

## About Elstree & the Elstree Hybrid Fund (EHF1)

Hybrids have been a popular choice for many investors over the last decade, producing returns that have been slightly less than equity markets, with much lower risk. Current margins of around 3% above the cash rate compare favourably with the post-2010 average margin of 3.4% and we expect volatility to remain materially lower than equities.

We believe the hybrid market offers opportunities for active investors. 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.

### At Elstree, we do things differently.

We use a different process to other investors. That process, over 80 years of combined experience, and the use of our proprietary database has resulted in portfolios which have consistently outperformed the hybrid market, with a controlled approach to risk.

We construct portfolios which seek to benefit from market opportunities and inefficiencies through a combination of active security and/or sector selection, and active secondary market trading.

**Our investment thesis aims to deliver above sector returns that enhance the medium income levels and capital stable nature of the sector. We control the portfolio risk by using disciplined risk management and a security weighting process to reduce exposure to securities when market or security stress reaches a certain level.**

In 2002, we developed the Elstree Hybrid Index, which is the only index of post-1999 hybrid prices and returns. The data from the Elstree Hybrid Index is used 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.

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

The Elstree Hybrid Fund commenced trading on Chi-X (Code EHF1) on March 31, 2020

Performance as at 30th April 2021	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS
ELSTREE HYBRID FUND (EHF1)*	0.87%	-	-	-	-	-
ELSTREE ENHANCED INCOME FUND %P.A.**	0.79%	2.4%	11.6%	8.5%	8.9%	7.1%
ELSTREE HYBRID INDEX (P.A)	0.86%	1.7%	9.3%	6.2%	6.8%	6.1%
BANK BILLS	0.0%	0.0%	0.1%	1.1%	1.4%	2.3%

\* Elstree Hybrid Fund (EHF1) returns are NAV returns after fees and before the value of franking credits

\*\* Elstree Enhanced Income Fund returns are quoted as before fees and including the value of franking credits. The Elstree Hybrid Fund (EHF1) will adopt the same investment strategy as the Elstree Enhanced Income Fund (unlisted wholesale fund for sophisticated investors)

## TRADING INFORMATION

Exchange Traded Products can be bought or sold during normal trading hours on Chi-X, and trade just like shares.

EXCHANGE	Chi-X
CHI-X CODE	EHF1
TRADING HOURS	10AM – 4:20PM AEST
BLOOMBERG CODE	EHF1.AU
IRESS CODE	EHF1.CXA
IRESS INAV CODE	EHF1INAV.ETF

## FUND INFORMATION

DISTRIBUTIONS	QUARTERLY Initially Moving to MONTHLY
PERFORMANCE TARGETS	3%-4% Above Cash Rate
MANAGEMENT FEE	0.60% + GST When Fund < \$100M  0.55% + GST When Fund > \$100M
FUND EXPENSES	Capped at 0.20% + GST
FUND INCEPTION	31st MARCH 2021
INVESTMENT MANAGER	ELSTREE HYBRID MANAGEMENT PTY LTD

Past performance is not an indicator of future performance. The after fee outcomes for the Elstree Hybrid Fund may differ from Elstree Enhanced Income Fund due to a number of factors, including without limitation the difference in fees, the size of the portfolio, timing of securities transactions and the size and frequency of applications and redemptions of the funds.

## Contact

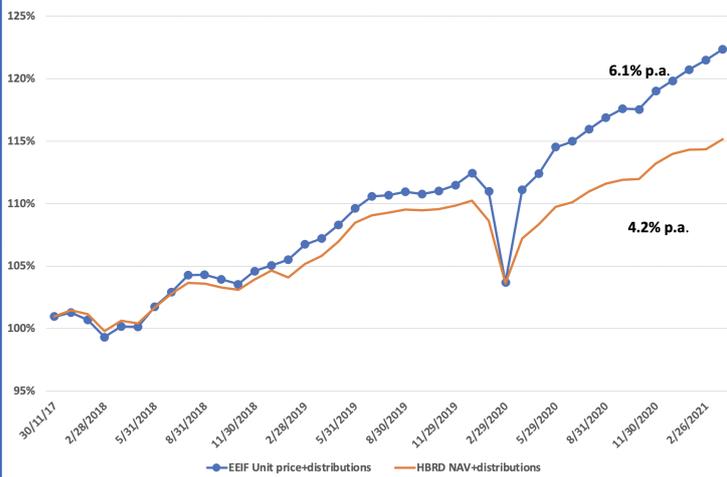
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The chart below shows the cumulative performance of the Elstree Enhanced Income Fund (EEIF) and Betashares Hybrid Fund (HBRD)

#### CUMULATIVE PERFORMANCE



Data for both Elstree and HBRD does not include the value of franking credits and is after fees.

#### TOP 5 INVESTMENTS

##### SECURITY

ANZ CN 5 (ANZPH)	Medium maturity hybrid at attractive margin
BENDIGO CPS 4 (BENPG)	Regional Bank hybrids still offer large margins to majors: we expect this to revert
CBA PERLS XIII (CBAPJ)	Best combination of yield and maturity amongst major bank hybrids
NAB CN5 (NABPH)	The longest dated major bank hybrid. Should continue to perform well
WESTPAC CN5 (WBCPH)	Cheapest 2025 maturity hybrid

#### Elstree Hybrid Fund (EHF1) Benefits

- Returns slightly less than equity markets with much lower risk
- Outperformance over cash, the hybrid market and competitors
- Professionally managed by Hybrid market experts
- Portfolio size will be capped to maintain performance
- Regular income stream (quarterly, moving to monthly)
- Extensive risk management experience
- Superior liquidity and diversification to a portfolio of a small number of hybrids, with low levels of volatility

#### MARKET COMMENTARY

##### “Market remains good value”

The chart below shows margins over bank bill of the last issued major bank hybrids, AUD BBB rated securities and Term Deposits (margin to bank bill). BBB rated securities have fewer risks than major bank hybrids + Term Deposits in most circumstances offer a government guarantee, so margins are not directly comparable.

#### MARGINS TO BANK BILL



**“We expect hybrids will continue to fulfil their portfolio role of providing medium to high income levels with low volatility. We think there is some chance of medium term capital gains”**

- Margins are not too far away from post GFC averages: they’re only mildly expensive
- We believe in the RBA forecast of low cash rates until 2024.
- We continue to see lots of investors who previously held term deposits and who are now looking for income alternatives. There is over \$200b of cash/TDs in SMSF’s with owners wondering what they can do to generate better returns
- Hybrids are one of the easiest term deposit alternatives: liquid, good credit quality issuers and they offer an attractive risk adjusted yield
- We see limited supply. The banks are swimming in excess equity capital, so they have no real need to issue extra hybrids
- The 3 majors will replace issues this year, but we don’t see much supply in excess of the maturing hybrids.
- Unless equity markets suffer a major retracement, we expect low volatility in hybrid price

#### Disclaimer

Elstree Investment Management Ltd (ABN 20 079 036 810, AFSL 22572) will earn fees for making the Fund available to investors. The information contained in this Fact Sheet is general in nature and does not take into account any particular investors personal circumstances, objectives or needs. It is not personal financial product advice. Chi-X have approved the Elstree Hybrid Fund for quotation on Chi-X. A Product Disclosure Statement (“PDS”) has been lodged with ASIC. Investors should read the PDS that relates to the Elstree Hybrid Fund prior to making an investment decision, with or without the assistance of their professional legal, accounting and financial advisers. Elstree is solely responsible for the contents of this Fact Sheet. The contents of a PDS & this Fact Sheet are subject to change and Elstree makes no warranty, express or implied, as to the completeness of any statement contained herein nor does it represent that this email contains all of the information that an investor may require in order to assess the merits of an investment in the Elstree Hybrid Fund. The distribution of this Fact Sheet or any other material relating to Elstree Hybrid Fund, including a PDS, to persons outside of Australia may be restricted by law and any person who comes into possession of such documents should seek their own advice on, and observe any such restrictions. Data in this Fact Sheet has been sourced from external parties believed to be reliable and has not been verified. Accordingly Elstree (and their directors, officers, consultants and employees) makes no warranty as to the accuracy or validity of any of the statistics quoted. To the extent permitted by law none of these parties are liable for any loss or damage arising from reliance on the content of this material. © Copyright 2020 [Elstree].