

**ELLERSTON GLOBAL
INVESTMENTS LIMITED**
ACN 169 464 706

7 November 2019

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

LETTER TO SHAREHOLDERS REGARDING STRATEGY TO CLOSE DISCOUNT TO NTA

Please find attached a letter which will be sent to Ellerston Global Investments Limited shareholders today with an update regarding its strategy to close the discount to NTA.

For any further enquiries please contact Link Market Services on 1300 551 627 or Ellerston Capital Limited Investor Relations on 02 9021 7797.

Yours sincerely



Ian Kelly
Company Secretary

Dear fellow shareholder,

Ellerston Global Investments Limited (ASX:EGI) Shareholder update

At our last Ellerston Global Investments Limited (“EGI” “the Company”) AGM in October 2018, I stated to you that as a Board we considered the discount between the NTA and the share price to be unacceptable. The Board committed to you that it would pursue a strategy to close the discount. The portfolio has achieved strong results, with the underlying cumulative net performance of the strategy in the five years to 31 October 2019 being 56.9% against the benchmark return of 50.4%. The shares, like the majority of their listed peer group however, have continued to trade at a discount. Since the last AGM the Board has adopted strategies to address this situation and with the discount persisting, I am writing to update you in advance of the 2019 AGM of the Board's proposed strategy.

Investment Strategy

We launched EGI in 2014 for investors seeking access to global investment opportunities with compelling risk/reward profiles that are complementary to a typical domestic equity portfolio. Specifically, EGI utilises the Manager's stock picking capabilities and provides access to companies that are not well known and are not typically available in global equity funds or listed investment vehicles.

Unlike the majority of available global equity funds, when EGI was launched, the Manager's articulated strategy was that the portfolio would be primarily hedged against currency gains or losses. This means that the return of EGI reflects the underlying performance of the invested companies, not the performance of the Australian Dollar. As such, the Manager used a global benchmark which also does not include any currency gains or losses (MSCI World Index (Local)). Accordingly, EGI's return profile should not be readily comparable to unhedged global equity funds or listed investment vehicles.

Performance

The performance of the underlying portfolio as at 31 October 2019 has been strong and pleasingly has exceeded its benchmark on an annualised basis since inception. The table below shows the net of fees performance of the portfolio to its benchmark over corresponding periods:

Performance (%)	6 Months	CYTD	1 Year	3 Years p.a.	5 Years p.a.
EGI Portfolio Net Returns*	7.51%	24.29%	14.50%	9.55%	9.43%
MSCI World Net (Local)	3.30%	20.70%	12.49%	11.80%	8.51%

*Past performance is not a reliable indicator of future performance.

The portfolio will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation.

Importantly, the above returns have been achieved, while also achieving a lower level of volatility than the benchmark over the relevant period meaning the performance of the portfolio has been smoother.

Dividends

As at the date of this letter, EGI has paid, since inception, 12.5 cents per share, fully franked, to investors by way of dividends. In addition, the Company has maintained a strategy for the payment of sustainable dividends in future periods and currently has 5 cents fully franked in its dividend profit reserve.

Discount to Net Tangible Assets

The Company has now reached the halfway point under the term of its management agreement with the Manager. Despite having one of the lowest management fee structures compared to its global equity peer group, it is clear that there are structural issues in the

market place inherent to a listed company structure with insufficient scale that creates a dislocation between the portfolio return and shareholder returns.

It is important to note that the discount, while unacceptable, is an industry wide phenomena, with the listed global equity sector trading at an average discount of over 17%¹ as at 30 September 2019, and is often a reflection of overall market sentiment, volatility and other events which can reduce investor demand.

In March this year, EGI announced an on-market buy-back. The share buyback is an accretive capital management tool for shareholders that remain invested and stimulates liquidity for shareholders who want to exit. Notwithstanding this, a buy-back does not always achieve a narrowing of the discount.

Proposed Solution

The Board has resolved to eliminate the discount and to deliver to those shareholders who desire liquidity at a price more closely approximate to underlying asset value with a clear pathway to redeem at NTA, while also providing other shareholders the option to remain invested in the strategy. Many shareholders want a structure that provides this choice and flexibility.

In the absence of a better alternative, at this juncture, the Board believes that an orderly conversion of the Company's investment portfolio to a trust structure is the most appropriate path to liquidity while enabling a return closer to NTA. The Board intends to update shareholders further as to the specific details of the proposed conversion.

By pursuing an orderly transition to a trust structure, the Board believes it avoids

- EGI becoming a forced seller of assets that may not have realised their long-term value;
- unintended costs and potential taxation implications for EGI; and
- Imposing the will of those shareholders who wish to exit early on those investors that have invested in the strategy for the medium to long term.

The Board thanks you for your continuing support and looks forward to updating you in the near future.

Yours faithfully,



Ashok Jacob
Chairman

¹ ASX Spotlight: Listed Investment Entities