

Hybrid Market Leaders launch new Exchange Traded Product for retail investors, Elstree Hybrid Fund (Chi-X: EHF1)

Sydney, 31 March 2021: Market leaders in the Hybrid sector, Elstree Investment Management, have launched a new fund aimed exclusively at retail investors. **Elstree Hybrid Fund (Chi-X: EHF1)** will be quoted on Chi-X from 31 March 2021, and is aimed at active investors looking to access the strong returns and risk outcomes that were previously only available to wholesale investors in Elstree.

The Elstree Hybrid Fund (EHF1) will use the same strategy as the successful unlisted wholesale Elstree Enhanced Income Fund, with the Chi-X quotation allowing investors to access a diversified portfolio of hybrids and a different management style, with liquidity enabled by market making.

Campbell Dawson, Director of Elstree said “With record low interest rates and global instability in the equity markets, investors are crying out for investment options that outperform cash but with less risk than equity markets. An actively managed hybrids portfolio has the potential to fit within that category.”

Mr Dawson adds “We believe the hybrid market offers opportunities for active investors as it is inherently inefficient. It is dominated by retail investors who have a limited understanding of bank and insurer capital issues, and who under and over react to issuer specific risks and equity market movements. We construct portfolios which seek to benefit from market opportunities and inefficiencies and pass these returns on to our investors.”

Well-credentialed investment team

The team at Elstree use a different process to other hybrid investors. That process, along with over 80 years of combined experience, and the use of their proprietary hybrid database has resulted in portfolios which have consistently outperformed the broader hybrid market, with a controlled approach to risk.

Daniel Liptak from Evergreen Ratings notes that “EHF1 is a welcome opportunity for investors to access a well-considered, carefully crafted and managed portfolio of equity hybrids.” Mr Liptak adds “The company and fund are managed by a well-credentialed investment team. The investment philosophy, investment strategy, investment process and risk management are well established, tried and tested.”

Elstree has a successful 17-year history managing the unlisted Elstree Enhanced Income Fund which boasts an overall 5-star rating with Morningstar and ranks 1st and 3rd over 5 and 3 years in the Morningstar Multi Strategy Income category. Total returns for the unlisted fund were 8.8% (before franking of 1.4%) for the 12 months to end-February 2021, which was 8.6% above the cash rate.

Chi-X sees strong demand for Hybrids

Chief Executive Officer of Chi-X Australia, Vic Jokovic, said the number of Australian investors who require a steady income from their investments continues to grow.

“Australians entering or in retirement are interested in products like Hybrids, which have the potential to provide a fixed income return that is typically higher than the rates payable on bonds, given the greater risks that can be associated with hybrids”, Mr Jokovic said.

“Elstree is a true innovator and specialist in this area. As the creator of the Elstree Hybrid Index almost 20 years ago, the group is considered a pioneer in the Australian Hybrid market.”

“The Elstree Hybrid Fund will join a growing list of Hybrids on Chi-X that meet the growing demand for income generating investments with varied risk return profiles.”

The EHF1 product quoted on Chi-X will provide quarterly distributions (moving to monthly) and is tradeable on Chi-X during normal market hours, with market makers providing liquidity. Fund size will be capped to maintain performance.

Fund Performance:

The Elstree Hybrid Fund (EHF1) will adopt the same investment strategy as the successful unlisted wholesale fund, the Elstree Enhanced Income Fund (minimum investment \$500,000) which has outperformed both the cash rate (bank bills) and the Elstree Hybrid Index on a per annum basis.

Performance as at 28th February 2021	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS
ELSTREE ENHANCED INCOME FUND (P.A)**	3.0%	10.2%	7.9%	9.2%	7.3%
ELSTREE HYBRID INDEX (P.A)	2.4%	5.9%	5.6%	7.1%	6.3%
BANK BILLS	0.0%	0.2%	1.2%	1.4%	2.4%

** Returns are pre-management fees & after the value of franking credits. Elstree Hybrid Fund (Chi-X: EHF1) will adopt the same investment strategy as the Elstree Enhanced Income Fund (unlisted wholesale fund for sophisticated investors).

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More about Elstree:

Elstree Investment Management Limited was formed in 2002 and is exclusively and equally owned by the three executives associated with the company, Campbell Dawson, John Abbot and Norman Derham.

Currently the firm manages approximately \$150 million across a wholesale unlisted fund (Elstree Enhanced Income Fund) and a number of individually managed accounts.

Elstree developed the Elstree Hybrid Index in 2002, which is the only index of post-1999 hybrid prices and returns. The data from the Elstree Hybrid Index extensively for security selection, risk management and benchmarking. The Elstree Hybrid Index is also used by portfolio managers and advisers seeking to benchmark their investment performance against the broader Hybrid sector.

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