

14 June 2019

Company Announcements Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**MONTHLY NTA STATEMENT - May 2019**

Ellerston Global Investments Limited (**ASX: EGI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the Company as at 31 May 2019 is:

<b>NTA per Share</b>	<b>31 May 2019</b>
NTA before tax	\$1.0907
NTA after realised tax *	\$1.0907
NTA after tax ^	\$1.0826

These figures are unaudited and indicative only  
The NTA is based on fully paid share capital of 109,345,278.

\* 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.

On 27 March 2019, EGI announced a new on-market buy-back of up to 10% of its shares, commencing 16 April 2019 and continuing for twelve months. Since 16 April 2019 a total of 760,213 shares had been bought back.

The company's net performance before tax for the month was -3.47%.



Ian Kelly  
Company Secretary

**Contact Details**

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 Limited**

ACN 169 464 706

**Address**

Level 11, 179 Elizabeth Street  
Sydney 2000 NSW Australia

**Website**

<https://ellerstoncapital.com/>  
[listed-investment-companies/](https://listed-investment-companies/)

**Investor Contact**

1300 551 627  
[EGI@linkmarketservices.com.au](mailto:EGI@linkmarketservices.com.au)

# Ellerston Global Investments (ASX: EGI)

Investment Update | May 19

## PERFORMANCE (%)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	Annualised Return*
<b>Fund Net<sup>^</sup></b>	-3.47%	2.95%	3.85%	-1.99%	6.31%	7.77%
<b>Benchmark</b>	-5.70%	-0.57%	1.53%	1.10%	9.42%	7.17%
<b>Alpha</b>	2.22%	3.51%	2.32%	-3.09%	-3.10%	0.60%

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

## PORTFOLIO UPDATE

The EGI portfolio decreased -3.47% net during the month of May. The NTA (before tax) at the end of May was \$1.0907.

EGI invests with a mid-small cap bias, defined as companies with a market cap of sub US\$10 billion. The month of May saw global equity markets pull back as US and China trade negotiations broke down, resulting in President Trump raising tariffs on \$200bil worth of Chinese imports from 10% to 25% on May 10<sup>th</sup>. Accordingly, the MSCI World Index (Local) finished May down 5.70%.

Contributors to performance this month included **Cellnex Telecom**, **Premier** and **Control4**. Detractors from performance included **PVH Corp**, **ANGI Homeservices** and **Keysight Technologies**.

EGI had a busy month with 17 portfolio companies reporting results or trading updates during May. Whilst these earnings results and updates were broadly in line with our expectations, the month of May was highlighted by two acquisitions within the portfolio as well as the announcement of a highly accretive €4bn transaction from EGI's largest position, Cellnex Telecom. Following months of speculation, on the 8<sup>th</sup> May, long term EGI holding, **Zayo Group** announced it had agreed to be acquired by Digital Colony and EQT in an all cash, US\$14.3bn transaction valuing Zayo at \$35.00 per share. EGI also held a small position in **Control4**, a US-based leading global provider of smart home solutions, which announced a merger with SnapAV worth \$23.91 per share in cash to Control4 shareholders.

As discussed in our February 2019 newsletter, Cellnex Telecom, the largest independent owner of mobile tower assets in Europe, raised €1.2bn in preparation for future acquisitions. On May 7<sup>th</sup>, in conjunction with the release of robust Q1 2019 earnings results where revenue and Adjusted EBITDA grew 11% and 10.5%, respectively, Cellnex announced a transaction to acquire 10,700 existing towers from Iliad in France and Italy and from Salt in Switzerland. The transaction also included a 'built to suit' program out to 2027 of up to 4,000 sites. At full run rate the deal is worth just over €4bn and is expected to generate an incremental €510mil in EBITDA. The deal effectively doubles Cellnex's contracted, inflation-linked backlog from €18bn to €36bn (almost 4x the market cap of Cellnex). We recently published a Livewire piece on EGI's Cellnex investment, which can be accessed [here](#).

**Premier** announced Q3 2019 earnings results slightly below expectations, however, more importantly, Premier also announced the sale of its marginally profitable Specialty Pharma business, which will improve overall margins to c.45%, and allow management to focus on its core supply chain, enterprise analytics and performance improvement capabilities. EGI and the market alike, looked upon this divestment favourably.

**Keysight Technologies** was down almost 18% through 28<sup>th</sup> May from the start of the month driven by deepening US/China trade issues, in particular the move by the US to add major Chinese telecom equipment manufacturer, Huawei to its trade restriction list. On May 29<sup>th</sup>, however, Keysight reported strong Q2 2019 earnings results, well above the upper end of its guidance, with order growth notably accelerating to 14%, from mid to high single digits in previous quarters. Whilst Keysight will be impacted by the trade situation, with Huawei representing approx. 5% of sales in H1 2019, it's worth noting 5G related orders, ex-Huawei grew 198% in the quarter. We remain shareholders and firm believers in the Keysight investment thesis.

## Key Facts

<b>Listing Date</b>	October 2014
<b>NTA (before tax)**</b>	\$1.0907
<b>NTA (after realised tax)</b>	\$1.0907
<b>NTA (after tax)</b>	\$1.0826
<b>Share Price at 31/05/19</b>	\$0.92
<b>EGI Market Capitalisation</b>	\$100.6m
<b>Management Fee</b>	0.75%
<b>Performance Fee***</b>	15%
<b>Annualised Fully Franked Dividend FY19<sup>^^</sup></b>	3.0cps
<b>Benchmark</b>	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.

<sup>^^</sup> Annualised dividend is a financial term of analysis based on the total shares on issue at 31/12/18 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 period.

## MARKET COMMENTARY

**Global equity markets** were mostly in the red in May. Both Developed Markets and Emerging Markets were materially lower. Global markets turned south after the trade war between the US and China flared up again as negotiations fell apart and weaker global manufacturing PMIs pointed to a disappointing global economic outlook. Correspondingly, global bonds rallied hard with US 10-year bond yields closing the month at 2.12%.

The **S&P 500 Index** and the Dow Jones Industrial Average Index were sharply lower in May, returning -6.4% and -6.3% respectively. The NASDAQ had an even worse month, down 7.8%. The US president announced in early May, that he was raising tariffs on US\$200 billion of Chinese goods from 10% to 25%, as trade negotiations deteriorated. To make matters worse, towards the end of May, President Trump then announced a surprise 5% tariff on Mexico to try and force Mexico to stop illegal migration into the US. Equity markets took fright and were sold off accordingly.

**European equities** were also in negative territory with the Euro Stoxx 50 falling 5.5% in the period. Brexit chaos in the UK continued, with the Prime Minister, Theresa May, announcing her resignation after her Brexit deal found no support (again) in Parliament. But weaker activity indicators across Europe and concerns over global trade drove markets lower, with auto and parts stocks and banks underperforming the most. Germany's DAX, the standout outperformer in April, reversed sharply to be down 5.0%, while the UK's FTSE 100 returned -2.9% and France's CAC 40 returned -5.3%.

**Asian equities** were not immune to the global sell-off. The resurgent trade war, the ban on Huawei and the impact on related stocks in the region, and weaker than expected economic data all hurt investor sentiment. In China, the manufacturing PMI in May slumped to 49.4 (previous: 50.1). The major markets, where the related economies would be most negatively impacted by sluggish global growth and a trade war, were substantially weaker. The Hang Seng Index was down 8.4%, Japan's Nikkei 225 was down 7.4%, Korea's KOSPI Composite Index was down 7.3% and the Chinese SEE Total Market Index was down 6.5%.

The **S&P/ASX 200 Accumulation** Index ended the month up 1.7%. The surprise re-election of the Coalition government boosted the market as banks rallied strongly (up 5.3% for the month). The main implication of the election result being no changes to negative gearing, capital gains tax and franking credit rebates. The AUD was weaker as a cut in interest rates was increasingly priced into expectations. The AUDUSD ended the month at 0.69.

Regards,

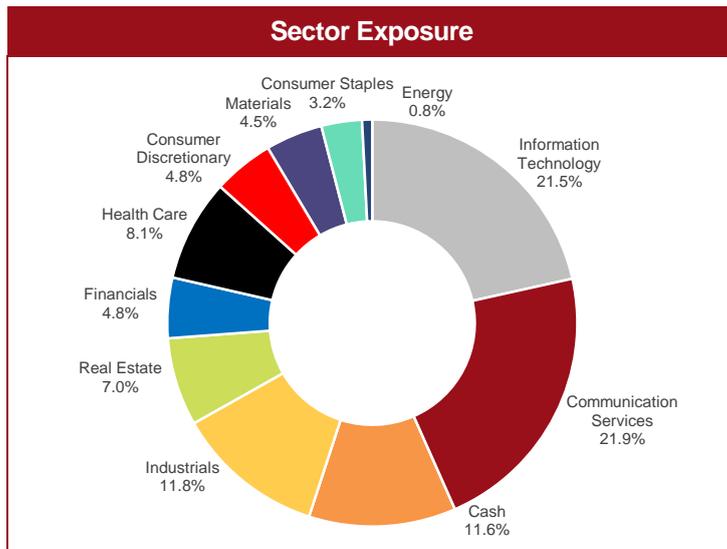
Bill Pridham and Arik Star  
EGI Co-Portfolio Managers

## TOP HOLDINGS

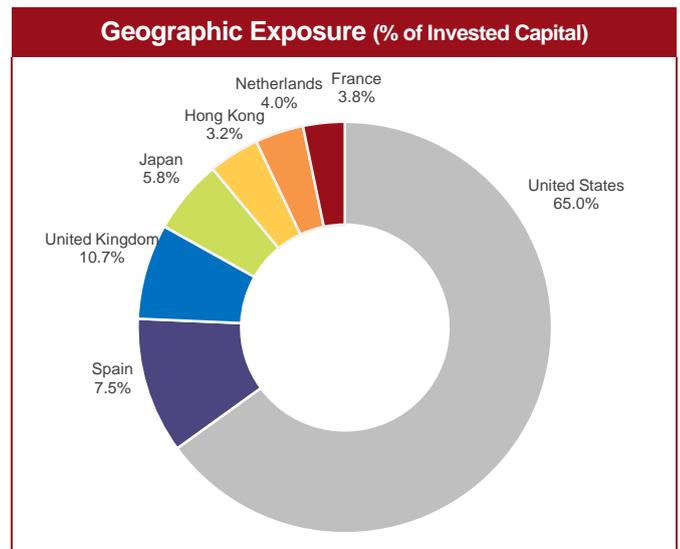
Top 10 Holdings as at 31 May 2019	Sector	%
Cellnex Telecom SA	Communication Services	7.46
Premier Inc.	Health Care	5.98
Entertainment One Ltd	Communication Services	5.88
Graphic Packaging Holding Company	Materials	4.51
Nuance Communications, Inc.	Information Technology	4.32
WillScot Corporation	Industrials	4.08
Interxion Holding	Information Technology	3.39
Zayo Group Holdings, Inc.	Communication Services	3.35
Health and Happiness International	Consumer Staples	3.16
Ciena Corporation	Information Technology	3.13

Source: Ellerston Capital

## SECTOR & GEOGRAPHIC ALLOCATIONS



Source: Ellerston Capital



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 or [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) or visit us at <https://ellerstoncapital.com/>

**SYDNEY OFFICE**  
Level 11, 179 Elizabeth Street,  
Sydney NSW 2000

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**MELBOURNE OFFICE**  
Level 4, 75-77 Flinders Lane,  
Melbourne VIC, 3000

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