ELLERSTON CAPITAL

Ellerston Global Equity Managers Fund (GEMS)

Performance Report | July 19

PERFORMANCE SUMMARY

Net %	1 Month	3 Months	1 Yr p.a.	3 Yr p.a.	5 Yr p.a.	Strategy Since Inception p.a.
GEMS C	3.45	4.06	-10.66	2.38	9.70	10.00

Past performance is not a reliable indicator of future performance.

MARKET COMMENTARY

Market Overview

Global equity markets were mixed in July, but Developed Markets outperformed Emerging Markets by 2.1%. A surging US dollar was one of the key factors weighing on Emerging Markets' performance. Global growth concerns, easing monetary policy, renewed trade tensions between the US and China and heightened geopolitical issues in the Middle-East were front and centre and focused investors' attention.

USA

The S&P 500 Index and the Dow Jones Industrial Average Index continued to grind higher in July, returning +1.4% and +1.1% respectively. The NASDAQ rose further, with a return of +2.2% as tech stocks continued their march upwards. In July, approximately half of the S&P500 companies reported quarterly results, with just under 60% beating sales expectations and 78% beating earnings expectations – tech and utilities were the best performing sectors. Earnings were assisted by ongoing buy-back activity.

Economic data was broadly positive - manufacturing PMI came in at 50.6 versus 50.1 expected and payrolls data was stronger too. Despite the escalation of the trade frictions between the US and China towards month end and concerns over slowing growth, the US dollar rallied.

Europe

European equities were rather subdued, with the Euro Stoxx broadly flat in July (returning -0.1%), pulled down by poor performances from the Basic Materials and Oil and Gas sectors. Eurozone economic data was mixed, with unemployment slightly better than expectations, but retail sales were weaker.

The UK's FTSE 100 outperformed in July with a return of +2.2%, buoyed by early optimism from the election of Boris Johnson as the new Prime Minister, coupled with the fall in the GBP. France's CAC 40 returned -0.3% and Germany's DAX returned -1.7%, impacted by fears of slowing growth.

Asia

Asian equities mostly finished the month in the red, with concerns over the renewed trade tensions and a strengthening USD dampening investor enthusiasm. Of the major markets, only Japan's Nikkei 225 was in the black, posting a 1.2% gain. But Korea's KOPSI Composite Index was down almost 5%, the Hang Seng Index was down 2.3% (driven by ongoing civil unrest) and the Chinese SEE Total Market Index was down 0.3%.

Investment Objective

The investment objective is to generate superior returns for Unitholders with a focus on risk and capital preservation.

Investment Strategy

- Global long/short equity
- Overlays fundamental stock selection with macroeconomic outlook
- Bias towards Australia

Key Information

Strategy Inception Date	1 December 2009
Fund Net Asset Value	A$153.3M
Liquidity	Monthly
Application Price	A$ 1.4957
Redemption Price	A$ 1.4883
No. Stocks	76
Gross Exposure	120%
Net Exposure	91%
Management Fee	1.50% p.a.
Buy/Sell Spread	0.25%
Performance Fee	16.50%
Firm AUM	Over A$5b

Ellerston Capital Limited
ABN 34 110 397 674
AFSL 283 000

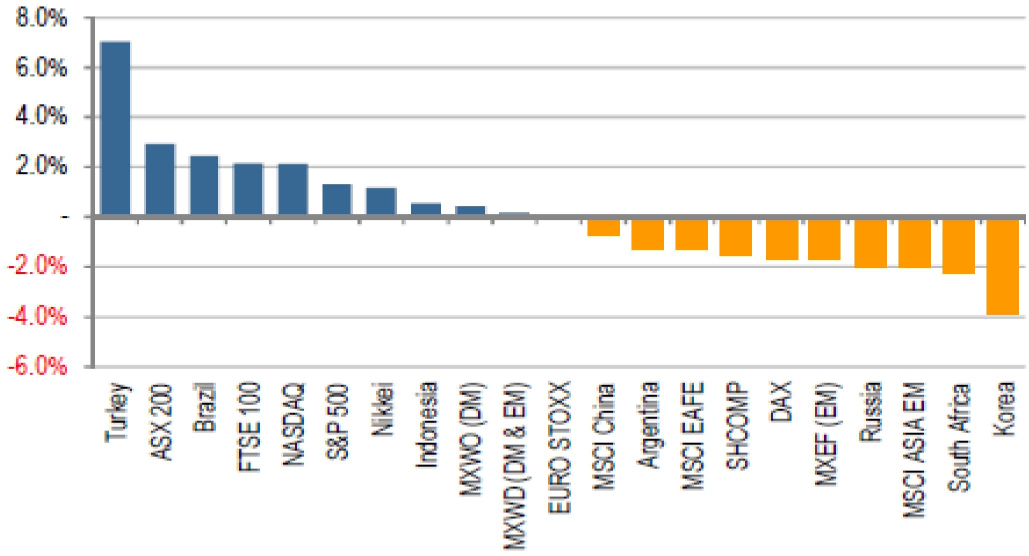
Level 11
179 Elizabeth Street
Sydney NSW 2000

Ph: +61 2 9021 7797
Fax: +61 2 9261 0528

info@ellerstoncapital.com
www.ellerstoncapital.com

APIR Code: ECL0006AU

Global Equity Markets' Performance in the month of July 2019

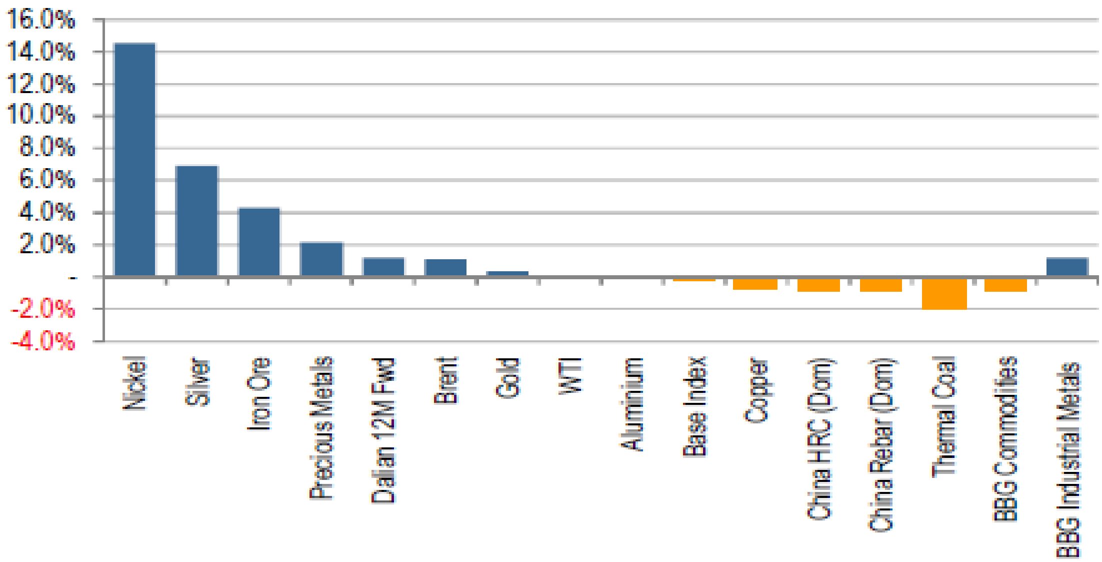


Source: JP Morgan, Bloomberg.

Commodities

Overall, the commodities index slipped in July. Iron Ore was the star performer in July, rising 4.3% to US$120/t. This was the eight consecutive month of gains! Other bulks were mixed with Coking Coal falling 8.2%. In base metals, Copper (-0.8%) had a negative month and has now declined by over 8% in the past 3 months. Also in the base metals complex, Alumina had a terrible month, falling 10.6%, but Nickel was up 14.5%. Escalating tensions in the Middle-East pushed Brent higher in July, up 1.1% to $65.05/bbl.

Commodity Performance in July 2019



Source: JP Morgan, Bloomberg.

Bonds

Continued worries over global growth saw bond yields fall further in July. US 10-year bond yields ended the month at 2.0%, falling by around 50 basis points since April. Economists expect the Fed to continue to cut official rates. In fact, in early August, the Fed cut interest rates by another 25 basis points, taking the US 10-year bond yield sharply below 2.0% at time of writing. In Australia, the RBA also cut official interest rates to 1.0%, sending the Australian 10-year bond yields to an all-time low of 1.19%.

Australia

The S&P/ASX 200 Accumulation Index ended the month up 2.9%, its 7th consecutive month of gains. This index has broken through its previous all-time high of 6829 pts set on November 1st 2007.

In July, the best three performing sectors in terms of their contribution to the index's performance were Financials (+1.7%), Consumer Staples (+9.8%) and Health Care (+5.9%). The bottom three sectors were Utilities (+1.9%), Energy (+1.7%) and Communication Services (+2.9%).

The Small Ordinaries Accumulation Index was the best performer in July (after taking the wooden spoon for the last two months) with a return of +4.5%, while the ASX 200 Resources Accumulation Index lagged, up 1.1%. The ASX 200 Industrials Accumulation Index returned a very credible +3.4%.

After holding rates steady for three years, the RBA which cut the cash rate to 1.25% in June, followed that with a further 25 basis cut in July, taking the cash rate to a historic low of 1.00%. Business confidence gave up most of its post-election bounce in June, falling from +7 to +2. Towards the end of the month, RBA Governor Lowe delivered a fairly dovish speech, indicating that the RBA was ready to ease rates further if necessary. The Australian dollar ended the month 2.5% lower against the US dollar at 0.68 cents.

OUTLOOK AND PORTFOLIO COMMENTARY

The portfolio delivered a net return of 3.45% during the month of July with solid gains spread across much of the portfolio. The portfolio's long exposure at the end of July was 105.32% while short exposure was 14.60%. It is important to note that the long exposure includes the portfolio's gold exposure which in reality is a hedge for the long exposure.

Markets continue to show volatility as every region of the world seems to be grappling with its own geopolitical and economic issues, and with interest rates at historic lows the chase for growth and yield continues, and the need for investors to take more risk in order to achieve returns is exacerbated.

We remain opportunistic and very disciplined with the portfolio focussed on companies that have growth with underlying earnings, value with a catalyst, or own strategically valuable assets. The portfolio also comprises a basket of gold producing and developing companies combined with long dated gold call options. This serves to act as a good hedge and is managed actively alongside a basket of stock specific shorts.

During the period contributors to performance included:

Clover Corp, a global leader in the refining and sale of omega-3 oils primarily using its patented encapsulation technology to provide bioactive ingredients for infant formula, children's foods, and supplements. The growth runway for Clover is strong, driven by increasing use of DHA in infant formula globally, development of products, and development of new markets. This is the sort of growth stock we gravitate towards as not only does it have a strong growth profile, leading technology and market position, but it is underpinned by growing solid earnings, free cash flow and a robust balance sheet.

Graincorp, announced in April 2019 that it planned to demerge its malting business to create two new entities. MaltCo, a leading global malting and craft brewing distribution platform and New GrainCorp, an international grain storage, handling and trading business and leading producer of edible oils. GrainCorp has also announced an agreement to sell its terminal business and the implementation of a derivative instrument which will mitigate the impact of extreme weather cycles and greatly smooth the earnings of New GrainCorp. We believe that risk reward asymmetry at the current valuation is compelling with the upside potential being multiples of the downside risk. True value with clearly defined catalysts.

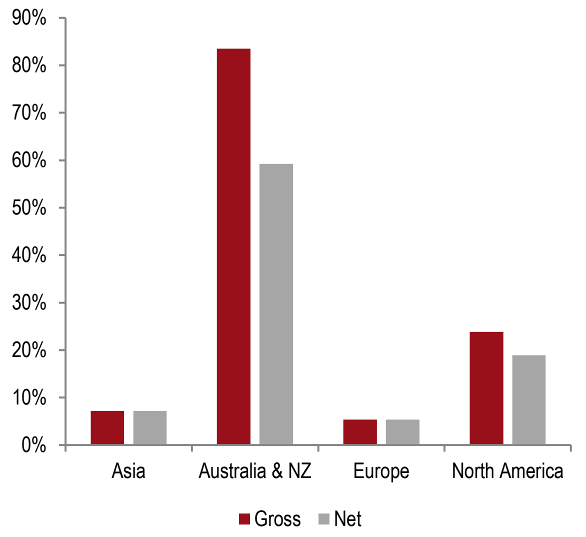
Atomos, a global software and hardware technology company that unlocks the creative and commercial potential of digital cameras. Atomos devices take images directly from the camera's sensor (all major manufacturers) then enhances, records and distributes them for content creation. The company has focussed its products on the Pro Video market and is now growing its addressable market opportunity by expanding into Social (phone and photo cameras) and Entertainment (Broadcast, TV and Cinema). Revenue has been growing strongly with over half generated in the USA and the company has turned earnings positive.

Catapult, a global leader in sports technology with solutions for every element of the performance ecosystem, from wearable tracking to athlete management and video analysis. Revenue grew 32% to $43m in the first half with almost three quarters being subscription based.

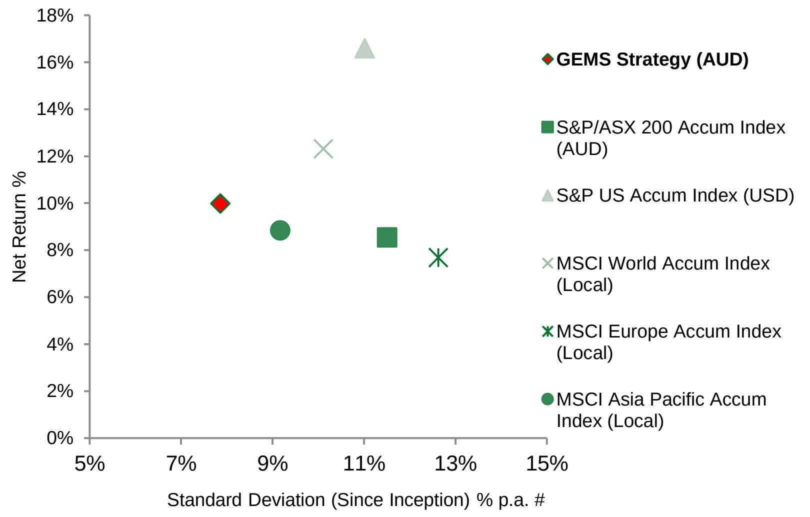
Detractors from performance included:

Gold ETF call option exposure as gold help steady during the month. This exposure comprises long dated call options out to January 2020 over the US listed SPDR Gold Shares ETF which owns physical gold bullion and tracks the spot gold price. At the time of acquisition the option was deep out of the money and trading very cheaply. It provided a great asymmetrical risk reward investment opportunity in its own right and an ideal portfolio hedge and continues to do so while being monitored and managed very actively.

Market Exposure as a % of NAV



GEMS Strategy Performance & Volatility ^



Top Holdings (Alphabetical, Long only)

- BP PLC
- CATAPULT GROUP
- CLOVER CORP
- EVOLUTION MINING
- GRAINCORP LIMITED
- MICROSOFT CORP
- MONEY3 CORP LIMITED
- NEWCREST MINING LIMITED
- NUANCE COMMUNICATIONS
- ORICA LIMITED

Source: Ellerston Capital

Key Service Providers

REGISTRY:	LINK MARKET SERVICES LIMITED
AUDITOR:	ERNST & YOUNG
PRIME BROKER:	MORGAN STANLEY INTL & CO PLC & GOLDMAN SACHS INTERNATIONAL
ADMINISTRATOR:	CITCO FUND SERVICES (AUSTRALIA) PTY LTD
CUSTODIAN:	STATE STREET AUSTRALIA LIMITED

Material Matters

During the month there were no material changes that would impact the Fund in terms of its risk profile, investment strategy or investment staff. There have been no changes to the key service providers described above.

ABOUT THE ELLERSTON GLOBAL EQUITY MANAGERS FUND

The Fund aims to achieve its performance objectives by adopting a fundamental "bottom-up" investment approach to stock selection which is focused on identifying and then constructing a portfolio of the highest conviction ideas.

Investment opportunities for the Fund are identified by analysing and understanding the factors affecting (amongst other things): business model, industry structure, management team and overall valuation. Ellerston Capital typically favours businesses that can sustain high returns or improve their return on capital and looks to invest in businesses with a market value below the value we attribute to them.

Benchmark weightings do not drive our stock decisions, our approach is totally benchmark independent.

Due to the high conviction nature of the portfolio and the resulting deviation in portfolio composition relative to benchmark weighting, it is expected that the returns from the Fund will differ significantly from the broader market indices.

CONTACT US

Should investors have any questions or queries regarding the fund,
please contact our Investor Relations team on 02 9021 7797 or info@ellerstoncapital.com
or visit us at https://ellerstoncapital.com/

All holding enquiries should be directed to our registrar, Link Market Services on 1800 992 149 or ellerston@linkmarketservices.com.au

SYDNEY OFFICE
Level 11, 179 Elizabeth Street,
Sydney NSW 2000

MELBOURNE OFFICE
Level 4, 75-77 Flinders Lane,
Melbourne VIC, 3000

DISCLAIMER

^ Actual performance for your account may vary from that set out in this newsletter and will vary for investments made in different classes, or at different times throughout the year. Some performance data is estimated and preliminary and subject to change.

^^ For the period 1 January 2002 to 30 April 2006, the CPH Group GEMS Portfolio was not operated within a separate fund structure. The underlying investment assets of the CPH Group GEMS Portfolio were owned during that time within corporate entities of the CPH Group for which audited accounts were prepared on an annual basis. Accordingly, in order to provide relevant historical performance information for the period 1 January 2002 to 30 April 2006 (Historical Returns) net returns were calculated on the basis of the actual dollar returns of the CPH Group GEMS Portfolio adjusted to reflect a fund structure similar to the Fund and including all fees. For GEMS B, GEMS A returns have been used between 1 May 2006 and 2 November 2009. The returns of the Fund and the relevant Indices are net of fees, expenses and taxes and assuming distributions are reinvested.

The returns and risk of the Fund and the relevant Indices are net of taxes, fees and expenses and assuming distributions are reinvested. The performance figures presented are for the Ellerston Global Equity Managers Fund GEMS C Units. The one month return figure may be an estimate and not the final return. This estimate also impacts other performance information provided. Estimated performance figures are preliminary and subject to change. Returns for other classes may differ slightly. Past performance is not indicative of future performance. Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000 is the responsible entity of the Ellerston Global Equity Managers Fund ARSN 118 887 095 (Fund). This newsletter has been prepared by Ellerston Capital Limited without taking account of the objectives, financial situation or needs of investors. Before making an investment decision you should consider your own individual circumstances and obtain a copy of the Product Disclosure Statement for the Fund which is available by contacting Ellerston Capital. This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete.

The standard deviation is often used by investors to measure the risk of an asset. The standard deviation is a measure of volatility: the more an asset's returns vary from the average return, the more volatile the asset. A higher standard deviation means a greater potential for deviation of return from the average return of the asset.