

Ellerston Global Mid Small Cap Fund

Performance Report | December 20

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year	Since Inception (p.a.)
Class A	1.59%	11.17%	15.00%	13.01%	13.20%	14.95%
Benchmark*	0.28%	10.36%	14.11%	5.36%	9.00%	10.90%
Alpha	1.31%	0.81%	0.90%	7.65%	4.20%	4.05%

Performance	1 Month	3 Months	6 Months	1 Year	3 Year	Since Inception (p.a.)
Class B	1.75%	11.41%	-	-	-	9.09%
Benchmark*	0.28%	10.36%	-	-	-	9.92%
Alpha	1.46%	1.04%	-	-	-	-0.83%

Source: Ellerston Capital Limited

^ The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

* MSCI World Mid Cap Index (AUD)

Class B Inception Date is 18 August 2020

DECEMBER 2020 DISTRIBUTION

Investors holding units in the Fund will receive their distributions (either as cash, or reinvested additional units) for the December 2020 half year, in January. When a distribution is paid to investors, the unit price of the Fund is reduced by the amount of the distribution; investors will receive either a cash payment, or for those investors who have elected to have their distributions reinvested, their total number of units will increase, accordingly.

The Ellerston Global Mid Small Cap - Class A distribution was \$0.0368 per unit, the pre-distribution price (NAV) was \$1.319 and the ex-distribution price (NAV) was \$1.2822.

The Ellerston Global Mid Small Cap - Class B distribution was \$0.1215 per unit, the pre-distribution price (NAV) was \$1.3204 and the ex-distribution price (NAV) was \$1.1989.

Please contact the Ellerston Investor Relations team at info@ellerstoncapital.com or 02 9021 7701, if you have any questions.

PORTFOLIO COMMENTARY

Firstly, we would like to wish everyone a Happy, Healthy and Prosperous New Year and hope that you had some downtime during the holiday season.

There is so much going on in the world right now however with a quick lookback on calendar year 2020 we are pleased to have delivered 13.01% net return which compared well to the MSCI World Mid Cap Index (AUD) which returned 5.36% over the same period. At the time of writing, the MSCI World Mid Cap Index (AUD) is up 2.7% in January and we are performing comfortably ahead of the index.

Volatility last year was off the charts with one of the largest equity drawdowns in history followed by one of the fastest snapbacks as the global shutdown associated with the pandemic was met with "war time" levels of monetary and fiscal responses that were swift and decisive. It really did highlight that a balanced portfolio of high-quality businesses provides the best protection from the risk of permanent capital loss as they tend to outperform under most scenarios.

We were hoping that 2021 would prove to be a bit more benign from a news flow perspective, however that dream has already been quashed!

Investment Objective

To outperform MSCI World Mid Cap NR (AUD) benchmark by 3% over a rolling 5 year period on a net of fees basis, with a focus on risk management and capital preservation.

Investment Strategy

The Fund's investment strategy is to construct a concentrated portfolio of global mid small securities using the Manager's distinctively contrarian high conviction, benchmark independent investment approach. The Manager believes that the trade-off between risk and potential returns is improved by implementing highest conviction ideas from a filtered universe of securities that are in a period of "price discovery" and offer the best risk/reward.

Key Information

Strategy Inception	1 March 2017
Portfolio Manager	Bill Pridham
Class A Application Price	\$1.3223
Class A Net Asset Value	\$1.3190
Class A Redemption Price	\$1.3157
Class B Net Asset Value	\$1.3204
Class B Redemption Price	\$1.3171
Liquidity	Daily
No Stocks	20 - 40
Management Fee (Class A)	0.75%
Performance Fee	10%*
Buy/Sell Spread	0.25%/0.25%

*10% of the investment return over the benchmark return (MSCI World Mid Cap Index (AUD)), after recovering any underperformance in past periods.

We have seen COVID-19 cases, and unfortunately deaths, skyrocket in the Northern Hemisphere with the US, UK and Europe in various forms of fresh lockdowns. Fortunately, we are getting more vaccines introduced into the market and with more likely to come, the market is currently looking through the near term COVID-19 spikes.

At the time of writing, the Democrats look to have won the Georgian election run-off and our hopes of a clean handover were dashed as Trump supporters marched on Congress in a violent, albeit short, insurgence. That said, now that Biden has been confirmed and the Senate is effectively controlled by the Democrats (50/50 split with VP Kamala Harris holding the deciding vote) we should now get a good indication of what the new administration will look to accomplish.

As the dust settles, we are expecting President Biden's first priority will be getting the virus under control (although time to execute will be a question as his team takes over from Pence) with accelerated vaccine rollouts to keep the economy rolling. This will be augmented with increased fiscal stimulus in the form of personal payments likely up to \$2k, increased infrastructure spending with a focus on creating American jobs, enhanced renewable energy policies and while this is not an exhaustive list, improving access to mortgage credit for prospective homeowners. The longer-term risk is increased tax and regulations however we consider the first priority to be sustaining the economic recovery which is still in its early cycle phase.

These policies will likely supercharge near term growth while concurrently increase inflation expectations as supply chains are still trying to catch up with demand. We are seeing this manifest itself in the US 10yr Yield which has increased >60% in just over 3 months from 0.68% to almost 1.10% today.

Over the past few months we have been pivoting the portfolio into value/cyclical exposures including US regional banks and global industrials which have been funded by reducing our exposure to technology names. With this shift we have fortunately been participating ahead of the strong equity markets and while we still see good upside in many of our names, we will remain diligent in trimming position sizing when the risk/reward becomes more marginal. That said, we are also not shying away from adding to existing positions, or initiating new positions, where we deem the capital upside potential relative to the risk as extremely attractive for us all as investors in the Fund.

Kind Regards,

Bill Pridham

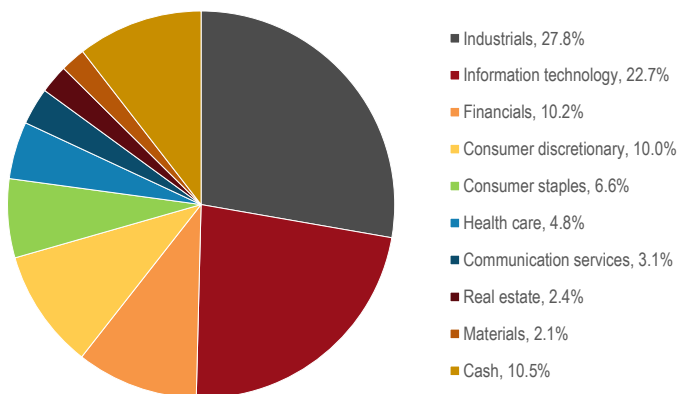
Ellerston Global Mid Small Cap Fund Portfolio Manager

PORTFOLIO CHARACTERISTICS

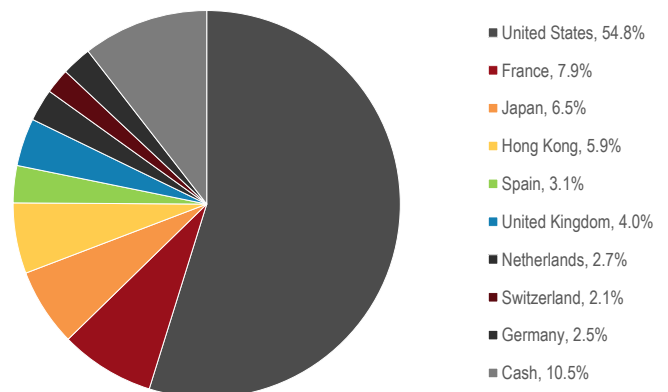
HOLDINGS

Top 10 holdings	Country	Sector	%
Option Care Health	United States	Health Care	4.8%
PTC	United States	Information Technology	4.6%
Flex	United States	Information Technology	4.3%
Bureau Veritas	France	Industrials	4.1%
Anritsu Corporation	Japan	Information Technology	4.0%
Sensata Technologies	United States	Industrials	3.9%
SEB SA	France	Consumer Discretionary	3.8%
Assurant, Inc.	United States	Financials	3.7%
Tempur Sealy International	United States	Consumer Discretionary	3.6%
Techtronic Industries Co	Hong Kong	Industrials	3.3%

SECTOR ALLOCATION



GEOGRAPHIC ALLOCATION



Source: Ellerston Capital

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Should investors have any questions or queries regarding the fund, please contact our **Investor Relations team** on **02 9021 7701** or **info@ellerstoncapital.com** or visit us at **https://ellerstoncapital.com/**

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