



# Fact Sheet: Australian Enhanced Income Fund

## Manager and Responsible Entity:

Elstree Investment Management Limited (“Elstree”) is the Responsible Entity of the Australian Enhanced Income Fund (“Fund”). Elstree is an executive owned fund manager that has been managing portfolios of listed debt hybrid securities since 2003.

## Product features;

- Quarterly distributions (Record date end of March, June, September and December),
- Minimum annual cash distribution of \$0.35 per unit,
- Additional value of franking credits is estimated to be around \$0.05 per annum,
- As at 30 June 2017 the Fund’s ex-distribution NAV of a Unit was \$6.071 per unit,
- NAV calculated bi-monthly and published on the ASX website on the 14th and 20<sup>th</sup> days of each month,
- Units can be purchased ‘on’ market through any stock broker,
- Units can be purchase ‘off market’ through the RE at the higher of the average market price or NAV.
- Units can be redeemed ‘off’ market at the Fund’s NAV of a unit less a 0.2% transaction fee,
- Fund complies with strict ASX listing rule requirements.

## Portfolio Characteristics

Eligible Securities.....	Selected ASX Listed Debt Hybrid Securities
Number of securities.....	More than 15 and less than 40
Default Risk.....	Consistent with lower Investment Grade Securities

## Investment Philosophy:

Driven by a combination of complex security structures, a high degree of retail investor input, limited institutional involvement and lack of quality research the listed debt hybrid market is inefficient. We exploit these inefficiencies through a combination of strategic security selection and active secondary market trading.

## Investment Process:

Our process is designed to structure portfolios of listed debt hybrid securities that consistently display an acceptable risk adjusted return. Our investment process consists of 4 steps or filters.

In summary we;

1. Value each security based on the our assessment of the security’s structure after consideration of what we think the issuer is most likely to do at the next reset or roll date
2. Consider the supply and demand factors that are most likely to impact security valuations both now and in the future
3. Ensure that the credit risk of each security is adequately reflected in the price of that security
4. Reduce overall portfolio risk by creating diversified portfolios with correlation benefits.

## Risk Management

Risk management is an ongoing process and involves the assessment of both market conditions and security specific events. The major risks are; default risk, security specific risk, liquidity risk and interest rate risk. Diversification is the major risk mitigation tool at the portfolio level. By structuring portfolio with securities that display a low degree of return correlation to one another and by imposing strict holding limits on individual securities we ensure adequate diversification.

## Investment Performance (as at 30 June 2017)

	3 months	6 months	12 months	3 years p.a.
Australian Enhanced Income Fund	2.63%	4.40%	11.67%	4.91%*
UBS (A) Bank Bill Index	0.44%	0.89%	1.82%	2.53%

\*Returns are net of all fees and include the value of franking credits. Assumes that dividends are reinvested. Past performance is not necessarily a guide to future performance. The Australian Enhanced Income Fund has been operative since 17 October 2006.

## The People

The Executive Directors of Elstree are Campbell Dawson, Norman Derham and John Abbott.

### Campbell Dawson

Campbell has over 33 years' experience in the financial services industry including six years' experience as an institutional Fixed Interest Group Head and one year as Head of Treasury at an Australian Bank. Between 1993 and 2000, Campbell was Head of Fixed Interest at GIO where he managed a team of 11 persons and over AUD\$6 billion of Australian and non-Australian fixed interest assets.

In addition to investment management, Campbell has extensive experience in debt workouts, structured finance, insurance and financial institution asset / liability management, securitisation and an understanding of corporate treasury issues.

### Norman Derham

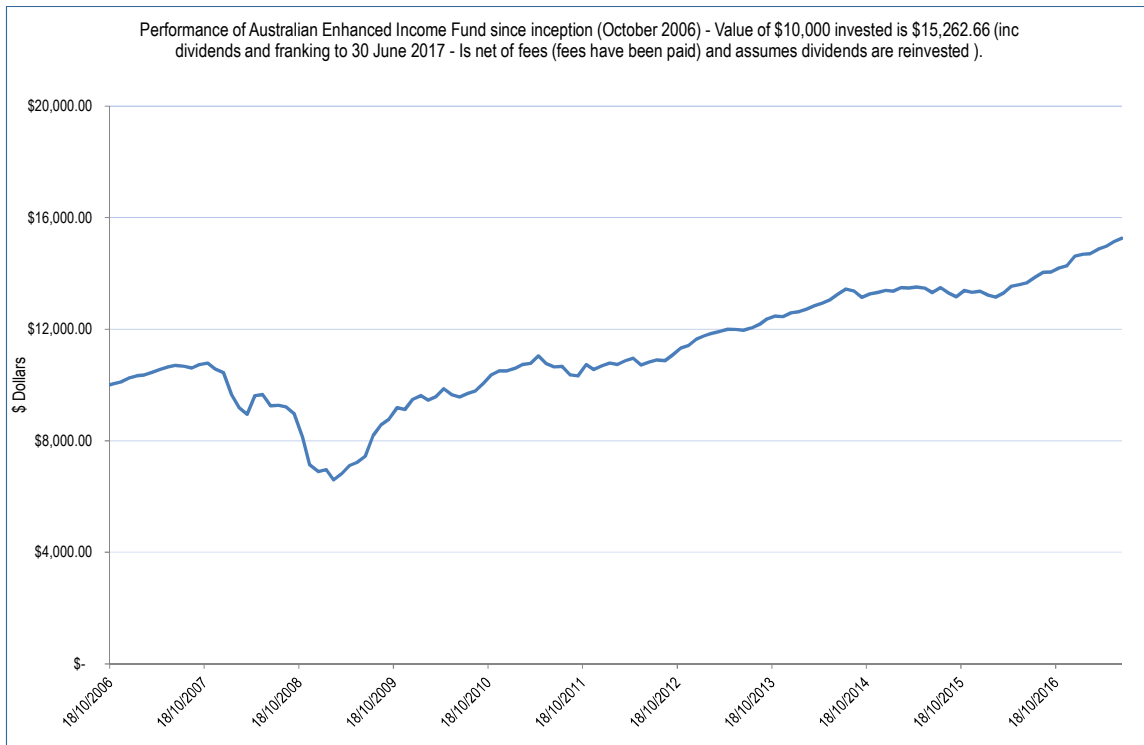
Norman has in excess of 33 years' experience in the Financial Services Industry including 3 as Head of Fixed Income Trading and Sales at the National Australian Bank in London. From 1990 to 1994 Norman was Victorian Manager Fixed Income Sales and Distribution at the National Australia Bank in Melbourne. In 1994 he was transferred to London as Head of Trading and Sales. Upon returning to Australia Norman was Editor of the National's Financial Markets Research publication "Market Tactics".

In addition to sales and distribution Norman has extensive experience in funds management, derivatives trading, relationship management, writing and editing.

### John Abbott

John has been actively involved in fixed interest markets since 1989 working with Campbell at GIO until the takeover by the AMP. At GIO John was responsible for a range of portfolios including the Public Offer Fixed Interest Fund. The Public Offer Fixed Interest Fund was ranked in the William Mercer Survey for the 1,2,3 and 5 year periods ending December 1999, 2<sup>nd</sup>, 1<sup>st</sup>, 1<sup>st</sup> and 5<sup>th</sup> respectively. After the takeover of GIO, John worked as a fund manager at AMP and as a proprietary trader at ABB and TMG.

Value of \$10,000 invested at inception 17 October 2006.



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