively. The NASDAQ performance was even stronger, up 9.8%. In January, the Fed signalled that it would pause raising interest rates for a while and would be more flexible in reducing its bond holdings.

**European equity markets** were also much stronger in January, catching some of the improving global sentiment. The Euro STOXX 50 Index rose 5.5%, as economic data continued to soften, with Europe caught in the crossfire of the trade war that has led to a fall in demand from China. Manufacturing PMI fell to 50.5 (previous: 51.4) and the new export orders component of the PMI for the Eurozone remained below 50. Composite PMI also fell to 50.7 (previous: 51.4). In France, the flash PMI fell further as the “yellow vest” protests continue to impact the economy. In Italy, budget proposals were approved by the government and the Italian president, easing near-term risks, resulting in a drop in the Italian 10-year bond yield. Brexit continues to dominate the UK headlines. The UK Prime Minister lost a major vote in parliament and failed to win support for the deal negotiated with Europe over two years. The UK remains locked in a divisive battle with itself on the best way forward to realise Brexit, with the probability on a “no-deal” Brexit changing weekly. The market however looked through the data with all major European indices in the black. The UK’s FTSE 100 was up 3.6%, France’s CAC 40 was up 5.6% and Germany’s DAX rose 5.8%.

**Asian equities** also benefitted from the optimism on US-China trade talks and the Fed’s pivot away from tighter monetary policy. The Hang Seng Index was up 8.1%, Korea’s KOSPI Composite Index was up 8.0%, the Chinese market represented by the SSE Total Market Index was up 5.1%, while Japan’s Nikkei 225 was up 3.8%. But the issue hovering over global markets including Asia, is the slowdown in China. The Chinese authorities have looked to provide some stimulus, including lowering the banks’ Reserve Requirement Ratio by 100 basis points. Further easing is expected going forward. This has been supportive of emerging markets generally.

Australian shares participated in the global rally with the **S&P/ASX 200 Accumulation Index** closing the month up 3.9%. The Australian dollar rose 2.5 cents against the US dollar to close the month at \$0.729, with the Fed’s pivot away from tighter monetary policy negatively impacting the US dollar. In trade-weighted terms, the AUD appreciated 1.5%.

Regards,

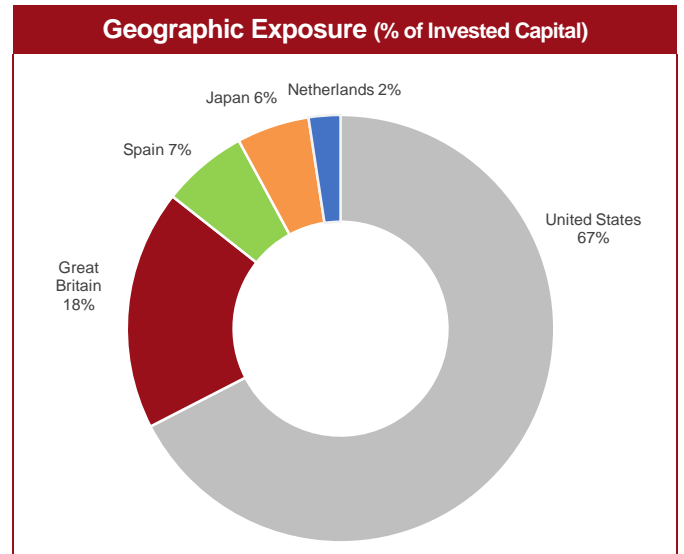
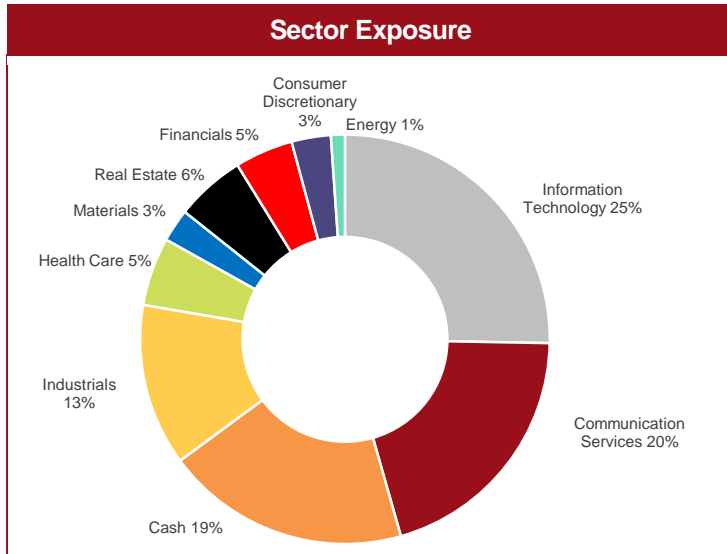
Bill Pridham and Arik Star

EGI Co-Portfolio Managers

## TOP HOLDINGS

Top 10 holdings as at 31 January 2019	Sector	%
Interxion Holding NV	Information Technology	6.81
Equiniti Group Plc	Information Technology	6.10
Entertainment One Ltd	Communication Services	5.97
Premier Inc.	Health Care	5.44
Cellnex Telecom SA	Communication Services	5.26
Tribune Media Co.	Communication Services	4.73
Zayo Group Holdings, Inc.	Communication Services	4.33
Keysight Technologies Inc	Information Technology	4.07
QTS Realty Trust	Real Estate	3.11
WillScot Corporation	Industrials	2.98

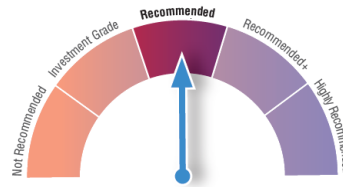
## SECTOR & GEOGRAPHIC ALLOCATIONS



Source: Ellerston Capital

### 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](#)

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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