

RETURNS

The Elstree Hybrid Fund (“EHF1”) produced a return of 0.99% in November, which was equal to the broader market return of 0.99%. Since the fund was first listed on 31 March 2021, it has returned a cumulative annual return of 5.5% (after fees, including franking) which is above the benchmark return of 5.0% p.a. and cash returns of 1.7% p.a. The bouncy last few months continued. November saw the not unexpected post WBCPM issue bounce. After some mid-month weakness when the market was 0.7% lower, it posted a big 1.7% rally to end 1% higher. The 6 monthly and 12 monthly return figures reflect capital gains and a c7% income level.

PERFORMANCE FIGURES

Performance as of 30 November 2023	1 month	3 months	1 year (p.a)	Since Inception (p.a.)
ELSTREE HYBRID FUND NAV + FRANKING (EHF1) *	1.0%	2.5%	8.0%	5.5%
Distribution (cpu) (% franked)	1.45c (53%)	8.15c (73%)	29.37c (65%)	
Expected 3 month Income Distribution		5.7c (90%)		
ELSTREE HYBRID INDEX (P.A.) **	1.0%	2.3%	7.1%	5.0%
BANK BILLS	0.4%	1.0%	3.4%	1.6%

* Elstree Hybrid Fund (EHF1) Investment Performance is net of all fees and includes the value of franking credits.

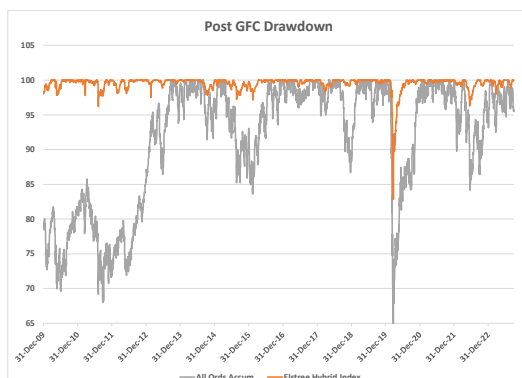
** Elstree Hybrid Index includes the value of franking credits.

TOP CONTRIBUTORS TO RETURNS:

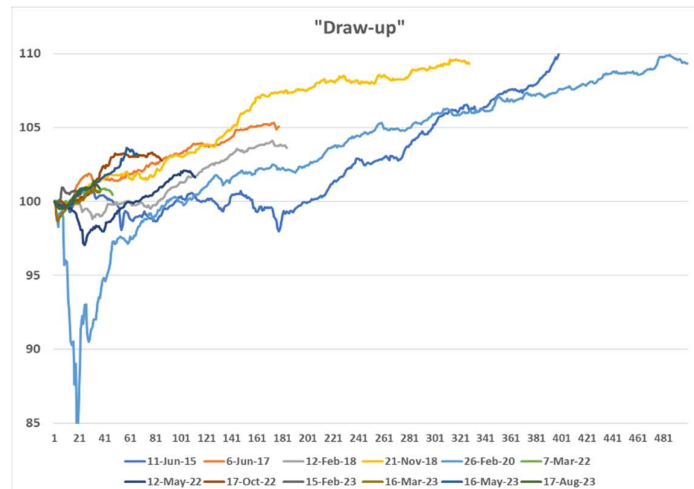
SECURITY	RETURN CONTRIBUTION	SECURITY	RETURN CONTRIBUTION
CGFPC	0.04%	C2FHA	0.01%
AYUPA	0.03%	SUNPG	0.01%
AN3PK	0.02%	CBAPI	(0.17%)

“DRAW UP” OR WHAT HAPPENS AFTER MARKET WEAKNESS

One of our most used charts is the drawdown chart which shows what happens in market weakness. TLDR is that hybrids (orange line) have far shallower and shorter drawdowns than equities (grey line) as the chart below shows.



We thought it might be interesting to examine how hybrids recover from weakness. We aren't original enough to think of a clever description; hence "Draw up". The chart below shows 8 years of hybrid markets after a drawdown of 0.6%. The line ends when there is another drawdown of 0.6%, so it is a perfect hindsight strategy about when you should buy hybrids and how long you should own them for.



There's not that many, is there? That surprised us. We were expecting more. The big fall is obviously Covid. After the initial 0.6% loss in February 2020, it fell a further 10% in a month, and then had 4 days where it fell a further 5% before recovering reasonably quickly. The next worse experience was in May 22. Most of the others were relatively mild. There are a couple of aspects we think are interesting.

- Trying to time moments of weakness is a mugs game. Weakness doesn't happen very often (less than twice a year).
- It generally doesn't fall very far (a greater than 1.5% drawdown happens about every 2 years).
- Recovery is pretty quick. The median number of days until hybrids return to their previous all-time high is 13 days. In Covid it took 4 months for the index to reach new highs, but it had materially pared the loss within 2 months.
- Recoveries are there to be enjoyed. The median recovery period before the next index fall of 0.6% is over 4 months and the sharper the fall, the longer and stronger the recovery. The post Covid recovery was almost a year and a half before the next 0.6% drawdown.

Looking at the data, if you think hybrids fit your asset allocation model, the best time to buy them is now. The caveat is you think there is a Covid/GFC type event happening (and that's once every decade or so), in which case you might delay. There's never a great time to sell them either, as the next drawdown is probably going to be shallow and a long time in the future and you will be sitting in cash earning less than hybrids. Are they a set and forget investment? Almost. There are times when hybrids will produce larger negative returns, but they haven't happened very often (once a decade), and while there were warning signs for the GFC, there were none for Covid.

BBSW WATCH

A no change RBA Board meeting and a good inflation number saw more calls that this is the peak in rates and markets have gone from expecting one more rate rise to no more rate rises. But markets, unlike some commentators, aren't expecting rapid falls either. The average BBSW rate out to end 2026 is 4.1%, not much lower than current levels. Of course, markets are often wrong, but this cycle they have been more right than most commentators and we think markets are thinking that either inflation is sticky above 2.5% and that we will revert to the 3 or 4 decades long average of cash rates being c1% higher than inflation, rather than the post Covid experience where cash rates were c3% lower than inflation.

	ACTUAL 90DAY BBSW	HIGHEST EXPECTED 90DAY BBSW RATE	DATE OF HIGHEST 90DAY BBSW RATE
28 February 2022	0.1%	2.6%	June 2024
30 June 2022	1.8%	4.0%	June 2023
30 September 2022	3.1%	4.5%	December 2023
31 December 2022	3.3%	4.3%	December 2023
31 March 2023	3.6%	3.6%	December 2023
30 April 2023	3.7%	3.9%	December 2023
9 June 2023	4.2%	4.6%	December 2023
11 October	4.1%	4.3%	June 2024
7 November	4.3%	4.6%	June 2024
13 December	4.3%	4.3%	June 2024

NEWS & MEDIA

Elstree Hybrid Fund (EHF1) has been mentioned in the following articles throughout the last six months, many of which are educational in nature.



- <https://www.livewiremarkets.com/wires/is-the-asx-home-to-the-longest-dividend-paying-company-in-the-world>
- [How Hybrids fit into 2021 Income Portfolios](#) – Campbell Dawson | Elstree Hybrid Fund
- [The Hitchhiker's Guide to Hybrids \(Part 1\)](#) – Bella Kidman | Livewire Markets
- [This is the secret to a diversified portfolio \(Part 2\)](#) – Bella Kidman | Livewire Markets
- [The forgotten asset class presenting exciting opportunities](#) – Bella Kidman | Livewire Markets



- [New Hybrid ETF on Chi-X](#) – Staff Reporter | Financial Standard



- [Hybrids remain attractive alternative for income generation](#) – Evergreen Ratings



- <https://www.firstlinks.com.au/hey-boomer-first-home-buyers-fuss>
- <https://www.firstlinks.com.au/bank-hybrids-equity-market-weakness>
- <https://www.firstlinks.com.au/ddo-change-hybrids-bank-treasurers-nightmare>
- [Fascinating Hybrid Journey Last Year](#) – Campbell Dawson | Elstree Hybrid Fund



- [Support for Elstree Hybrid Fund](#) – Staff Reporter | Money Management

More about Elstree Hybrid Fund (EHF1)

Elstree Hybrid Fund (CBOE Aust-X: EHF1) is an Exchange Traded Product or ETP. The fund is designed to allow retail investors to access the same successful and long-term investment strategy as our actively managed unlisted wholesale fund, the Elstree Enhanced Income Fund.

The Elstree Hybrid Fund is an ideal investment for investors seeking a cash or bank term deposit alternative investment that displays an acceptable and appropriate risk adjusted return outcome.

The Elstree Hybrid Fund has 'on market' liquidity provided by a market maker. The iNAV which is estimate of the live NAV, is updated every 20 seconds.

Additional details can be found on the [Elstree Hybrid Fund website](#) or email [Norman Derham](#) for further information.

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