



## Fact Sheet: Elstree Enhanced Income Fund

### The Organisation:

Elstree Investment Management Limited is an executive owned fixed income boutique fund manager that has been managing portfolios of listed debt hybrid securities since 2003.

### Portfolio Characteristics

Eligible Securities.....	Selected ASX Listed Debt Hybrid Securities
Number of securities.....	More than 15 and less than 40
Default Risk.....	Consistent with lower investment grade securities
Yield to expected maturity (sector).....	Circa 5.0% (BBSW + 3.50%)

### Why invest in Australian listed credit?

Driven by liquidity factors the Australian listed credit market sold off more heavily than other credit markets around the world during the GFC. While global credit markets have recovered most of their lost ground, due to a number of factors relating, in the main, to inefficiencies inherent in the market place the Australian listed credit market is lagging and as such represents an opportunity both as a standalone and relative investment.

As the influences of the GFC diminish the Australian listed credit market is expected to provide investors with a total return sufficiently above the risk free rate to more than compensate for any future default, conversion or liquidity event that may arise. The excess return being underpinned by a combination of capital growth opportunities (a narrowing of credit spreads) and historically high income yields (high nominal coupon rates).

### Manager's Investment Philosophy:

Driven by a combination of complex security structures, a high degree of retail investor input, limited institutional involvement and lack of quality research the listed debt hybrid market is inefficient. We exploit these inefficiencies through a combination of strategic security selection and active secondary market trading.

### Manager's Investment Process:

Our process is designed to structure portfolios of listed debt hybrid securities that consistently display an acceptable risk adjusted return. Our investment process consists of 4 steps or filters.

In summary we;

1. Value each security based on the our assessment of the security's structure after consideration of what we think the issuer is most likely to do at the next reset or roll date
2. Consider the supply and demand factors that are most likely to impact security valuations both now and in the future
3. Ensure that the credit risk of each security is adequately reflected in the price of that security
4. Reduce overall portfolio risk by creating diversified portfolios with correlation benefits.

## Manager's Risk Management Process

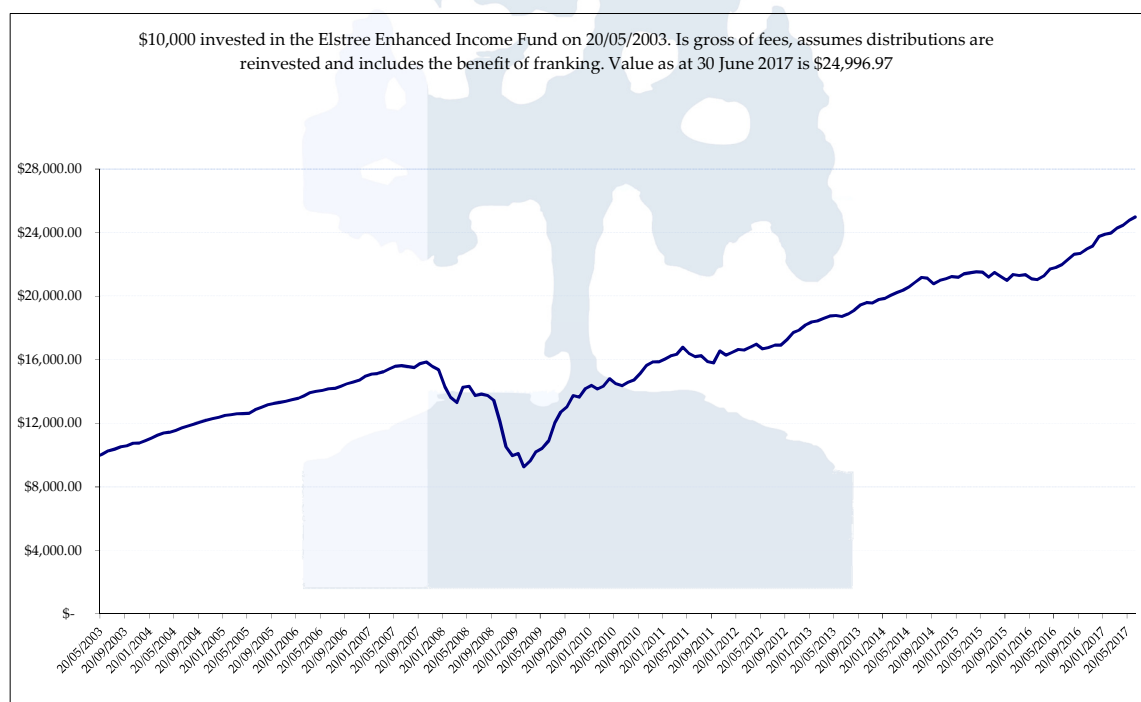
Risk management is an ongoing process and involves the assessment of both market conditions and security specific events. The major risks are; default risk, equity conversion risk, security specific risk, liquidity risk and interest rate risk. Diversification is the major risk mitigation tool at the portfolio level. By structuring portfolios with securities that display a low degree of return correlation to one another and by imposing strict limits on holdings of individual securities total portfolio risk is reduced.

## Performance (As at 30 June 2017)

	3 months	6 months	12 months	5 years p.a.
Elstree Enhanced Income Fund *	2.90%	5.19%	13.69%	8.31%
UBSA Bank Bill Index	0.44%	0.89%	1.82%	2.53%

\*Returns are gross of fees (fees have not been deducted) and include the value of franking credits. Past performance is not necessarily a guide to future performance. Elstree Enhanced Income Fund has been operative since 20 May 2003 (inception).

## Value of \$10,000 invested on 20/05/2003



## Disclaimer

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