

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 (market).....	Circa 7.00% on an annual basis (BBSW + 3.00%)

Why invest in Australian listed credit?

The manager believes that the excess return of approximately 3.00% over the risk-free rate is not truly reflective of the credit quality of the underlying issuer. Over time, return outcomes are expected to rise commensurate with a combination of (i) higher security prices as the excess margin narrows and (ii) increased dividend income derived from higher floating benchmark reference rates over which fixed coupon margins are priced.

An investment in Australian listed credit is ideal for investors seeking to;

- (i) Earn a higher rate of return than risk free term deposits but are prepared to accept a modicum of increased risk to achieve that return objective or
- (ii) Reduce their exposure to the more volatile ordinary equity without materially jeopardising the total (including dividends and franking) return outcome.

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 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

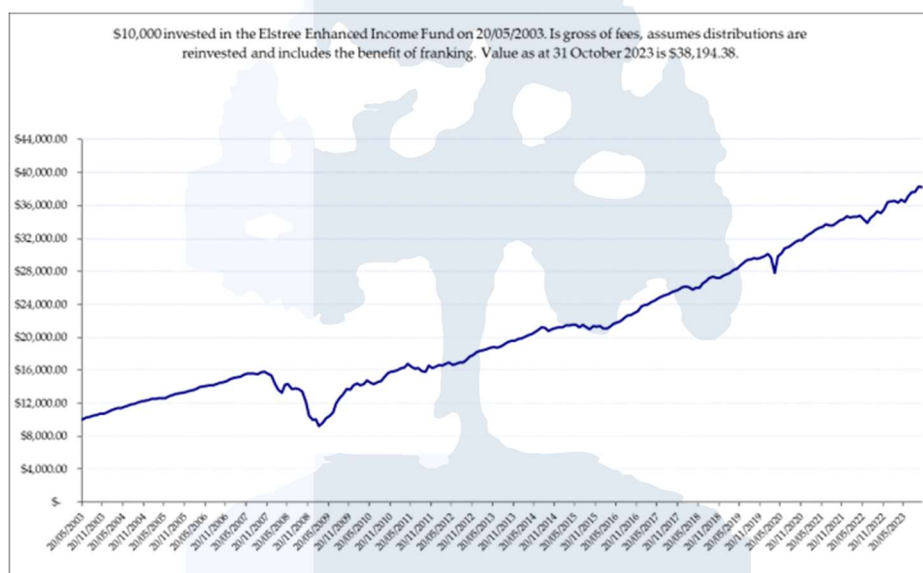
Risk management is an ongoing process and involves the assessment of both market conditions and security specific events. The major risks, which are captured in market risk include, default risk, issuer specific risk, liquidity risk and fat tail event risk. Diversification is the major risk mitigation 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 close of business 31 October 2023)

	3 months	12 months	3 years p.a.	5 years p.a.
Elstree Enhanced Income Fund *	1.52%	8.94%	6.32%	6.99%
UBS (A) Bank Bill Index	1.04%	3.66%	1.47%	1.31%

*Returns are gross of fees and 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



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