



Ellerston Australian Market Neutral Fund

Performance Report, March 2021

Investment Objective

The Fund targets absolute returns with an annualised return objective of 5% above the RBA Cash Rate over rolling five year periods.

Investment Strategy

The Fund seeks to provide investors with a return profile that has a low correlation with traditional asset classes. The Fund aims to generate positive returns in all market environments by reducing the majority of market risk and focusing on capital preservation and alpha generation. The Fund will utilise a Relative Value and a Special Situations strategy.

Key Information

Fund Inception**	3 June 2013
Application Price	\$1.1618
Net Asset Value	\$1.1589
Redemption Price	\$1.1560
Liquidity	Daily
Management Fee	1.20% p.a.
Performance Fee	20% of outperformance
Buy/Sell Spread	0.25% on application/0.25% on redemption

Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)**
Net [^]	0.77%	1.52%	9.80%	41.92%	6.14%	5.72%	8.25%
Benchmark*	0.01%	0.03%	0.07%	0.19%	0.88%	1.15%	1.57%
Alpha	0.76%	1.49%	9.73%	41.73%	5.26%	4.57%	6.68%

[^] Net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance
* RBA Cash Rate

Portfolio Characteristics

Key Portfolio Metrics

Positive months	68%	Net Equity Exposure	23%
No. Relative Value positions	2	Gross Portfolio Exposure	33.6%
No. Special Situations	47	Correlation Coefficient (vs ASX 200 Accum)	52.8%
Beta Adjusted	30.7%	Net Sharpe Ratio (RFR = RBA Cash)	0.73

Sector Allocation

Sector	Long Equity	Short Equity	Net Equity
Financials	4.2%	0.0%	4.2%
Industrials	21.9%	-1.8%	20.1%
Resources	2.1%	-1.6%	0.4%
Index	0.0%	-1.8%	-1.8%
Total	28.1%	-5.2%	22.9%

Activity

Impediment (IPD)

IPD was a large contributor in March as the vast majority of options issued at the last capital raise were exercised. While in the short term the exercise of these options has put pressure on the share price as investors exercise the options over buying stock on market, we believe this has created a great trading opportunity. Looking forward, the quarterly (4C) will be very telling as we will see the level of cash burn, an update on the PREVENT trial and updates on reimbursements.

Graincorp (GNC)

During March, GNC held an investor day which was well received by the market. Post demerger, GNC was targeting A\$90-125m of EBITDA uplift across a number of strategic initiatives. These are on track to be delivered in full by FY22. The major takeaway from the investor day was GNC announcing another A\$25m of initiatives. It is now targeting 'through-the-cycle' or 'average season' EBITDA in FY24 of A\$240m (from A\$200m). GNC will deliver this earnings uplift by leveraging its excess port capacity with commodities including woodchips, fertiliser and cement. GNC is also targeting to release ~A\$50m of cash by FY23 from the sale of non-core assets across its network. We continue to like GNC and note that East Coast soil moisture levels bode well for the FY22 winter crop planting (occurs over April to June). Also the large FY21 crop should provide a positive tailwind in FY22 from materially higher carry-over grain.

Kina Securities (KSL)

KSL detracted from performance of the portfolio in March as the market sold of the securities on the back of the ever growing COVID outbreak in PNG. Fundamentally the business remains well placed with its recent acquisition of Westpac's Pacific (PNG and Fiji) business and the significant synergies that should be delivered.

Contribution

Relative Value Gross Contribution +0.02%

Positive		Negative	
BHP BILLITON - BHP BILLITON	0.00%	KAROON GAS AUSTRALIA LTD (AU) – SANTOS	-0.05%

Special Situations Gross Contribution +1.08%

Positive		Negative	
IMPEDIMED LTD (AU)	1.34%	NOVONIX LTD (AT*)	-0.40%
BETMAKERS TECHNOLOGY GROUP	0.38%	KINA SECURITIES LTD (AT*)	-0.29%
GENWORTH MORTGAGE INSURANCE (AT*)	0.08%	AS51	-0.21%
GRAINCORP LTD (AU)	0.06%	ATOMOS LTD (AT*)	-0.13%
GENERATION DEVELOPEMENT GRP LTD	0.05%	FISHER & PAYKEL HEALTHCARE C (AT)	-0.05%

Top 10 Relative Value Positions

KAROON GAS AUSTRALIA LTD - SANTOS

Top 10 Special Situation Positions

IMPEDIMED LTD (AU)	NOVONIX LTD (AT*)
BETMAKERS TECHNOLOGY GROUP L	ATOMOS LTD (AT*)
AS51	PRIMEWEST GROUP LTD (AT*)
KINA SECURITIES LTD (AT*)	DAMSTRA HOLDINGS LTD (AT*)
BLUESCOPE STEEL LTD (AU)	PALADIN ENERGY LIMITED (AU)

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Find out more

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 **ellerstoncapital.com**

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

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