

INVESTMENT UPDATE

SEPTEMBER 2021

Welcome to the Elstree Hybrid Fund (EFH1) Newsletter.

Elstree Hybrid Fund (Chi-X: EHF1) produced a return of 0.1%, slightly better than the index which was flat. Since inception, the fund has returned 1.8% (after fees) which is around index returns but well above sector income levels.

Returns of the Fund, the Elstree Hybrid Index and Bank Bill/Term Deposit returns are summarised in the performance table below.

Performance figures as at 31 August 2021:

Performance as at 31 August 2021	1 MONTH	3 MONTHS	1 YEAR (p.a)	3 YEARS (p.a)
ELSTREE HYBRID FUND NAV + FRANKING (EHF1)*	0.1%	0.6%		
ELSTREE HYBRID INDEX (P.A.) **	0.0%	1.1%	6.8%	5.7%
BANK BILLS	0.0%	0.0%	0.1%	0.9%

* Elstree Hybrid Fund (EHF1) Investment Performance is returns after fees and before the value of franking credits.

** Elstree Hybrid Index include the value of franking credits

Top Holdings & contributors to returns:

Security	Return contribution	Security	Return contribution
CWNHB	0.05%	WBCPH	0.03%
BENPG	0.04%	QUBHA	0.01%
CBAPG	0.03%	AMPPA	0.01%

Market Commentary

After a strong June and income-type returns for July, the market produced a flat return for August with small capital losses off-setting income returns. At the same time, equities had a very strong month and the most likely reason for a flat hybrid market in these circumstances is new supply and anticipation of more issues to come in the next month or so. Macquarie announced a new \$650m hybrid in early August and this was followed up by both Suncorp and Westpac announcing unexpected issues. Later in the month, Latitude Financial Services also released a hybrid issue.

As we wrote in a note we sent to unitholders, we think this is the result of the upcoming DDO commencement date which will result in hybrids being harder to issue after October 5.

We only bought a small amount of the Macquarie issue and none of the Suncorp and Westpac issues. We think there will be further issues and this generally results in weakness. We raised cash levels for the Fund as well.

Issuer Focus – Qube:

Qube was started by Chris Corrigan in 2006 after his previous corporate involvement (Patrick's; The Stevedore) was bought by Toll. Corrigan will probably go down in Australian corporate history as one of its most consistent and successful business builders, with Qube now having a market capitalisation of over \$6b and a history of extremely well-thought-out expansions and divestments (and the share price tripling over the last decade). It's now involved in diversified infrastructure and logistics, but is at a turning point after the completion of a 10-year development of the Moorebank intermodal terminal (trains meeting trucks).

Qube issued an ASX listed note in 2016 and we have always had exposure to the note in our funds at various levels. Even though Qube is not rated, its strategies and balance sheet have always been relatively conservative with equity raisings usually accompanying strategic initiatives. The margin has varied up and down from the high 1% area to 3% and we have changed exposures at the extremes.

Importantly, the note also provides diversification benefits. The structural drivers to Qube's health are entirely different to the banks and financials that make up much of the market and there are important volatility and correlation benefits as well (the price of the Qube note doesn't move in tandem with the rest of the market). So, the Qube notes have been a great part of our portfolios over the past 5 years. We wish we had more issues and issuers like that.

News & Media

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

FINANCIAL REVIEW

- [Four ways to find diversified dividends](#) – Tony Featherstone | AFR



- [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



- [Fascinating Hybrid Journey Last Year](#) – Campbell Dawson | Elstree Hybrid Fund



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



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



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

More about Elstree Hybrid Fund (EHF1)

Elstree Hybrid Fund (Chi-X: EHF1) is an exchanged 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 (Nine Mile). 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](#) or [Michelle Morgan](#) for further information.