

27th August 2019

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

RESULTS FOR YEAR ENDED 30 JUNE 2019

Ellerston Global Investments Limited (ASX: EGI) hereby lodges:

1. Appendix 4E Statement for the year ended 30 June 2019;
2. Annual Report and Financial Statements for the year ended 30 June 2019, incorporating the Chairman's Letter, Investment Manager's Report and Corporate Governance Statement.

Yours sincerely



Ian Kelly
Company Secretary

Appendix 4E

Preliminary Final Report 30 June 2019

Details of the reporting period.

Current Period: 1 July 2018 to 30 June 2019
 Previous Corresponding Period: 1 July 2017 to 30 June 2018

Results for announcement to the market

	Current period AUD (\$)	Previous corresponding period AUD (\$)
Revenue from ordinary activities	1,683,246	14,804,630
Profit/(loss) after tax from ordinary activities	(286,914)	9,513,166
Net profit/(loss) after tax for the period attributable to ordinary shareholders	(286,914)	9,513,166

Over the 12 months to June 30 2019, the portfolio returned net -0.06% (before all taxes) compared to the Benchmark MSCI World Index (Local) which returned 6.71% for the corresponding period.

Period	EGI Portfolio Return Pre-tax*	MSCI World Index (Local) Return
1 Year	-0.06%	6.71%
Since 01/11/2014 p.a.	8.52%	8.36%

* calculated after fees, including dividends paid and reinvested, the effects of the share buyback. Excluding tax and the effects of option exercise dilution over the period.

Dividend Information

Final dividend declared

1.5 cents per fully paid ordinary share

Fully franked at the tax rate of 27.5%

From the Dividend Profit Reserve account

Final dividend dates:

Ex-dividend date	04 September 2019
Record date	05 September 2019
Payment date	04 October 2019

Fully franked dividends of 1.5 cents per share were paid to shareholders on 5 October 2018 and 5 April 2019. All dividends were paid from the Company's dividend profit reserve account.

Details of dividend reinvestment plan (DRP)

The Board of the Company has determined that in relation to the 2019 final dividend the DRP will not apply.

Net tangible assets (NTA) per ordinary share

	Current period AUD (\$)	Previous corresponding period AUD (\$)
NTA before all taxes (i)**	1.1335	1.1734
NTA after realised tax (ii)	1.1335	1.1645
NTA after tax	1.1137	1.1445

(i) All figures are after the payment of dividends and taxes. The current period NTA is after dividends paid of 3 cents per share and after tax paid of 0.8 cents per share.

(ii) Net Tangible Assets after realised tax includes a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

** The EGI return calculation for 1 year to 30 June 2019 is as follows: Closing NTA before all taxes 1.1335 + tax paid 0.0088 + dividends (including return on investment) 0.0304 = 1.1727 less Opening NTA before all taxes 1.1734 = -0.06%

Commentary on Results

For the year ended 30 June 2019, the Company recorded a pre-tax loss of \$330,393 and a net loss after income tax expense of \$286,914.

The Directors have declared a dividend per share of 1.5 cents, fully franked, which is expected to be paid on the 4th of October 2019. The DRP will not operate in conjunction with this dividend. The 2019 final dividend will be paid out of the dividend profit reserve.

After the payment of the 2019 final dividend the Company will have a dividend profit reserve of 4.8 cents per share, based on the number of shares on issue at 30 June 2019.

The Company will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation. Please refer to the Investment Managers' Report on the Company's annual financial report for more detailed commentary.

Information in this report is based on the 2019 annual financial report which has been audited by Ernst & Young. A copy of the 2019 annual financial report, including commentary related to the results of the Company, is attached for further detailed information and disclosures



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 Ian Kelly
 Company Secretary
 23 August 2019

Ellerston Global Investments Limited
ASX: EGI

ABN 75 169 464 706

Financial Report
For the year ended 30 June 2019

Ellerston Global Investments Limited

ASX: EGI

ABN 75 169 464 706

Financial Report

For the year ended 30 June 2019

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Chairman's Letter

Dear Shareholder,

I am pleased to provide you with the Fiscal Year 2019 Annual Report for Ellerston Global Investments Limited (EGI). We thank you for your continued support.

We launched EGI on the basis that Australian companies comprise such a small percentage of the global equity market, currently approximately just 4% and that an investment into EGI would seek to provide investors with access to global investment opportunities with compelling risk/reward profiles that are complementary to a typical domestic equity portfolio. The portfolio is currently weighted towards global mid small cap stocks, which have underperformed their large cap peers over the past couple of years however we expect that to revert and are positioned accordingly. On a market cap basis there is seven times the investable universe within the global mid small cap range compared to the large and mega cap ranges, providing the largest potential opportunity set.

This year proved challenging at a macroeconomic level with big issues including the US and China trade war, BREXIT and global monetary policy responses to be considered. EGI however remains macro conscious but ultimately bottom up stock focused and we believe that this investment approach is well suited to the current environment in developed markets.

Performance

We report that the one year EGI portfolio gross performance was 1.02%* to 30 June 2019.

The NTA (before tax) was \$1.1734 as of 30 June 2018 as at 30 June 2019 it was \$1.1335.

The EGI share price was \$1.07 of 30 June 2018 as at 30 June 2019 it was \$0.93.

It is disappointing that despite the underlying portfolio performance the share price has finished at \$0.93 for the financial year. We share shareholder frustration regarding this and advise that the Board is highly focused on managing this discount, and is constantly looking at ways to improve this for shareholders. Utilising capital management tools to narrow the discount to NTA is an option available to the EGI Board. In March 2019, the Board announced an on-market buy-back of up to 10% of EGI shares, continuing for twelve months. To date a total of 1,356,235 shares have been bought back at an average price of \$0.938.

EGI maintains a deliberate and measured approach in regards to the construction of the portfolio. This includes the amount of the portfolio held in cash. The cash levels have ranged between approximately 12% and 20% throughout the year. As of 30 June 2019, cash was 13% of the portfolio.

Financial Results

For the period to 30 June 2019, the Company recorded a pre-tax loss of \$330,393 and a net loss after income tax expense of \$286,914.

Annual General Meeting

My fellow Directors and I look forward to meeting those of you who can attend the Annual General Meeting.

Yours faithfully,



Ashok Jacob
Chairman

23 August 2019

Directors' Report

The directors of Ellerston Global Investments Limited (the "Company") present their report together with the financial statements of the Company for the year ended 30 June 2019.

Directors

The following persons were directors of the Company during the year and up to the date of this report:

NAME	DIRECTORSHIP	APPOINTED	RESIGNED
Ashok Jacob	Non-Independent Chairman	18 August 2014	
Sam Brougham	Independent Non-Executive Director	18 August 2014	
Paul Dortkamp	Independent Non-Executive Director	24 July 2014	
Stuart Roberston	Independent Non-Executive Director	24 July 2014	14 December 2018
Bill Best	Independent Non-Executive Director	14 December 2018	

Company Secretary

The following person was Company Secretary during the year and up to the date of this report:

NAME	APPOINTED
Ian Kelly	24 July 2014

Ian Kelly, BA LLB (Hons)

Ian Kelly has been the Company Secretary of Ellerston Global Investments Limited for five years. He has been a practising solicitor for over 10 years.

Principal activities

The Company is a listed investment company established to construct a concentrated portfolio of between 10 and 40 global listed securities.

Review and results of operations

From 1 July 2018 to 30 June 2019 the Portfolio returned -0.06% net on a pre-tax basis and -0.04% on a post tax basis, compared to the benchmark MSCI World Index (Local) return of 6.71%.

Since its first full month of trading in November 2014 the Company has achieved an 8.52% per annum return before all taxes and 6.27% per annum post all taxes. The board is pleased with both the overall performances of the Company and the performance of the Company in comparison to its benchmark, MSCI World Index (Local) which returned 8.36% per annum.

As at 30 June 2019 the Company had 87.04% invested, with 58.80% equity exposure to United States, 20.16% to the European market and 8.12% to Asia Pacific.

As at 30 June 2019 the Company's Net Tangible Assets was \$1.1335 per share before all taxes (compared to 30 June 2018 of \$1.1734 per share before all taxes) and \$1.1137 per share post all taxes (compared to 30 June 2018 of \$1.1445 per share).

For the year ended 30 June 2019, the Company recorded a pre-tax loss of \$330,393 (30 June 2018: pre-tax profit of \$12,984,465) and a net loss after income tax expense of \$286,914 (30 June 2018: net profit after income tax expense of \$9,513,166).

Directors' Report (continued)

The operating results of the Company for the years ended 30 June 2019 and 30 June 2018 are:

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Net (loss)/profit before income tax	(330,393)	12,984,465
Net (loss)/profit after income tax	(286,914)	9,513,166

	As at	
	30 June 2019	30 June 2018
	\$	\$
Net tangible assets per share (NTA) - before tax (i)**	1.1335	1.1734
Net tangible assets per share (NTA) - after realised tax (ii)	1.1335	1.1645
Net tangible assets per share (NTA) - after tax	1.1137	1.1445

The Net Tangible Assets as at 30 June 2019 is based on fully paid ordinary shares of 108,749,256 (June 2018: 109,845,725).

- (i) All figures are after the payment of dividends and taxes. During the year ended 30 June 2019 dividends of 3 cents per share (30 June 2018: 4 cents per share) and tax of 0.80 cents per share (30 June 2018: 2.20 cents per share) were paid.
- (ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

** The EGI return calculation for 1 year to 30 June 2019 is as follows: Closing NTA before all taxes 1.1335 + tax paid 0.0088 + dividends (including return on investment) 0.0304 = 1.1727 less Opening NTA before all taxes 1.1734 = -0.06%.

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 1,356,235 shares had been bought back. Please refer to Note 16 Issued Capital for further details.

Strategy and future outlook

The Company is predominantly invested in equities, with a focus upon the equities of non-Australian domiciled companies. The Company will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation. The strategy to acquire a portfolio of stocks which the manager believes are in a period of price discovery and offer an attractive risk/reward profile remains unchanged.

Please refer to the Investment manager's report on page 12 for a more detailed market outlook.

Dividends

The directors have declared a fully franked dividend of 1.5 cents per fully paid ordinary share, which will be paid to shareholders on 4 October 2019 from the Company's dividend profit reserve account.

Directors' Report (continued)

On 8 February 2019, the directors declared an interim dividend of 1.5 cents per fully paid ordinary share, fully franked at the 27.5% corporate tax rate. The dividend had a record date of 7 March 2019 and was paid to shareholders on 5 April 2019. The Dividend Reinvestment Plan (DRP) operated in conjunction with this dividend and a discount of 2.50% was applied to the DRP.

On 23 August 2018, the directors declared a fully franked dividend of 1.5 cents per fully paid ordinary share, which was paid to the shareholders on 5 October 2018.

The total dividend for the year is 3 cents fully franked per fully paid ordinary share.

More details of dividend payments are provided under Note 3 on page 34 of the report.

Dividend Profit Reserve

The Company may transfer any current year or prior period accumulated profits not distributed as dividends to a Dividend Profit Reserve. Doing so facilitates the payment of future dividends, rather than maintaining these profits within retained earnings.

On 23 August 2018, the directors decided to transfer approximately \$5,689,199 (2018: \$4,919,518) to the dividend profit reserve, with the intention to pay at least 3 cents per annum dividend going forward.

The balance of the dividend profit reserve as of 30 June 2019 is \$6,839,523 (2018: \$4,447,761) which is 6.30 cents per share (30 June 2018: 4.05 cents per share).

Significant changes in the state of affairs

In the opinion of the directors, other than what is noted in the 'Review and results of operations', there were no other significant changes in the state of affairs of the Company that occurred during the year ended 30 June 2019.

Matters subsequent to the end of the financial year

Other than the dividends declared as mentioned in the dividends section above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Company in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Company in future financial years.

Likely developments and expected results of operations

The Company provides monthly updates and weekly NTA estimate announcements, which can be found in the announcements section of the ASX website and in the Ellerston Global Investments Limited section of the Ellerston Capital website, <https://ellerstoncapital.com/listed-investment-companies/ellerston-global-investments>.

As markets continue to be subject to fluctuations, it is neither possible to accurately forecast the investment returns of the Company nor to provide a detailed outlook on the Company's future operations.

Environmental regulation

The operations of the Company are not subject to any particular or significant environmental regulation under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest dollar

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Directors' Report (continued)

Information on Directors

Ashok Jacob

Ashok has been a Director of the Company since August 2014.

Ashok has over 35 years investment experience and has served as a Director of the Manager since inception.

As Chairman, he has overall responsibility for, and plays a key role in the Company's investment decisions. He is supported by a team of investment professionals, each of whom have significant skill and experience in different geographies, sectors and industries.

Ashok has held prominent positions including Chief Executive Officer of the Consolidated Press Holdings Group and Managing Director of Thorney Holdings, the investment arm for the Pratt Group. Ashok is an experienced board member and current appointments include: MRF Ltd and Thorney Opportunities Ltd and Chairman of Ellerston Asian Investments Limited. Previous directorships include Crown Ltd, Publishing and Broadcasting Ltd, Challenger Financial Group Ltd, Fleetwood Holdings Ltd, Ecorp Ltd, CPH Investment Group Ltd, Folkestone Ltd and Snack Foods Ltd. Ashok was also the Chairman of Hoyts Cinemas from 1999 until 2004.

Ashok holds an MBA from the Wharton School of the University of Pennsylvania (1984).

Sam Brougham

Sam Brougham has served as a Director of the Company since August 2014.

Sam has over 34 years investment experience and is currently a Director of Ceres Capital, a private Melbourne-based investment firm he founded in 1999. Ceres Capital specialises in global equity investing.

In addition, Sam is involved in US real estate and other US and various Australian private equity investments.

Prior to Ceres Capital, Sam worked at Structured Asset Management, a successful hedge fund he co-founded in 1993 focusing predominantly on global equity markets.

From 1985 to 1993, Sam worked at JB Were and was a partner from 1988.

Sam spent his early career working for Price Waterhouse and received his economics degree from Adelaide University in South Australia.

Paul Dortkamp

Paul has been a Director of the Company since July 2014.

Paul currently serves as the principal of Rivergum Investors, a consulting firm specialising in investment process and compliance.

Paul has a wide range of Board experience with extensive experience across the main asset classes. He is an external member of compliance committees for a wide range of registered schemes and responsible entities, having served on over 20 committees.

Prior to Rivergum Investors, Paul was Head of Asset Allocation and a Director of First State Fund Managers Limited (now Colonial First State Investments). He was Director of Trading & Funding at Security Pacific Gold from 1989 to 1990. Paul spent his early career working in the Securities Markets Department of the Reserve Bank of Australia.

Stuart Robertson

Stuart has served as a Director of the Company since July 2014 and resigned on 14 December 2018.

Stuart was engaged as a consultant by the Manager, responsible for deal origination, structuring and execution primarily in the unlisted market. He had extensive experience working with both listed and unlisted vehicles.

Directors' Report (continued)

Information on Directors (continued)

Stuart had broad experience in investment banking, funds management and alternative investments and had held senior roles at BT Funds Management and Zurich Australia.

Stuart is a qualified CA, a Fellow of FINSIA and graduate of the AICD. In addition he holds an MBA from the MGSM.

Bill Best

Bill has served as a Director of the Company since December 2018.

Bill is currently Chairman of Liverpool Partners.

Bill has broad experience in Investment Banking and Stockbroking and has held senior roles at Macquarie Bank, Macquarie Equities and Macquarie Equity Capital Markets.

Bill has LLB, B.Comm and M.Comm degrees.

Directors' Meetings

The number of Board meetings, including meetings of the Board Committee, held during the year ended 30 June 2019 and the number of meetings attended by each director is set out below:

NAME	BOARD MEETINGS HELD WHILE A DIRECTOR ATTENDED		AUDIT AND RISK COMMITTEE MEETINGS HELD WHILE A DIRECTOR ATTENDED		NOMINATION AND REMUNERATION COMMITTEE MEETINGS HELD WHILE A DIRECTOR ATTENDED	
	DIRECTOR	ATTENDED	DIRECTOR	ATTENDED	DIRECTOR	ATTENDED
Ashok Jacob	5	5	2	-	2	-
Sam Brougham	5	4	2	2	2	2
Paul Dortkamp	5	5	2	2	2	2
Stuart Robertson	3	3	1	1	1	1
Bill Best	2	2	1	1	1	1

Directors' Interest

Directors' relevant interests in shares and options, as notified by the Directors to the Australian Securities Exchange in accordance with the *Corporations Act 2001*, at the date of the report are set out below:

NAME	NUMBER OF ORDINARY SHARES
Ashok Jacob	3,096,038
Sam Brougham	2,073,986
Paul Dortkamp	50,000
Stuart Robertson	81,671
Bill Best	50,000

Remuneration Report (Audited)

This remuneration report outlines the remuneration arrangements of the Company for the year ended 30 June 2019. It details the remuneration arrangements for key management personnel (KMP) who are defined as those persons and corporate entities having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

The table below lists the terms of KMPs of the Company, including the Directors and the Manager, during the year ended 30 June 2019. The remuneration report has been prepared and audited in accordance with section 300A of the *Corporations Act 2001*.

NAME	POSITION	TERM AS KMP
Ashok Jacob	Non-Independent Chairman	18 August 2014–present
Sam Brougham	Independent Non-Executive Director	18 August 2014–present
Paul Dortkamp	Independent Non-Executive Director	24 July 2014–present
Stuart Roberston	Independent Non-Executive Director	24 July 2014–14 December 2018
Bill Best	Independent Non-Executive Director	14 December 2018–present
Ellerston Capital Limited	Manager	20 October 2014–present

Remuneration of Directors and Chairman

The Independent Non-Executive Directors are remunerated by the Company. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Independent Non-Executive Directors. The remuneration of the Independent Non-Executive Directors is not linked to the performance or earnings of the Company.

Directors' fees

The Independent Non-Executive Directors' base remuneration is reviewed periodically. Base fees paid to each director have remained unchanged from the time of their appointment. The amount of base remuneration is not dependent on the satisfaction of a performance condition, or on the performance of the Company, the Company's share price, or dividends paid by the Company.

The directors have agreed that Ashok Jacob (Chairman) will not receive any fees whilst Sam Brougham, Paul Dortkamp, Stuart Robertson and Bill Best will each receive \$27,500 per annum (inclusive of superannuation) in fees, for acting as a Director of the Company. Ashok Jacob is a Director and, through interposed entities, a shareholder of the Manager. As a Director and indirect shareholder of the Manager, he will benefit from entry by the Manager into a Management Agreement with the Company and by the payment of fees under the Management Agreement.

Retirement benefits

The Company does not provide retirement benefits (other than superannuation) to the Independent Non-Executive Directors.

Other benefits (including termination) and incentives

The Company does not provide other benefits and incentives to the Independent Non-Executive Directors.

Remuneration of Ellerston Capital Limited

The Company has exclusively appointed Ellerston Capital Limited as the Manager to invest and manage all of the assets of the Company (including any controlled entity of the Company) for an initial term, which commenced on 20 October 2014, of 10 years pursuant to a successful application of waiver of ASX Listing Rule 15.16. After the end of the 'Term' (being the initial 10 years term or any renewed term), the Management Agreement will continue until terminated in accordance with the Management Agreement.

For the year ended 30 June 2019, the Manager was remunerated by the Company in accordance with the Management Agreement, and the Manager was entitled to:

- (i) a management fee of 0.75% per annum (plus GST) of the pre tax net asset value of the investment portfolio, calculated and accrued monthly and paid monthly in arrears; and

Directors' Report (continued)

Remuneration of Ellerston Capital Limited (continued)

- (ii) a performance fee equal to 15% (plus GST) of the amount by which the investment portfolio's pre-tax return exceeds the return of the MSCI World Index (local), calculated and accrued monthly and paid annually in arrears.

Details of management and performance fees are provided on note 19 on page 53.

Details of Remuneration

The Independent Non-Executive Directors were remunerated by the Company with a base fee only (inclusive of superannuation and GST). The Non-Independent Executive Chairman received no remuneration by the Company. The total amount paid or payable to the directors by the Company for the years ended 30 June 2019 and 30 June 2018 is detailed below:

	BASE FEE (INCLUSIVE OF SUPERANNUATION AND GST) 30 June 2019 \$	BASE FEE (INCLUSIVE OF SUPERANNUATION AND GST) 30 June 2018 \$
Independent Non-Executive Directors		
Sam Brougham	30,250	30,250
Paul Dortkamp	30,250	30,250
Stuart Robertson	15,125	30,250
Bill Best	15,125	Nil
Total KMP remunerated by the Company	90,750	90,750
Executive Director		
Ashok Jacob	Nil	Nil

The total amount paid or payable by the Company to the Independent Non-Executive Directors and Executive Director for the year ended 30 June 2019 was \$90,750. Details of the total amount paid or payable by the Company to the Manager was outlined in Note 19.

Service Agreements

Remuneration and other terms of employment for the Independent Non-Executive Directors are formalised in service agreements with the Company.

Sam Brougham Independent Non-Executive Director and member of the Audit and Risk Committee, member of the Nomination and Remuneration Committee

- Commenced on 18 August 2014
- No term of agreement has been set unless the Director is not re-elected by the shareholders of the Company
- Base salary, inclusive of superannuation, is \$27,500.

Stuart Robertson Independent Non-Executive Director and member of the Audit and Risk Committee, member of the Nomination and Remuneration Committee

- Commenced on 24 July 2014 and resigned on 14 December 2018
- Base salary, inclusive of superannuation, is \$27,500.

Paul Dortkamp Independent Non-Executive Director and member of the Audit and Risk Committee, member of the Nomination and Remuneration Committee

- Commenced on 24 July 2014
- No term of agreement has been set unless the Director is not re-elected by the shareholders of the Company

Directors' Report (continued)

Service Agreements (continued)

- Base salary, inclusive of superannuation, is \$27,500.

Bill Best Independent Non-Executive Director and member of the Audit and Risk Committee, member of the Nomination and Remuneration Committee

- Commenced on 14 December 2018
- No term of agreement has been set unless the Director is not re-elected by the shareholders of the Company
- Base salary, inclusive of superannuation, is \$27,500.

Options and Shareholdings

	BALANCE AS AT 30 JUNE 2018	ADDITIONS/ (DISPOSALS)	EXERCISED/ OPTIONS	BALANCE AS AT 30 JUNE 2019
Directors				
Ashok Jacob				
• Ordinary shares	3,096,038	-	-	3,096,038
Sam Brougham				
• Ordinary shares	2,025,075	48,911	-	2,073,986
Paul Dortkamp				
• Ordinary shares	50,000	-	-	50,000
Stuart Robertson				
• Ordinary shares	79,226	2,445	-	81,671
Bill Best				
• Ordinary shares	-	50,000	-	50,000

	BALANCE AS AT 30 JUNE 2017	ADDITIONS/ (DISPOSALS)	EXERCISED/ OPTIONS	BALANCE AS AT 30 JUNE 2018
Directors				
Ashok Jacob				
• Ordinary shares	2,064,754	1,031,284	-	3,096,038
• Loyalty options	1,000,000	-	1,000,000	-
Sam Brougham				
• Ordinary shares	1,472,923	552,152	-	2,025,075
• Loyalty options	500,000	-	500,000	-
Paul Dortkamp				
• Ordinary shares	50,000	-	-	50,000
• Loyalty options	-	-	-	-
Stuart Robertson				
• Ordinary shares	51,618	27,608	-	79,226
• Loyalty options	25,000	-	25,000	-

End of audited remuneration report.

Directors' Report (continued)

Indemnification and Insurance of Directors and Officers

The Directors and Officers of the Company are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a willful breach of duty in relation to the Company.

During the year ended 30 June 2019, the Manager on behalf of the Company paid insurance premiums to insure the Directors and Officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on Behalf of the Company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

Audit and Non-audit services

Details of the amounts paid or payable to Ernst & Young for audit and non-audit services provided during the period are set out in Note 20 to the financial statements on page 54 of this report.

The directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 16.

Signed in accordance with a resolution of the directors.



Ashok Jacob
Chairman

23 August 2019

INVESTMENT MANAGER'S REPORT

"It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong." George Soros

Ellerston Global Investments

FY19 Performance Review

For the Fiscal Year ended June 30, 2019 the portfolio returned net -0.06%. This compares to the benchmark (MSCI World Index Local) which increased by 6.71%. Since 1 November 2014, when EGI commenced investing, the portfolio has returned net (before all taxes) +46.44%. This compares to the benchmark (MSCI World Index Local) which has returned +45.43%. The annualised return over the same period for EGI is 8.52% (net) versus 8.36% for the benchmark.

EGI has paid 3.0 cents in fully franked dividends relating to Fiscal Year 2019. This brings the cumulative dividends paid to 11.0 cents since EGI's inception, all of which have been fully franked. We have a focus on providing a sustainable dividend for investors in the years to come.

We continue to view our 'sweet spot' for investing in global markets in the mid-small cap space, defined as companies with a market cap of less than US\$10bn. Whilst we are entirely focussed on absolute returns, in terms of discussing financial year performance, this mid-small cap bias is a nuance worth noting as it relates to relative performance for the year.

Whilst EGI has underperformed its MSCI World Index (Local) in FY19, we would highlight the marked difference we have seen in mid-small cap stocks versus their large cap peers. As the MSCI World SMID Cap Index (Local) returned +0.15% during the same period which is not dissimilar from EGI's performance.

Over the medium/long term, we would argue that this divergence is irrelevant as our performance/returns will be driven by the underlying performance of the small group of companies we invest in. However, in the short term and particularly as it relates to analysis over small finite periods this distinction is quite important. Ultimately investing is a dynamic, continuous and inherently long-term endeavor, however as Benjamin Graham famously coined *"in the short run, the market is a voting machine but in the long run the market is a weighing machine."*

As we do not manage for relative portfolio outcomes, the results for the year reinforce our underlying approach to investing. We benefitted this year from our high conviction investment ideas and our performance reflects many of the core principles that we have highlighted over time. What can be seen in the years' results is our relentless focus on identifying stocks with a compelling asymmetric risk/reward profile such that our 'winners' outpaced our 'losers'. In Fiscal Year 2019, the top 5 contributors added 7.4% to total performance in contrast to our top 5 detractors where we lost 6.2%. We are reminded of the Peter Lynch quote, *"in this business, if you're good you're right six times out of ten. You're never going to be right nine times out of ten."* Consequently, we remain disciplined in our approach, operating with a constant focus on risk/reward asymmetry and seeking to identify mistakes early.

EGI has a clear focus on minimising the risk of permanent capital loss and this is reflected in determining the intrinsic value of the businesses we are looking to invest in to ascertain the risk/reward dynamics and ultimate investment decision. We highlight this as of the top 5 detractors this year, there is only one position that has delivered a negative capital outcome during total period of ownership – we will detail this later in our review.

The top 5 contributors to our performance in the year included (with gross attribution included in parentheses): **Cellnex Telecom** (+2.70%), **Ciena** (+1.54%), **Keysight Technologies** (+1.44%), **Tribune Media** (+0.90%) and **Interxion** (+0.83%).

It will not be new to investors that we look to invest in businesses with tailwinds underpinned by longer term secular thematics which will help deliver future returns. We are cognisant that in investing every situation is different and price paid is what ultimately determines returns and are very discerning in this regard. Ultimately, we are looking for attractive asymmetric risk/reward scenarios and while secular tailwinds provide a "collect the set" opportunity, idiosyncratic stories such as Tribune (outlined later) will also provide attractive investment opportunities.

Focusing on some of the top contributors and detractors:

Cellnex Telecom was a top 10 position for EGI throughout FY19 and it continues to be one of EGI's highest conviction ideas going forward. In FY19, Cellnex continued to produce robust results with organic growth coming in ahead of our expectations and the company's medium-term guidance. This better than expected organic growth has been augmented by a significant, value enhancing, mobile tower portfolio acquisition the company termed as *'The Quantum Leap'* which it

announced in early May 2019. Whilst the share price has moved favourably over the past year, we believe the combination of robust organic growth and future opportunities offered from the *'The Quantum Leap'* acquisition will deliver further capital upside. We have written more extensively about Cellnex in a Livewire piece as well as in our March 2019 Investor newsletter.

Ciena's business operations went from strength to strength during the year as it increased future revenue expectations at multiple results. Underpinned by the hardware demands of continued global bandwidth growth, Ciena is also benefitting from similar dynamics that we've seen at play in certain parts of the semiconductor industry over the past decade. Technology advancement is often non-linear and more importantly, in recent years, the complexity as it relates to this technology advancement has increased substantially. Ciena has referred to this dynamic as a *'flight to quality'*, where customers are more intently seeking out vendors who focus on innovation and who have the financial strength and sustainability to deliver on product roadmaps over the long-term. As the Western technology leader in this space, paired with a very healthy balance sheet and strong cash flow, Ciena very favourably positioned.

Our investment in **Tribune Media** is an example of situation where despite an obvious underlying thematic not being present, the price we paid meant we had positioned ourselves for what we believed to be an attractive risk/reward scenario. Following the failure of an elongated merger process with Sinclair Broadcast group in August 2018 and subsequent price decline, we acquired shares paying an estimated 5.5x EV/EBITDA multiple for the core business ex investments (substantial discount to peers) with an effective net cash balance sheet. On December 3rd 2018, Nexstar Media Group and Tribune announced that they had entered into a definitive merger agreement whereby Nexstar would acquire all outstanding shares of Tribune for \$46.50 per share in a cash transaction valued at \$6.4bn. The bid price represented a premium of 27.4% to EGI's entry price, a little over 3 months after our investment. We gave a detailed overview of investment in Tribune Media in our quarterly stock overview in January 2019, which can be accessed on our website.

As you may recall, **Interxion** was also a top 5 contributor to EGI's performance in FY18 and has been significant position in the Fund for more than 3 years now, with the stock up more than 165% in that time. Whilst no doubt being closer to fair value now versus our initial purchase price (and this is reflected in our position size), Interxion has the ability to re-invest capital at cash-on-cash returns of 22% which will continue to compound intrinsic value over time. Importantly, we believe the data centre co-location network effects that allow Interxion to earn superior re-investment returns remain firmly entrenched. In the last week of FY19, Interxion raised equity on favourable terms to further solidify funding capabilities to continue to pursue this growth opportunity.

Top 5 detractors for the year were: **Huntsman** (-1.62%), **XPO Logistics** (-1.41%), **The Stars Group** (-1.26%), **Zayo** (-1.19%) and **Equiniti** (-0.76%).

In terms of detractors, our position in **Huntsman** was the largest detractor over FY19. Huntsman's share price materially de-rated from September 2018 to December 2018 as the market priced in somewhat recessionary scenarios into the vast majority of economically sensitive stocks. As the macro environment became increasingly uncertain, we reconsidered our views around the sustainability of the company's earnings trajectory, which ultimately we could no longer be comfortable with and exited the position. Huntsman was also impacted on a look through basis as its c.50% stake in TiO₂ player Venator Materials fell almost 80% from IPO price on company specific issues. While we unfortunately incurred a loss of capital on our investment in Huntsman, we note that it has underperformed the broader market since our sale.

While **XPO Logistics**, **The Stars Group** and **Equiniti**, were detractors to performance in FY19, we would again caution that investing is a long and continuous endeavor. For example, if you recall last year's Investment Managers' letter our positions in The Stars Group and XPO logistics were the second and third highest contributors to performance in FY18 respectively. Similarly, Equiniti has been a meaningful contributor to EGI's overall performance during ownership. Whilst detractors in FY19, we would note that on a gross basis, our positions in XPO Logistics, The Stars Group and Equiniti have contributed +0.61%, +2.82% and +1.45% to overall EGI performance since inception, including the negative contribution in FY19. Each of these businesses faced different company specific issues which led us to downgrade our expectations around future earnings and ultimately exit each of these positions.

Whilst we aspire to rely on our downside analysis as least as possible – it is one of the most critical components to successful long-term investing outcomes. On the occasion that our downside analysis does come into focus and needs to be relied upon, our investment in **Zayo**, is perhaps a representative example of how we think about investing in such a scenario. Our initial investment thesis in Zayo was underpinned by the fact that Zayo was the last listed US pure play independent fibre owner with national scale. Given the modern worlds' insatiable demand for bandwidth, combined with the fact that it's now close to impossible to replicate the fibre assets Zayo has amassed, particularly in metro areas such as New York, Chicago, San Francisco, etc. we believed that such an asset would command increasing scarcity value. Zayo had a few issues meeting company issued earnings targets in early 2017, largely related to selling incremental capacity on

its fibre, which afforded us the opportunity to initially begin building a position. EGI's weighted average purchase price across all purchases was US\$32.49 per share. At the time and price of our purchase, we believed we were not paying for the business to execute on this incremental fibre sale opportunity which would come with >90% incremental margins. As such we were presented with a highly attractive, asymmetric risk/reward scenario, as we believed the strategic nature of underlying assets would limit our downside at the prices we paid. Ultimately, accompanied by an elevated level of management turnover, Zayo continued to struggle to execute on its incremental fibre sales strategy, and the Management team gradually lost its credibility with the market. Whilst the share price fell meaningfully in the second half of 2018 the scarcity value of the underlying assets came to the fore. Months of bid speculation ensued and finally on the 8th May 2019, Zayo 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. Whilst obviously not a great result overall, by paying the price we did, we minimised the downside risk.

Current Portfolio

As illustrated by our top 10 holdings a number of our 'winners' from FY19 (Cellnex, Ciena, Keysight, Interxion), continue to command material positions in the portfolio as we continue to have high conviction in the performance of those businesses over the medium/long term. It may be worth providing a little further colour on how we think about positions such as these over time.

Whilst there is a constant and continuous process of incrementally updating our views on businesses themselves as time goes on and we are afforded evermore data points – our view on the attractiveness of the business and our estimate of intrinsic value typically does not waiver much day-to-day or month-to-month (outside of some exogenous shock). Ideally, our estimate of intrinsic value moves up to the right as the business compounds value. However, at the same time, the quoted share prices of these businesses exhibit significantly more volatility than our estimate of intrinsic value. Given price paid is what ultimately determines investment returns over time – often times without our view on the business itself changing at all, we will add to and trim our position sizes as the price moves and in turn impacts the implied risk/reward profile of the investment. These decisions are based on our framework and process around determining intrinsic value and consequently risk/reward around the position sizing.

Perhaps EGI's investment in Ciena in FY19 best serves as an example of our investing style and how we implement these thoughts in practice. As we described above, the performance of Ciena's business operations produced very impressive results all throughout FY19. And whilst with each data point, we updated our view on the intrinsic value of this business, over the corresponding period Ciena's share price fluctuated in a range from the low \$25's to high \$45's, a c.80% range, including a c.24% drawdown from February 2019 to May 2019. As you can imagine, our view on the overall value of the business did not move anywhere near as much and we moved to adjust our position size at each point in time to reflect the risk/reward profile we thought the investment demonstrated at that point in time.

Despite the performance of share price, albeit with volatility, we remain excited by our position in Ciena who commented at their most recent result in early June 2019 – that despite reporting record high earnings results at that time, their outlook continues to improve – *"As we look in the second half of the year that is accelerating off of that record high."*

Outlook

Each year we comment that we expect markets to remain volatile and unpredictable and the outlook for FY20 is likely no different. With all the current macroeconomic and geopolitical gyrations at the time of writing this outlook, this feels like a clear understatement!

We currently have an "acrimonious" situation in trade talks between the US and China while trade protectionism risk continues to simmer between the US and Mexico and US and EU – notice a common thread here? Outside of the US/ROW trade disputes we also have export restrictions between Japan and South Korea recently introduced. The underlying, and yet undeterminable, impact is a likely dramatic shift in global supply chains coupled with a dampening of corporate confidence impacting recent global growth indicators. Until these disputes are resolved we are likely to see a continued impact on cross border trade as the world becomes more regionalised and less interconnected from a global trading standpoint.

In an effort to stimulate economies and thereby offset dampening economic indicators, global Central Banks have adopted a global interest rate reduction strategy which has been enabled by a dovish pivot by the US Fed. Long term bond yields have been tumbling in the US having started the year at 2.7% and now standing a whisker below 1.70%. At the time of writing 14 'High Yield' European bonds now have a negative yield and 83% of Switzerland's investment grade credit market is now trading with negative yields.

According to BIS, globally we now have \$180tr of non-financial debt compared with \$117tr in 2018 and the market value of the negative yielding bonds in the Bloomberg Barclays Global Aggregate Index rose to a record US\$13.4tn on 3 July and is now US\$12.5tn.

With the weight of debt in the system and central banks looking to keep the liquidity spigot wide open via lower interest rate policies, the focus and risk around current monetary policy expectations has taken front stage in driving current equity prices. There have been several earnings downgrades leading into the June quarter reporting season (especially automotive and industrial chemicals) and as such, it does appear the strength in global equity markets has been underwritten by lower rates driving multiple expansion rather than an earnings driven rally. There is a great line that market participants are likely to shift investing styles from "pricing to fundamentals" to "pricing to policy" as they adjust to the current environment.

Across the Atlantic, Brexit continues to remain an unknown as Boris Johnson has replaced Theresa May as the new Prime Minister, only a few months before the October 31st deadline.

Whilst we are conscious of these and many other current and emerging moving pieces in the global economic and political landscapes, we remain focused at the stock level. In running a high conviction portfolio we only need to find a few new compelling opportunities each year. The size of the investment universe all but guarantees that they are there, it's simply a matter of finding them.

We look forward to an exciting year ahead and our next quarterly update in September 2019.

The image shows two handwritten signatures in black ink. The signature on the left is 'Bill Pridham' and the signature on the right is 'Arik Star'. Both are written in a cursive, flowing style.

Sincerely,

Bill Pridham / Arik Star

Co-Portfolio Managers



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Ellerston Global Investments Limited

As lead auditor for the audit of Ellerston Global Investments Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
23 August 2019

Corporate Governance Statement

Ellerston Global Investments Limited ("the Company") is a listed investment company whose shares are traded on the Australian Securities Exchange ("ASX"). The Company has appointed Ellerston Capital Limited as its Investment Manager ("the Manager").

The Company's Directors and the Manager recognise the importance of good corporate governance. The Company's corporate governance framework, policies and practices are designed to ensure the effective management and operation of the Company. All of the Company's corporate governance policies and procedures are subject to regular review.

A summary of the Company's corporate governance policies is set out below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Recommendations"). The Company has adopted the ASX Recommendations to the extent it has considered them to be relevant. Where the Company's corporate governance practices do not align with the ASX Recommendations, this corporate governance statement will disclose the basis for this departure.

Principle 1: Lay solid foundations for management and oversight

The responsibilities of the Board are set down in the Company's Board Charter. A copy of the Company's Board Charter is available at:

<https://ellerstoncapital.com/listed-investment-companies/ellerston-Global-investments/>

The role of the Board is to act in the best interests of the Company. The Board is responsible for the Company's overall direction, management and corporate governance.

The Company has no full time employees and has appointed Ellerston Capital Limited as its Manager. Investment, operational and company secretarial services are provided by the Manager pursuant to the terms of the Management Agreement. Under the Management Agreement, the Manager has discretion to make investments in accordance with the investment strategy subject to the following restrictions that require the written approval of the Board:

- Entering into or causing to be entered into a derivatives contract unless there are sufficient assets available to support the underlying liability;
- Delegation of any of the Manager's discretionary management powers except to a related body corporate of the Manager;
- Charging or encumbering any asset in the investment portfolio in any way (other than arises by lien in the ordinary course of business or statutory charge);
- Engaging in securities lending; and
- Borrowing any money or incur any liability by way of financial accommodation.

The Board has full discretion to approve or deny any proposal from the Manager.

ASX Recommendations 1.1, 1.2 and 1.3 are not relevant given the Manager's appointment by the Company.

Principle 2: Structure the Board to add value

The skills, experience and expertise of the Board and term of office of each director who is in office as at the date of the Annual Report are included in the Directors' Report. Details of each directors background, date of appointment and attendance at Board meetings are set out in the Directors' Report.

The Company's constitution provides that there must be a minimum of three and a maximum of seven directors.

The Board has three Independent directors and one Non-Independent director. Sam Brougham, Paul Dortkamp and Bill Best are considered to be independent as they have no direct involvement in the management of the investment portfolio and are free of any business or other relationship which could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment. The Chairman, Ashok Jacob, is not independent. The Board has departed from ASX Recommendation 2.2 on the basis of the breadth and depth of the Chairman's investment experience and the value that experience brings to shareholders.

The Board has adopted a Nomination and Remuneration Committee Charter. The Charter is available at:

<https://ellerstoncapital.com/listed-investment-companies/ellerston-Global-investments/>

The Nomination and Remuneration Committee Policy has been adopted by the Board. The Policy establishes a Committee to advise and support the Board with respect to its remuneration and nomination obligations. The Nomination and Remuneration Committee met in December 2018 and May 2019.

The Nomination and Remuneration Committee will assess:

- the role and composition of the Board, its processes and Board committees;
- the performance of the Board, the Chairman, the Executive and Non-Executive Directors;
- whether there is sufficient succession planning in place and any further considerations required by the Board; and
- the Board's performance against its corporate governance processes.

The Board has resolved that any committee it establishes will be entitled to obtain independent professional or other advice at the cost of the Company.

Board skills matrix

The table sets out the key skills and experience of the directors and the extent to which they are represented on the Board and its committee. Each director has the following skills:

- understanding shareholder value
- sufficient time to undertake the role appropriately
- honesty and integrity

Board Skills:

BOARD SKILLS AND EXPERIENCE	BOARD	AUDIT AND RISK COMMITTEE	NOMINATION AND REMUNERATION COMMITTEE
Total Directors	4 Directors	3 Directors	3 Directors
Executive leadership	4 Directors	3 Directors	3 Directors
Governance	4 Directors	3 Directors	3 Directors
Strategy	4 Directors	3 Directors	3 Directors
Risk	4 Directors	3 Directors	3 Directors
Financial acumen	4 Directors	3 Directors	3 Directors
Remuneration/Human Resources	4 Directors	3 Directors	3 Directors
Public policy/Regulation	4 Directors	3 Directors	3 Directors

New Director induction

New Directors will be expected to understand the Company's business and its policies and procedures. Directors are expected to maintain the skills and knowledge required to discharge their obligations. New Directors will be inducted on a case to case basis taking into account their individual background and expertise.

Principle 3: Promote ethical and responsible decision making

Code of Conduct for Directors

The Company has a Code of Conduct for Directors (the "Code"). The Code can be found at:

<https://ellerstoncapital.com/listed-investment-companies/ellerston-Global-investments/>

The Code's purpose is to:

- articulate the high standards of honesty, integrity, ethical and law abiding behavior expected of directors;
- encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders (including employees, customers, suppliers and creditors);
- guide directors as to the practices thought necessary to maintain confidence in the Company's integrity; and
- set out the responsibility and accountability of directors to report and investigate any reported violations of this code or unethical or unlawful behavior.

Securities Trading Policy

The Company has a Securities Trading Policy that sets out the circumstances in which the Company's Directors and key management personnel of the Company and their associates may trade in the Company's securities.

The Policy imposes restrictions and notification requirements surrounding trading of Company Securities such as blackout periods, trading windows and the need to obtain pre-trade approval. A copy of the Company's Securities Trading Policy has been lodged with the Australian Securities Exchange (ASX) and is available on the Company's website.

Diversity

The Company has not established a Diversity Policy or set measurable objectives for gender diversity as per ASX Recommendations 3.2 and 3.3. Given that all services are provided by the Manager, the Board considers that adopting a diversity policy is not warranted, but will review these recommendations on an ongoing basis.

Principle 4: Safeguard integrity in financial reporting

The Company has established an Audit and Risk Committee comprised of the following:

- Paul Dortkamp;
- Sam Brougham; and
- Bill Best.

Details of each committee member's background and attendance at Audit and Risk Committee meetings are set out in the Directors' Report.

The Chairman of the Committee is an Independent Non-Executive Director and is not the Chairman of the Board. The committee consists of three Independent Non-Executive Directors and two representatives from the Manager attending by invitation subject to exclusion by the Committee where a conflict of interest exists.

Objectives and responsibilities of the Committee

The objective of the Committee is to assist the Board to discharge its responsibilities in relation to:

- Effective management of financial and operational risks;
- Compliance with applicable laws and regulations;
- Accurate management and financial reporting;
- Maintenance of an effective and efficient audit; and
- High standards of business ethics and corporate governance.

These objectives are set out in the Committee's Charter, which is available on the Company's website:

The Committee will endeavor to:

- Maintain and improve the quality, credibility and objectivity of the financial accountability process;

- Promote a culture of compliance within the Company;
- Ensure effective communication between the Board, the Manager and other service providers and agents;
- Ensure effective audit functions and communications between the Board and the Company's auditor;
- Ensure that compliance strategies are effective; and
- Ensure that directors are provided with financial and non-financial information that is of high quality and relevant to the judgments to be made by them.

The Committee will meet regularly throughout the year with the Chairman providing regular reporting to the Board.

Independent external audit

The Company's independent external auditor is Ernst & Young. The Committee is responsible for recommending to the Board the appointment and removal of the external auditor. The independence and effectiveness of the external auditor is reviewed regularly. The Committee is also responsible for ensuring that the external audit engagement partners are rotated in accordance with the relevant statutory requirements and otherwise after a maximum of five years' service.

The external auditors attend the committees' meetings when the Company's half year and full year Financial Statements are being considered. The external auditors also attend other meetings where relevant items are on the Committee's agenda.

The Company's external auditors attend the Company's Annual General Meeting and are available to answer questions from shareholders in relation to the conduct of the audit, the Audit Report, the accounting policies adopted by the Company in preparing Financial Statements and the independence of the auditors.

Finance Director Declaration

The Finance Director of the Manager for the Company will make certifications to the Board for each half year to the effect that:

- the financial records of the Company for the financial year have been properly maintained;
- the Company's Financial Statements and notes applicable thereto give a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations;
- the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which, in all material aspects, implements the policies adopted by the Board; and
- the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 5: Make timely and balanced disclosure

The Company has adopted a Continuous Disclosure Policy that is designed to ensure that the Company:

- Complies with its continuous disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules;
- Provide shareholders and the market with timely, direct and equal access to information issued by it;
- Identifies information that is not generally available and which may have a material effect on the price or value of the Company's securities and is appropriately considered by the directors for disclosure to the market.

The Continuous Disclosure Policy is available from the Company's website and sets out procedures as to the release of announcements to the market. Following the release of any announcement to the ASX, all announcements will be made available on the Company's website.

Principle 6: Respect the rights of Shareholders

Shareholders in the Company are entitled to vote on significant matters impacting the business.

The Company has adopted a Shareholders Communication Policy and is committed to regularly communicating with its shareholders in a timely, accessible and clear manner with respect to both the procedural and major issues affecting Company. The Company seeks to recognise numerous modes of communication including electronic communication. All shareholders are invited to attend the Company's Annual General Meeting, either in person or by representative. The Board encourages all shareholders to attend and participate in the Company's annual meeting of shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors. The external auditor is required to attend the Annual General Meeting and be available to answer questions.

Principle 7: Recognise and manage risk

The Board, through the Audit and Risk Committee, is responsible for ensuring:

- the oversight and management of material business risks to the Company;
- the review of reports provided by the Manager and other services providers and agents appointed by the Company;
- that effective systems are in place to identify, assess, monitor and manage the risks of the Company and to identify material changes to the Company's risk profile; and
- the monitoring of compliance with laws and regulations applicable to the Company.

Risks assessed include:

- implementing strategies (strategic risk);
- outsourced services and operations or external events (operational and investment risk);
- legal and regulatory compliance (legal risk);
- changes in community expectation of corporate behaviour (reputation risk);
- being unable to fund operations or convert assets into cash (liquidity risk); and
- contingency plans in the event of incapacity of the Executive Director/Portfolio Manager (personnel risk).

The Company has implemented risk management and compliance frameworks. These frameworks ensure that:

- an effective control environment is maintained;
- accountability and delegations of authority are clearly identified;
- risk profiles are in place and regularly reviewed and updated;
- timely and accurate reporting is provided to the Board and its respective Committees; and
- compliance with the law, contractual obligations and internal policies (including the Corporate Code of Conduct) is communicated and demonstrated.

Assurance

In respect of the year ended 30 June 2019 the Chairman for the Company has made the following certifications to the Board:

- (i) the Company's Financial Statements and notes applicable thereto represent a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations; and
- (ii) the risk management and internal compliance and control systems are sound, appropriate, operating efficiently and effectively managing the Company's material business risks.

Principle 8: Encourage enhanced performance

Although the Company has a Board, it has no remunerated employees. The Manager performs the key management roles of the Company. The Board will ensure that it performs the functions recommended in the ASX Corporate Governance Principles (to the extent that these functions are relevant to the Company's business) through the Nomination and Remuneration Committee. As the Company has no remunerated employees, the Company will monitor performance pursuant to the Management Agreement and will address performance annually and as required. A review was conducted in 2019. The Company will provide disclosure of its Directors' remuneration in its Annual Report. The aggregate Directors' remuneration is capped at \$500,000 per annum in accordance with the Company's Constitution.

Statement of Comprehensive Income

	Notes	Year ended	
		30 June 2019	30 June 2018
		\$	\$
Investment income			
Interest income from financial assets measured at amortised cost		196,741	74,396
Dividend income		1,150,497	892,929
Net foreign exchange gains/(losses)		27,598	(9,439)
Net changes in fair value of financial assets and liabilities at fair value through profit or loss	8	<u>308,410</u>	<u>13,846,744</u>
Total investment income		<u>1,683,246</u>	<u>14,804,630</u>
Expenses			
Directors fees	21	90,750	90,750
Management and performance fees	19	929,294	781,146
Custody and administration fees		60,715	58,938
Audit and tax fees	20	55,968	54,490
Registry fees		76,409	76,409
Transaction costs		444,943	579,776
Withholding taxes		163,867	33,622
ASX fees		99,000	99,000
Other expenses		<u>92,693</u>	<u>46,034</u>
Total operating expenses		<u>2,013,639</u>	<u>1,820,165</u>
Net (loss)/profit before income tax		(330,393)	12,984,465
Income tax benefit/(expense)	15	<u>43,479</u>	<u>(3,471,299)</u>
Net (loss)/profit after income tax		<u>(286,914)</u>	<u>9,513,166</u>
Other comprehensive income/(loss)		-	-
Total comprehensive (loss)/income		<u>(286,914)</u>	<u>9,513,166</u>
Basic (losses)/earnings per share (cents per share)	17	(0.26)	11.10
Diluted (losses)/earnings per share (cents per share)	17	(0.26)	11.10

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

		As at	
	Notes	30 June 2019 \$	30 June 2018 \$
Current assets			
Cash and cash equivalents	13	14,253,989	30,855,370
Receivables		1,869,523	249,607
Due from brokers		2,527,267	344,279
Financial assets at fair value through profit or loss	9	<u>107,479,208</u>	<u>107,414,233</u>
Total current assets		<u>126,129,987</u>	<u>138,863,489</u>
Total assets		<u>126,129,987</u>	<u>138,863,489</u>
Current liabilities			
Payables		290,460	421,455
Management and performance fees payable	19	81,706	85,275
Due to brokers		2,439,644	2,785,761
Current tax liability		-	982,496
Financial liabilities at fair value through profit or loss	10	<u>48,294</u>	<u>6,675,255</u>
Total current liabilities		<u>2,860,104</u>	<u>10,950,242</u>
Non-current liabilities			
Deferred tax liability	15	<u>2,152,790</u>	<u>2,196,269</u>
Total non-current liabilities		<u>2,152,790</u>	<u>2,196,269</u>
Total liabilities		<u>5,012,894</u>	<u>13,146,511</u>
Net assets		<u>121,117,093</u>	<u>125,716,978</u>
Equity			
Issued capital	16	107,164,313	108,179,847
Retained earnings		7,113,257	13,089,370
Dividend profit reserve	12	<u>6,839,523</u>	<u>4,447,761</u>
Total equity		<u>121,117,093</u>	<u>125,716,978</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Notes	Issued capital \$	Retained earnings/ (losses) \$	Dividend profit reserve \$	Total \$
Balance as at 1 July 2018		108,179,847	13,089,370	4,447,761	125,716,978
Total comprehensive loss for the year		-	(286,914)	-	(286,914)
Shares bought back	16	(1,272,572)	-	-	(1,272,572)
Shares issued under dividend reinvestment plan	16	257,038	-	-	257,038
Transfer to dividend profit reserve account	12	-	(5,689,199)	5,689,199	-
Total dividends paid	12	-	-	(3,297,437)	(3,297,437)
Balance as at 30 June 2019	16	107,164,313	7,113,257	6,839,523	121,117,093
Balance as at 1 July 2017		74,193,688	8,495,722	3,412,450	86,101,860
Total comprehensive income for the year		-	9,513,166	-	9,513,166
Shares issued under dividend reinvestment plan	16	386,982	-	-	386,982
Transfer to dividend profit reserve account	12	-	(4,919,518)	4,919,518	-
Share issued from exercise of options	16	33,599,177	-	-	33,599,177
Total dividends paid	12	-	-	(3,884,207)	(3,884,207)
Balance as at 30 June 2018	16	108,179,847	13,089,370	4,447,761	125,716,978

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Notes	Year ended	
		30 June 2019	30 June 2018
		\$	\$
Cash flows from operating activities			
Purchase of financial instruments at fair value through profit or loss		(118,162,936)	(126,197,366)
Proceeds from sale of financial instruments at fair value through profit or loss		109,279,244	118,338,887
Amounts transferred from brokers as collateral		901	8,276,965
Dividend received		909,765	870,652
Interest received		196,741	72,181
GST recovered		131,045	11,179
Income tax paid		(2,593,584)	(1,891,689)
Management and performance fees paid		(932,863)	(751,319)
Other expenses paid		(1,094,952)	(1,021,279)
Net cash outflow from operating activities	14	<u>(12,266,639)</u>	<u>(2,291,789)</u>
Cash flows from financing activities			
Dividends paid		(3,040,399)	(3,497,225)
Shares bought back		(1,292,101)	-
Exercise of options		-	33,599,177
Net cash (outflow)/inflow from financing activities		<u>(4,332,500)</u>	<u>30,101,952</u>
Net (decrease)/increase in cash and cash equivalents		(16,599,139)	27,810,163
Cash and cash equivalents at the beginning of the year		30,855,370	3,042,959
Effect of foreign currency exchange rate changes on cash and cash equivalents		(2,242)	2,248
Cash and cash equivalents at the end of the year	13	<u>14,253,989</u>	<u>30,855,370</u>
Non-cash financing activities			
Reinvestment of shareholder dividends		257,038	386,982

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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1 General information

This financial report is for Ellerston Global Investments Limited (the "Company") for the year ended 30 June 2019.

The Company was incorporated and registered on 28 July 2014 and commenced trading on the Australian Stock Exchange ("ASX") on 20 October 2014.

The Company is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares (ASX code: EGI) are publicly traded on the ASX.

The financial report was authorised for issue by the directors on 23 August 2019. The directors have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the first full period presented, unless otherwise stated in the following text.

(a) Basis of preparation

This report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and other mandatory professional reporting requirements. The financial report has been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss, that have been measured at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with International Financial Reporting Standards

The financial report complies with the Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Changes in accounting standards

The significant accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the Company's financial statements for the year ended 30 June 2018, except for the adoption of new standards and interpretations effective as at 1 July 2018 noted below:

i) AASB 9 Financial Instruments (and applicable amendments)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The adoption of the standard does not have a significant impact on the recognition, classification and measurement of the Company's financial instruments as they are carried at fair value through profit or loss. On adoption of AASB 9 the equity securities, listed unit trusts and derivatives are mandatorily classified as fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. AASB 9 introduces a new impairment model. However, the change in impairment rules does not impact the financial assets that continue to all be accounted for at fair value through profit or loss. The Company's cash and cash equivalents, receivables and due from brokers continue to be classified and measured at amortised cost. The impact of expected credit losses on financial assets measured at amortised cost is immaterial.

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends, and gains on financial instruments measured at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting standards (continued)

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(c) Financial instruments

In the current period, the Company has adopted AASB 9 *Financial Instruments*. See note 2(b)(i) for an explanation of the impact.

i) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date. Financial assets are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

ii) Classification

In accordance with AASB 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding;
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The equity securities are mandatorily classified as fair value through profit or loss.

In applying that classification, a financial asset or financial liability is considered to be held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category short-term payables.

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined. The Company includes in this category derivative contracts in a liability position.

The derivatives are mandatorily classified as fair value through profit or loss.

iii) Measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of financial position initially at fair value. All transaction costs for such instruments are recognised directly in the Statement of comprehensive income. Financial assets and liabilities, other than those classified as FVPL, are initially measured at fair value adjusted by transaction costs and subsequently amortised using the effective interest rate method less impairment losses for financial assets, if any.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets and liabilities held by the Company is the last traded price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Further details on how the fair values of financial instruments are determined are disclosed in note 7.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

iv) Impairment of Financial assets

The Company holds only cash and cash equivalents, receivables and due from brokers with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply the simplified approach for expected credit losses (ECL) under AASB 9. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are classified as liabilities in the Statement of financial position.

(f) Due from/to brokers

Due from/to brokers represents amounts receivable and payable for securities transactions that have not yet settled at the year end and outstanding overdrafts when applicable. Due from broker also includes collateral against open derivative positions. The due from brokers balance is held for collection and consequently measured at amortised cost.

(g) Investment income

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Interest income is recognised in the Statement of Comprehensive Income for all financial instruments not at fair value through profit or loss using the effective interest method.

Other income is brought to account on an accruals basis.

Net changes in fair value of financial assets and liabilities at fair value through profit or loss are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year). This includes both realised and unrealised gains and losses, but does not include interest or dividend income.

(h) Expenses

Company expenses are recognised in the Statement of comprehensive income on an accrual basis.

(i) Income tax

Under current legislation, the Company is subject to income tax at 27.5% on taxable income.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in the Statement of comprehensive income. Income tax expense comprises current and deferred tax.

2 Summary of significant accounting policies (continued)

(i) Income tax (continued)

Income tax expense is recognised in the net profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised when there is a taxable temporary difference between the tax base of an asset or liability and its corresponding carrying amount in the Statement of financial position. This arises when the carrying amount of an asset exceeds its tax base.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Australian dollar is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income as 'Net foreign exchange gains/(losses)'.

(k) Goods and services tax (GST)

The Company is registered for GST. The issue or redemption of shares in the Company and, where applicable, the receipt of any distributions will not be subject to GST. The Company may be required to pay GST on management and other fees, charges, costs and expenses incurred by the Company. However, the Company may be entitled to input tax credits and reduced input tax credits in respect of the GST incurred.

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of financial position are shown inclusive of GST.

2 Summary of significant accounting policies (continued)

(l) Earnings per share

Details of the Company's basic and diluted earnings per share calculation are provided on note 17.

(m) Share capital

Ordinary shares are classified as equity. Details of ordinary shares issued on exercise of the options are provided on note 16. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Share options

Share options are measured at the fair value of the options at the date of issue within equity.

(o) Receivables

Receivables are recognised when a right to receive a payment is established. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(p) Payables

Payables and trade creditors are recognised when the Company becomes liable. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recognised as payables. Given the short-term nature of most payables, their nominal amounts approximate their fair value.

(q) Dividends

Dividends are recognised as a liability in the year which they are declared.

(r) Segment reporting

Operating segments are reported in a manner consistent with the Company's internal reporting provided to the director's.

(s) Rounding of amounts

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

(t) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates. The Company's significant accounting estimates and judgements include fair value measurement of financial assets and financial liabilities that are not traded in an active market. Details on the determination of fair value are provided on note 7(ii).

2 Summary of significant accounting policies (continued)

(u) New standards, amendments and interpretations effective after 1 July 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

(v) Comparative disclosures

Where appropriate, comparative disclosures have been reclassified/amended to be consistent with the current year's presentation.

3 Dividends

Dividends are recognised during the year when declared.

	Year ended 30 June 2019		Year ended 30 June 2018	
	CPS	\$	CPS	\$
Paid - 05 April 2019 (2018: 18 May 2018) Fully franked at 27.5% tax rate (2018:27.5%)	1.5	1,649,752	2.5	2,740,403
Paid - 5 October 2018 (2018: 6 October 2017) Fully franked at 27.5% tax rate (2018:27.5%)	1.5	1,647,685	1.5	1,143,804
Amount of dividends reinvested		257,038		386,982
Amount of cash dividends paid		3,040,399		3,497,225

Dividend profit reserve

To the extent that any current year profits or prior year accumulated profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future dividends, rather than maintaining these profits within retained earnings. For further information refer to note 12.

4 Segment information

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

The Company primarily invests in global equity securities, and operates in one geographic segment, Australia. The Company has foreign exposures as it invests in companies which operate internationally.

5 Capital and financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

5 Capital and financial risk management (continued)

The Company's overall risk management programme focuses on ensuring compliance with the Company's investment strategy and seeks to maximise the returns derived for the level of risk to which the Company is exposed. The Company may use derivative financial instruments to alter certain risk exposures.

Financial risk management is carried out by the Manager under a Management Agreement approved by the Board of Directors.

The Company uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Market risk

(i) Price risk

The Company is exposed to price risk on equity securities listed or quoted on recognised securities exchanges and equity linked derivatives. Price risk arises from investments held by the Company for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Company manages the price risk through ensuring that all investment activities are undertaken in accordance with the Company's investment strategy.

The table at note 5(b) summarises the sensitivity of the Company's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Company invests move by +/- 10% (2018: +/- 10%).

(ii) Foreign exchange risk

The Company invests internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates.

The Company's policy is to limit its currency exposure on both monetary and non-monetary financial instruments to the Investment guidelines as established in its Prospectus. Forward currency contracts have been primarily used to hedge against foreign currency risks on its non-Australian dollar denominated investments. For accounting purposes, the Company does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

5 Capital and financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the fair value of the Company's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

	US dollars \$	British pounds \$	Japanese Yen \$	All other foreign currencies \$	Total \$
30 June 2019					
Monetary and Non-Monetary Assets and Liabilities					
Monetary Assets and Liabilities					
Cash and cash equivalents	1,247	-	26,706	323	28,276
Receivables	79,721	-	-	88,895	168,616
Payables	-	-	(1)	-	(1)
Due from brokers	2,526,754	-	-	-	2,526,754
Due to brokers	-	(2,439,645)	-	-	(2,439,645)
Total Monetary Assets and Liabilities	2,607,722	(2,439,645)	26,705	89,218	284,000
Non-Monetary Assets and Liabilities					
Financial assets at fair value through profit or loss	72,660,087	9,694,143	6,179,688	18,945,290	107,479,208
Financial liabilities at fair value through profit or loss	(3,855)	(3,145)	(26,857)	(14,437)	(48,294)
Total Non-Monetary Assets and Liabilities	72,656,232	9,690,998	6,152,831	18,930,853	107,430,914
Gross value of foreign exchange forward contracts	(51,967,227)	(6,677,274)	(5,701,933)	(19,457,833)	(83,804,267)
Net Exposure to Foreign Currency on Monetary and Non-Monetary Assets and Liabilities	23,296,727	574,079	477,603	(437,762)	23,910,647

5 Capital and financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

30 June 2018	US dollars \$	British pounds \$	Japanese Yen \$	All other foreign currencies \$	Total \$
Monetary and Non-Monetary Assets and Liabilities					
Monetary Assets and Liabilities					
Cash and cash equivalents	1,413,606	-	54,586	7,054	1,475,246
Receivables	13,237	-	-	35,036	48,273
Due from brokers	342,873	-	-	-	342,873
Due to brokers	<u>(2,638,902)</u>	<u>(146,859)</u>	<u>-</u>	<u>-</u>	<u>(2,785,761)</u>
Total Monetary Assets and Liabilities	<u>(869,186)</u>	<u>(146,859)</u>	<u>54,586</u>	<u>42,090</u>	<u>(919,369)</u>
Non-Monetary Assets and Liabilities					
Financial assets at fair value through profit or loss	66,137,527	20,105,244	6,855,669	14,315,793	107,414,233
Financial liabilities at fair value through profit or loss	<u>(6,210,132)</u>	<u>(178,610)</u>	<u>(58,042)</u>	<u>(228,471)</u>	<u>(6,675,255)</u>
Total Non-Monetary Assets and Liabilities	<u>59,927,395</u>	<u>19,926,634</u>	<u>6,797,627</u>	<u>14,087,322</u>	<u>100,738,978</u>
Gross value of foreign exchange forward contracts	<u>(59,534,667)</u>	<u>(19,318,139)</u>	<u>(7,026,189)</u>	<u>(14,423,982)</u>	<u>(100,302,977)</u>
Net Exposure to Foreign Currency on Monetary and Non-Monetary Assets and Liabilities	<u>(476,458)</u>	<u>461,636</u>	<u>(173,976)</u>	<u>(294,570)</u>	<u>(483,368)</u>

The table at note 5(b) summarises the sensitivity of the Company's monetary and non-monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened/strengthened by 10% (2018: 10%) against the foreign currencies to which the Company is significantly exposed.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Company's financial assets and liabilities are non-interest bearing except for cash and cash equivalents and due from brokers. Hence the impact of interest rate risk on profit is not considered to be material to the Company.

5 Capital and financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Floating Interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
30 June 2019				
Assets				
Cash and cash equivalents	14,253,989	-	-	14,253,989
Receivables	-	-	1,869,523	1,869,523
Due from brokers	513	-	2,526,754	2,527,267
Financial assets at fair value through profit or loss	-	-	107,479,208	107,479,208
Liabilities				
Due to brokers	-	-	(2,439,644)	(2,439,644)
Payables	-	-	(290,460)	(290,460)
Management and performance fee payable	-	-	(81,706)	(81,706)
Financial liabilities at fair value through profit or loss	-	-	(48,294)	(48,294)
Net exposure	<u>14,254,502</u>	-	<u>109,015,381</u>	<u>123,269,883</u>
	Floating Interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
30 June 2018				
Assets				
Cash and cash equivalents	30,855,370	-	-	30,855,370
Receivables	-	-	249,607	249,607
Due from brokers	1,414	-	342,865	344,279
Financial assets at fair value through profit or loss	-	-	107,414,233	107,414,233
Liabilities				
Due to brokers	-	-	(2,785,761)	(2,785,761)
Payables	-	-	(421,455)	(421,455)
Management and performance fee payable	-	-	(85,275)	(85,275)
Financial liabilities at fair value through profit or loss	-	-	(6,675,255)	(6,675,255)
Net exposure	<u>30,856,784</u>	-	<u>98,038,959</u>	<u>128,895,743</u>

The table at note 5(b) summarises the sensitivity of the Company's assets and liabilities to interest rate risk. The analysis is based on the assumption that the markets in which the Company invests move by +/- 1% (2018: +/- 1%).

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Company's operating profit and net assets attributable to shareholders subjected to price risk, interest rate risk and foreign exchange risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates and the historical correlation of the Company's investments with relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the

5 Capital and financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

performance of and/or correlation between the performances of the economies, markets and securities in which the Company invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to shareholders			
	-10%	+10%	-1%	+1%
	\$	\$	\$	\$
30 June 2019	(10,611,347)	10,611,347	(142,545)	142,545
30 June 2018	(10,464,528)	10,464,528	(308,568)	308,568

	Foreign exchange risk					
	Impact on operating profit/Net assets attributable to shareholders					
	-10%	+10%	-10%	+10%	-10%	+10%
	USD	USD	GBP	GBP	JPY	JPY
	\$	\$	\$	\$	\$	\$
30 June 2019	(2,329,673)	2,329,673	(57,408)	57,408	(47,760)	47,760
30 June 2018	(47,646)	47,646	(46,164)	46,164	(17,398)	17,398

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay its contractual obligations in full when they fall due, causing a financial loss to the Company.

The Company does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Company is exposed, arises from cash and cash equivalents and amounts due from brokers. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount disclosed in the Statement of financial position.

Trading with recognised and creditworthy third parties only is a way that the Company manages credit risk. The Company does not consider counterparty risk to be significant, as the Company only trades with recognised and creditworthy third parties. The Standard and Poor's long term foreign issuer credit rating of the Company's counterparties as at 30 June 2019 and 30 June 2018 are:

- A for State Street Corporation (2018: A);
- AA- for Australia and New Zealand Banking Group Ltd (2018: AA-);
- A+ for Morgan Stanley & Co International PLC (2018: A+); and
- AA- for National Australia Bank Ltd (2018: AA-).

(d) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Investment Manager monitors the Company's cash-flow requirements daily taking into account upcoming income, expenses and investment activities. The assets of the Company are largely in the form of listed securities which are considered readily convertible to cash.

5 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Non-stated maturity	Total
At 30 June 2019	\$	\$	\$	\$	\$	\$
Payables	274,011	16,449	-	-	-	290,460
Management and performance fees payable	81,706	-	-	-	-	81,706
Due to brokers - payable for securities purchased	2,439,644	-	-	-	-	2,439,644
Contractual cash flows (excluding derivatives)	2,795,361	16,449	-	-	-	2,811,810

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Non-stated maturity	Total
At 30 June 2018	\$	\$	\$	\$	\$	\$
Payables	383,255	38,200	-	-	-	421,455
Management and performance fees payable	85,275	-	-	-	-	85,275
Due to brokers - payable for securities purchased	2,785,761	-	-	-	-	2,785,761
Contractual cash flows (excluding derivatives)	3,254,291	38,200	-	-	-	3,292,491

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Company's net settled derivative financial instruments based on their contractual maturity. The Company may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Non-stated maturity	Total
30 June 2019	\$	\$	\$	\$	\$	\$
Forwards	5,320	1,312,116	-	-	-	1,317,436
Total net settled derivatives	5,320	1,312,116	-	-	-	1,317,436

5 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of net settled derivative financial instruments (continued)

30 June 2018	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Non-stated maturity \$	Total \$
Forwards	(4,324,153)	-	-	-	-	(4,324,153)
Warrants	-	-	-	-	417,852	417,852
Total net settled derivatives	(4,324,153)	-	-	-	417,852	(3,906,301)

(e) Capital management

The Company's objective in managing capital and investment is to maximise compound after-tax returns for shareholders over time by investing in an investment portfolio of global equity securities using the Managers distinctively contrarian high conviction, benchmark independent investment approach. The strategy is to acquire a portfolio of stocks which the Manager believes are in a period of price discovery and offer an attractive risk/reward profile.

The Company recognises that its capital position and market price will fluctuate in accordance with market conditions and, in order to adjust the capital structure, it may vary the amount of dividends paid, issue new shares or options from time to time, or buy back its own shares.

A breakdown of the Company's equity and changes in equity during the current year is provided in note 16.

6 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the Statement of financial position are disclosed in the first three columns of the tables below.

Financial assets	Effects of offsetting on the Statement of financial position			Related amounts not offset		
	Gross amount of financial assets \$	Gross amounts set off in the Statement of financial position \$	Net amount of financial assets presented in the Statement of financial position \$	Amounts subject to master netting arrangements \$	Collateral pledged/received \$	Net Amount \$
30 June 2019						
Derivative financial instruments (i)	1,365,730	-	1,365,730	(48,290)	-	1,317,440
Total	1,365,730	-	1,365,730	(48,290)	-	1,317,440

6 Offsetting financial assets and financial liabilities (continued)

Financial assets	Effects of offsetting on the Statement of financial position			Related amounts not offset		
	Gross amount of financial assets	Gross amounts set off in the Statement of financial position	Net amount of financial assets presented in the Statement of financial position	Amounts subject to master netting arrangements	Collateral pledged/received	Net Amount
	\$	\$	\$	\$	\$	\$
30 June 2018						
Derivative financial instruments (i)	2,768,954	-	2,768,954	(2,350,683)	-	418,271
Total	2,768,954	-	2,768,954	(2,350,683)	-	418,271
Financial liabilities	Effects of offsetting on the Statement of financial position			Related amounts not offset		
	Gross amount of financial liabilities	Gross amounts set off in the Statement of financial position	Net amount of financial liabilities presented in the Statement of financial position	Amounts subject to master netting arrangements	Collateral pledged/received	Net Amount
	\$	\$	\$	\$	\$	\$
30 June 2019						
Derivative financial instruments (i)	48,294	-	48,294	(48,290)	-	4
Total	48,294	-	48,294	(48,290)	-	4
30 June 2018						
Derivative financial instruments (i)	6,675,255	-	6,675,255	(2,350,683)	-	4,324,572
Total	6,675,255	-	6,675,255	(2,350,683)	-	4,324,572

(i) Master netting arrangement

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. These amounts have not been offset in the Statement of financial position, but have been presented separately in the above table.

7 Fair value measurement

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (see note 9 and 10)

7 Fair value measurement (continued)

- Derivative financial instruments (see note 11)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy;

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded prices.

The Company values its investments in accordance with the accounting policies set out in note 2 to the financial statements. For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

7 Fair value measurement (continued)

Recognised fair value measurement

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 30 June 2019 and 30 June 2018.

As at 30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	101,090,436	-	-	101,090,436
Listed unit trusts	5,023,042	-	-	5,023,042
Derivatives	-	1,365,730	-	1,365,730
Total financial assets at fair value through profit or loss	106,113,478	1,365,730	-	107,479,208
Financial liabilities at fair value through profit or loss				
Derivatives	-	48,294	-	48,294
Total financial liabilities at fair value through profit or loss	-	48,294	-	48,294
As at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	104,645,279	-	-	104,645,279
Derivatives	417,852	2,351,102	-	2,768,954
Total financial assets at fair value through profit or loss	105,063,131	2,351,102	-	107,414,233
Financial liabilities at fair value through profit or loss				
Derivatives	-	6,675,255	-	6,675,255
Total financial liabilities at fair value through profit or loss	-	6,675,255	-	6,675,255

In the comparative period, the Company classified its equity securities as financial assets designated at fair value and its derivatives were classified as held for trading.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) *Transfers between levels*

There were no transfers between levels in the fair value hierarchy for the years ended 30 June 2019 and 30 June 2018.

(ii) *Fair value measurements using significant unobservable inputs (level 3)*

There were no investments classified as level 3 within the Company as at 30 June 2019 and 30 June 2018.

(iii) *Fair values of other financial instruments*

Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

8 Net changes in fair value of financial assets and liabilities at fair value through profit or loss

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Financial assets		
Net gain/(loss) on financial assets at fair value through profit and loss	<u>6,488,544</u>	<u>20,170,894</u>
Financial liabilities		
Net gain/(loss) on financial liabilities at fair value through profit or loss	<u>(6,180,134)</u>	<u>(6,324,150)</u>
Total net changes in fair value of financial assets and liabilities at fair value through profit or loss	<u>308,410</u>	<u>13,846,744</u>

In the comparative period, the Company recognised a net gain of \$2,485,187 on financial assets held for trading and a net gain of \$17,685,707 on financial assets designated at FVPL. In the addition, the Company recognised a net loss of \$6,324,150 on financial liabilities held for trading.

9 Financial assets at fair value through profit or loss

	As at	
	30 June 2019	30 June 2018
	\$	\$
Financial assets at fair value through profit or loss		
Equity securities	101,090,436	104,645,279
Listed unit trusts	5,023,042	-
Derivatives (note 11)	<u>1,365,730</u>	<u>2,768,954</u>
Total financial assets at fair value through profit or loss	<u>107,479,208</u>	<u>107,414,233</u>

In the comparative period, the Company classified its equity securities as financial assets designated at fair value and its derivatives were classified as held for trading.

9 Financial assets at fair value through profit or loss (continued)

Details of the Company's top 10 equity and listed unit trust investments as at 30 June 2019 and 30 June 2018 are set out on the following tables:

Company Name	As at 30 June 2019 \$
Premier Inc	7,410,475
Cellnex Telecom Sa	6,707,833
Entertainment One Ltd	6,339,301
Graphic Packaging Holding Co	5,649,873
WillScot Corp	5,267,140
Nuance Communications Inc	4,673,140
TKH Group NV	4,673,082
Ciena Corp Common Stock	4,287,191
Keysight Technologies Inc	4,106,368
InterXion Holding NV	4,074,759
Total - top 10 equity investments	<u>53,189,162</u>
Listed unit trust investments	5,023,042
Other investments in equity and listed unit trust investments	<u>52,924,316</u>
Total equity investments	<u>106,113,478</u>

Company Name	As at 30 June 2018 \$
Equiniti Group Plc	9,750,517
Zayo Group Holdings Inc	8,612,314
Entertainment One Ltd	6,401,326
InterXion Holding NV	6,366,444
Huntsman Corp	6,242,443
Cellnex Telecom Sa	5,374,396
Stars Group Inc	5,148,490
Premier Inc	5,009,791
Keysight Technologies Inc	4,664,717
Comerica Inc	<u>4,164,466</u>
Total - top 10 equity investments	<u>61,734,904</u>
Other investments in equity investments	<u>42,910,375</u>
Total equity investments	<u>104,645,279</u>

An overview of the risk exposures related to the financial assets at fair value through profit or loss is included in note 5.

10 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2019	30 June 2018
	\$	\$
Financial liabilities at fair value through profit or loss		
Derivatives (note 11)	<u>48,294</u>	<u>6,675,255</u>
Total financial liabilities at fair value through profit or loss	<u>48,294</u>	<u>6,675,255</u>

In the comparative period, the Company classified its short position on derivatives as held for trading.

An overview of the risk exposures related to the financial liabilities at fair value through profit or loss is included in note 5.

11 Derivative financial instruments

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging (portfolio and/or individual security risk);
- to increase/decrease overall portfolio and country exposures;
- investing indirectly where the Manager determines that investing indirectly would, for example, be commercially advantageous, tax efficient or provide a more practicable means of access to the relevant investment; and
- short term portfolio management purposes, for example obtaining economic exposure to the market whilst physical exposures are being bought.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Company.

The Company holds the following derivatives:

(a) Forward currency contracts

Forward currency contracts are primarily used by the Company to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Company recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(b) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralized by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

11 Derivative financial instruments (continued)

(c) Warrants

Warrants are an option to purchase additional securities from the issuer at a specified price during a specified period. Warrants are valued at the prevailing market price at the end of each reporting period. The Company recognises a gain or loss equal to the change in fair value at the end of each reporting period.

The Company's derivative financial instruments at year end are detailed below:

	Contract/ Notional \$	Fair Values	
		Assets \$	Liabilities \$
30 June 2019			
Foreign currency contracts	<u>97,885,645</u>	<u>1,365,730</u>	<u>48,294</u>
Total Derivatives	<u>97,885,645</u>	<u>1,365,730</u>	<u>48,294</u>

	Contract/ Notional \$	Fair Values	
		Assets \$	Liabilities \$
30 June 2018			
Foreign currency contracts	100,379,380	2,351,102	6,675,255
Warrants	<u>565,717</u>	<u>417,852</u>	<u>-</u>
Total Derivatives	<u>100,945,097</u>	<u>2,768,954</u>	<u>6,675,255</u>

Risk exposures and fair value measurements

Information about the Company's exposure to price risk, credit risk, foreign exchange risk, interest rate risk, liquidity risk and about the methods and assumptions used in determining fair values is provided in Note 5 and 7 to the financial statements. The maximum exposure to credit risk at the end of the year is the carrying amount of each class of derivative financial instruments disclosed above.

12 Dividend profit reserve

The dividend profit reserve is made up of amounts allocated from retained earnings that are preserved for future dividends payments.

	As at	
	30 June 2019 \$	30 June 2018 \$
Movements in Dividend Profit Reserve		
Balance at the beginning of the year	4,447,761	3,412,450
Transferred from retained earnings	5,689,199	4,919,518
Payment of dividend	<u>(3,297,437)</u>	<u>(3,884,207)</u>
Closing balance at the end of the year	<u>6,839,523</u>	<u>4,447,761</u>

On 23 August 2018, the directors decided to transfer approximately \$5,689,199 (2018: \$4,919,518) to the dividend profit reserve, with the intention to pay at least 3 cents per annum dividend going forward.

13 Cash and cash equivalents

	As at	
	30 June 2019	30 June 2018
	\$	\$
Cash at bank	4,094,039	14,369,590
Deposits at call	10,159,950	16,485,780
Total cash and cash equivalents	14,253,989	30,855,370

These accounts are earning a floating interest rate between 0.01% pa (June 2018: 0.01% pa) and 1.40% pa (June 2018: 1.40% pa) during the reporting period.

14 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
(Loss)/profit for the year after tax	(286,914)	9,513,166
Purchase of financial instruments at fair value through profit or loss	(118,162,936)	(126,197,366)
Proceeds from sale of financial instruments at fair value through profit or loss	109,279,244	118,338,887
Net gains on financial instruments at fair value through profit or loss	(308,410)	(13,846,744)
Amount received from brokers for margin accounts	901	8,276,965
(Increase)/decrease in foreign exchange gains/(losses)	(27,598)	9,439
Net change in receivables	10,701	(105,247)
(Decrease)/Increase in income tax assets and liabilities	(2,550,105)	1,313,334
Net change in payables	(221,522)	405,777
Net cash outflow from operating activities	(12,266,639)	(2,291,789)
(b) Non-cash financing activities		
Reinvestment of shareholder dividends	257,038	386,982

15 Income tax

	As at	
	30 June 2019	30 June 2018
(a) Reconciliation of income tax expense to prima facie tax benefit/(expense):	\$	\$
Profit before income tax	(330,393)	12,984,465
Prima facie income tax benefit/(expense) calculated at 27.5% (2018: 27.5%)	90,858	(3,570,728)
Tax effect of foreign dividends	<u>(47,379)</u>	<u>99,429</u>
	<u>43,479</u>	<u>(3,471,299)</u>
(b) Income tax benefit/(expense) composition:		
Current income tax expense	-	(2,166,966)
Deferred income tax benefit/(expense)	<u>43,479</u>	<u>(1,304,333)</u>
	<u>43,479</u>	<u>(3,471,299)</u>
(c) Income tax benefit recognised directly to equity:		
Costs associated with the issue of shares	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
(d) Deferred tax (liabilities)/assets comprise of temporary differences attributed to:		
Carry forward unused tax losses*	620,233	-
Costs associated with the issue of shares	-	130,539
Unrealised gain on investments held on revenue account	<u>(2,773,023)</u>	<u>(2,326,808)</u>
Total net deferred tax liability	<u>(2,152,790)</u>	<u>(2,196,269)</u>
(e) Imputation credits:		
Total imputation credits available in subsequent financial years based on a tax rate of 27.5% (2018: 27.5%)**	2,594,302	3,845,053

*At the reporting date, the Company has \$2,255,391 (2018: nil) unused tax losses carried forward. The Company determined it is probable that there will be future taxable profits available against which the tax losses can be utilised. As a consequence, a deferred tax asset of \$620,233 (2018: nil) has been recognised for these losses.

There are no other deductible temporary differences, carry forward of unused tax credits and any unused tax losses not recognised as deferred tax assets at year end (2018: nil).

**The above amount represents the balance of imputation credits at 30 June 2019 and 30 June 2018 adjusted for income tax paid/payable and franked dividends receivable. The Company's ability to pay franked dividends is dependent upon receipt of franked dividends and the Company paying tax.

16 Issued capital

	As at 30 June 2019	
	No. of Securities	\$
Ordinary shares		
Opening balance - 1 July 2018	109,845,725	108,179,847
Shares bought back	(1,356,235)	(1,272,572)
Shares issued under dividend reinvestment plan	<u>259,766</u>	<u>257,038</u>
Total issued capital - fully paid ordinary shares	<u>108,749,256</u>	<u>107,164,313</u>
Options		
Total options	-	-
Total issued capital		<u>107,164,313</u>

	As at 30 June 2018	
	No. of Securities	\$
Ordinary shares		
Opening balance - 1 July 2017	75,871,924	74,193,688
Shares issued under dividend reinvestment plan	374,624	386,982
Shares issued from exercise of options	<u>33,599,177</u>	<u>33,599,177</u>
Total issued capital - fully paid ordinary shares	<u>109,845,725</u>	<u>108,179,847</u>
Options		
Opening balance - 1 July 2017	33,599,177	-
Options exercised	<u>(33,599,177)</u>	<u>-</u>
Total options	-	-
Total issued capital		<u>108,179,847</u>

(a) Terms and conditions

(i) Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

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 1,356,235 shares had been bought back, approximately 1.25% of its issued ordinary shares.

16 Issued capital (continued)

(a) Terms and conditions (continued)

(ii) Options

Each shareholder who made an application for shares and loyalty options under the prospectus, dated 16 September 2014, received one loyalty option for every two shares issued for nil consideration. The loyalty options were vested to eligible shareholders on 10 April 2015 and were first quoted on the ASX on 22 April 2015.

Holders of the vested loyalty option had the right to acquire one ordinary share in the Company at an exercise price of \$1.00 per share and could exercise the right at any time in the period commencing on the day after the vesting date of 10 April 2015 and ending on the third anniversary of the vesting date being 10 April 2018.

The vested loyalty options were not entitled to dividends. Ordinary shares issued on exercise of the options rank equally with all other ordinary shares from the date of exercise and entitle the holder to receive dividend on or prior to the applicable record date.

17 Earnings per share

	Year ended	
	30 June 2019	30 June 2018
Basic (losses)/earnings per share (cents)	(0.26)	11.10
Diluted (losses)/earnings per share (cents)	(0.26)	11.10
Weighted average number of ordinary shares		
Weighted average number of ordinary shares on issue used in calculating basic earnings/(losses) per share	<u>109,742,342</u>	<u>85,679,013</u>
Weighted average number of ordinary shares on issue used in calculating diluted earnings/(losses) per share	<u>109,742,342</u>	<u>85,679,013</u>
Earnings/(Losses) reconciliation		
Net (loss)/profit after income tax used in the calculation of basic and diluted (losses)/earnings per share (\$)	<u>(286,914)</u>	<u>9,513,166</u>

*Calculated in accordance with AASB 133: *Earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on exercise of the options during the year.

18 Net tangible assets per share

	As at	
	30 June 2019	30 June 2018
	\$	\$
Net tangible assets per share		
Net Tangible Assets before all taxes (i)	1.1335	1.1734
Net Tangible Assets after realised tax (ii)	1.1335	1.1645
Net Tangible Assets after tax	1.1137	1.1445

The Net Tangible Assets as at 30 June 2019 is based on fully paid ordinary shares of 108,749,256 (June 2018: 109,845,725).

(i) All figures are after the payment of dividends and taxes. During the year ended 30 June 2018 dividends of 3 cents per share (30 June 2018: 4 cents per share) tax of 0.80 cents per share (30 June 2018: 2.20 cents per share) were paid.

(ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

19 Management and performance fees

Under the Management Agreement, effective 20 October 2014, the Company must pay a management fee of 0.75% per annum (plus GST) of the pre tax net asset value of the Investment Portfolio to Ellerston Capital Limited (the Manager), calculated and accrued monthly and paid monthly in arrears. In addition, the Manager is entitled to receive a performance fee equal to 15% (plus GST) of the amount by which the investment portfolio's pre tax return exceeds the return of the MSCI World Index (local), calculated and accrued monthly and paid annually in arrears. In the case the Investment Portfolio's pre tax return is less than the return of the MSCI World Index (Local) for the financial year, no performance fee will be payable in respect of that financial year and the negative performance fee amount will be carried forward to the following financial year or financial years until it has been recouped.

The Board is responsible for regularly reviewing the performance of the Manager against measurable and qualitative indicators as reflected in the Management Agreement and the terms of the Manager's delegated authority. During the year 30 June 2019, the company has not accrued the performance fee (30 June 2018: Nil).

	30 June 2019	30 June 2018
	\$	\$
Management fees expense	929,294	781,146
Management fees payable	81,706	85,275

20 Auditor's remuneration

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Audit and assurance services		
Statutory audit and review of the financial reports	52,118	50,832
Non-audit services		
Taxation services	3,850	3,658
Total remuneration for assurance services	55,968	54,490

Amounts received or due and receivable by the auditor of the Company, Ernst & Young.

21 Related parties

The Company has appointed Ellerston Capital Limited, to act as the Manager of the Company's investment portfolio. The contract is on normal commercial terms and conditions.

(a) Key management personnel

The Key Management Personnel (KMP) of the Company comprise the Independent Non-Executive Directors, the Executive Director and the Manager.

Ellerston Capital Limited

A Management Agreement between the Company and the Manager commenced on 20 October 2014. For the years ended 30 June 2019 and 30 June 2018, the Manager was remunerated by the Company in accordance with the Management Agreement, and the Manager is entitled to:

- (i) a management fee of 0.75% per annum (plus GST) of the pre tax net asset value of the Company's investment portfolio, calculated and accrued monthly and paid monthly in arrears; and
- (ii) a performance fee equal to 15% (plus GST) of the amount by which the investment portfolio's pre-tax return exceeds the return of the MSCI World Index (local), calculated and accrued monthly and paid annually in arrears.

Details of management and performance fees are provided on note 19 on page 53.

The following remuneration was paid or payable by the Company to the Independent Non-Executive Directors and Executive Director, and the Manager for the year:

	30 June 2019	30 June 2018
	\$	\$
Sam Brougham	30,250	30,250
Paul Dortkamp	30,250	30,250
Stuart Robertson	15,125	30,250

21 Related parties (continued)

(a) Key management personnel (continued)

	30 June 2019	30 June 2018
Bill Best	15,125	Nil
Total Non-Executive Directors' fees paid by the Company	90,750	90,750
Total Executive Director's fee paid by the Company to Ashok Jacob	Nil	Nil

Further details of remuneration paid or payable to the directors is disclosed in the Remuneration Report in the Directors' Report.

(b) Transactions with related parties

The Company from time to time enters into transactions with parties related to the Manager. All related party transactions are made at arm's length on standard business terms and conditions. During the reporting periods 30 June 2019 and 30 June 2018 the Company had the following related party transactions:

30 June 2019

Shareholder	Number of Shares held opening (No.)	Number of Shares held closing (No.)	Fair value of investment (\$)	Interest held (%)	Shares acquired during the year (No.)	Shares disposed during the year (No.)	Dividends paid/payable (\$)
Ellerston Global Equity Managers Fund							
Ordinary Shares	2,202,695	2,233,865	2,487,918	2.05%	31,170	-	66,548
Loyalty Options	-	-	-	-	-	-	-
Directors of Ellerston Capital							
Ordinary Shares	77,382	44,908	52,243	0.04%	-	30,474	1,745
Loyalty Options	-	-	-	-	-	-	-
Management Share	1	1	-	-	-	-	-

30 June 2018

Shareholder	Number of Shares held opening (No.)	Number of Shares held closing (No.)	Fair value of investment (\$)	Interest held (%)	Shares acquired during the year (No.)	Shares disposed during the year (No.)	Dividends paid/payable (\$)
Ellerston Global Equity Managers Fund							
Ordinary Shares	1,430,272	2,202,695	2,520,984	2.01	700,000	-	75,253
Loyalty Options	700,000	-	-	-	-	700,000	-
Directors of Ellerston Capital Limited							
Ordinary Shares	52,120	77,382	88,564	0.07	25,262	-	2,712

21 Related parties (continued)

(b) Transactions with related parties (continued)

30 June 2018

Loyalty Options	25,000	-	-	-	-	25,000	-
Management Share	1	1	-	-	-	-	-

The Manager of the Company is the Responsible Entity and the Investment Manager of Ellerston Global Equity Managers Fund.

Note: Where directors hold directorships of the Company and the Investment Manager, those holdings have been included in the Directors' Report and are not included in the table above under "Directors of Ellerston Capital Limited".

22 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 30 June 2019 and 30 June 2018.

23 Events occurring after the reporting period

On 23 August 2019, the directors declared a fully franked final dividend of 1.5 cents per ordinary share, which is payable to shareholders on 4 October 2019. The amount of the proposed dividend, which is not recognised as a liability as at 30 June 2019, is \$1,631,239 based on the number of shares on issue at 30 June 2019. The dividend will be paid out of the dividend profit reserve.

No other significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Company disclosed in the Statement of financial position as at 30 June 2019 or on the results and cash flows of the Company for the year ended on that date.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 23 to 56 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the financial year; and
- (b) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Ashok Jacob', with a long horizontal line extending to the right from the end of the signature.

Ashok Jacob
Chairman
23 August 2019



**Building a better
working world**

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Independent Auditor's Report to the Members of Ellerston Global Investments Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ellerston Global Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Ellerston Global Investments Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Investment Existence and Valuation

Why significant

The Company has a significant investment portfolio consisting primarily of listed equity securities and derivatives. As at 30 June 2019, the values of these financial assets and financial liabilities were \$107,479,208 and \$48,294, which represented 85% and 1%, of the total assets and total liabilities respectively of the Company.

As detailed in the Company's accounting policy, described in Note 2(c) of the financial report, these financial assets and financial liabilities are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and financial liabilities, and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.

How our audit addressed the key audit matter

We assessed the effectiveness of the controls relating to the recognition and valuation of investments.

We obtained and considered the assurance report on the controls of the Company's administrator in relation to the fund administration services for the year ended 30 June 2019 and considered the auditor's qualifications, competence and objectivity and the results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2019.

We assessed the fair value of all investments in the portfolio held at 30 June 2019. For listed securities, the values were verified against independently sourced market prices. For unlisted derivatives, the values were verified using independently sourced observable market inputs applied to appropriate valuation models.

We assessed the adequacy of the disclosures in Note 7 of the financial report.

2. Management and Performance Fees

Why significant

Management and performance fees, paid to the Manager, Ellerston Capital Limited, are the most significant operating expense for the Company.

The Company's accounting policy for management and performance fees is described in Note 19 of the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date that the performance criteria is met and the obligation has crystallised.

As at 30 June 2019, management fees totalled \$929,294 which represented 46% of total expenses.

How our audit addressed the key audit matter

We assessed the effectiveness of the controls in relation to the calculation of management and performance fees of the Company's administrator, who has responsibility for the calculation.

We recalculated management and performance fees, in accordance with the relevant Services agreement, including agreeing the fee rates to the calculation.

We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation was in line with the relevant Services agreement.

2. Management and Performance Fees (continued)

Why significant

As at 30 June 2019, the Company had nil performance fees.

The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance.

Accordingly, this was considered a key audit matter. The disclosure of these amounts is included in Note 19 of the financial report.

How our audit addressed the key audit matter

We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2019.

We assessed the adequacy of the disclosures in Note 19 of the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

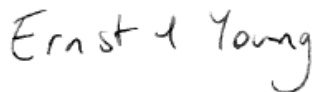
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2019.

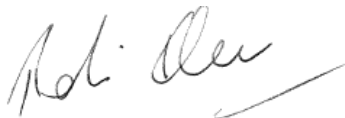
In our opinion, the Remuneration Report of Ellerston Global Investments Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Rohit Khanna
Partner
Sydney
23 August 2019

Shareholder information

Additional information required by the Australian Stock Exchange Ltd (ASX) and not shown elsewhere in this report is as follows. The information is current as at 22 August 2019.

(a) Distribution of Shareholders of the Company as at 22 August 2019:

ORDINARY SHAREHOLDING RANGE	NUMBER OF HOLDERS	NUMBER OF ORDINARY SHARES	% OF ISSUED CAPITAL
1 to 1,000	57	25,511	0.02
1,001 to 5,000	112	360,535	0.34
5,001 to 10,000	179	1,510,369	1.41
10,001 to 100,000	1,309	48,302,142	44.97
100,001 and Over	<u>150</u>	<u>57,213,702</u>	<u>53.27</u>
Total	<u>1,807</u>	<u>107,412,259</u>	<u>100.00</u>

The number of security investors holding less than a marketable parcel of 516 securities (\$.970 on 21/08/2019) is 31 and they hold 4311 securities.

Shareholder information (continued)

(b) Substantial shareholders

Top 20 Ordinary Shareholders as at 22 August 2019

RANK	HOLDER NAME	NUMBER OF ORDINARY SHARES	% OF ISSUED CAPITAL	
1	NAMARONG INVESTMENTS PTY LTD <THE HANSEN INVESTMENT A/C>	4,500,000	4.19%	
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,117,805	3.83%	
3	RAC & JD BRICE SUPERANNUATION P/L <BRICE SUPER FUND A/C>	4,050,000	3.77%	
4	E D DUNN PTY LTD <ELEANOR DUNN A/C>	3,441,340	3.20%	
5	RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	3,000,000	2.79%	
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,423,537	2.26%	
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,154,960	2.01%	
8	PICKO PTY LTD CROFTON PARK	2,146,531	2.00%	
9	DEVELOPMENTS PTY LTD <SAM BROUGHAM FAMILY A/C>	1,633,440	1.52%	
10	BRAZIL FARMING PTY LTD	1,119,884	1.04%	
11	ANGUELINE CAPITAL PTY LIMITED MARIAN & EH FLACK NOMINEES	630,000	0.59%	
12	PTY LTD PRIMARY COMMUNITY AGED CARE	600,000	0.56%	
13	PTY LTD <ARDMILLAN A/C>	590,405	0.55%	
14	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	530,000	0.49%	
15	CHARLES & CORNELIA GOODE FOUNDATION PTY LTD <CCG FOUNDATION A/C>	500,000	0.47%	
16	LIC INVESTMENTS PTY LTD <LIC INVESTMENTS UNIT A/C>	500,000	0.47%	
17	BNP PARIBAS NOMINEES PTY LTD CROFTON PARK DEVELOPMENT	466,944	0.43%	
18	PTY LTD <BROUGHAM SUPER FUND A/C>	440,546	0.41%	
19	TANDOM NOMINEES PTY LTD <THE CURTIS FAMILY A/C>	411,044	0.38%	
20	INVESTMENT MANAGEMENT CO PTY LTD <VANTAGE INVESTMENT FUND A/C>	400,000	0.37%	
INVESTORS				
Total For Top 20		20	33,656,436	31.33%
TOTAL OTHER INVESTORS		1,787	73,755,823	68.67%
Grand Total		1,807	107,412,259	100.00%

Corporate directory

Directors

Ashok Jacob
Sam Brougham
Paul Dortkamp
Bill Best

Company Secretary

Ian Kelly

Registered Office

c/- Ellerston Capital Limited
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Auditor

Ernst & Young
Ernst and Young Centre
200 George Street
SYDNEY NSW 2000

Manager

Ellerston Capital Limited
ACN 110 397 674
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Securities Exchange Listing

ASX code (ordinary shares): EGI