



Ellerston Australian Market Neutral Fund

Performance Report, April 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	\$1.1880
Net Asset Value	\$1.1850
Redemption Price	\$1.1820
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 [^]	2.25%	4.53%	11.86%	33.74%	7.36%	6.17%	8.46%
Benchmark*	0.01%	0.02%	0.05%	0.18%	0.84%	1.12%	1.56%
Alpha	2.24%	4.50%	11.81%	33.56%	6.52%	5.05%	6.90%

[^] 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	25%
No. Relative Value positions	2	Gross Portfolio Exposure	33.2%
No. Special Situations	49	Correlation Coefficient (vs ASX 200 Accum)	53.01%
Beta Adjusted	33.2%	Net Sharpe Ratio (RFR = RBA Cash)	0.75

Sector Allocation

Sector	Long Equity	Short Equity	Net Equity
Financials	4.1%	0.0%	4.1%
Industrials	22.5%	-2.1%	20.4%
Resources	2.6%	-1.7%	0.9%
Index	0.0%	0.0%	0.0%
Total	29.2%	-3.8%	25.4%

Activity

Japara Healthcare (JHC)

Japara Healthcare was a solid performer during April, increasing by 36%. The company is a residential aged care provider with over 4,000 residents across 50 homes throughout Australia. Japara received a takeover offer from Little Company of Mary Health Care (Calvary), an Australian not-for-profit Catholic healthcare and aged care provider. The cash price offered was \$1.04 per share, a 30% premium on the prior close. Despite being a welcome development, we think the timing is somewhat opportunistic given the proximity to the upcoming Federal Government Budget, of which we think Japara will likely be a

beneficiary. We think the budget will provide much needed additional funding to the aged care sector, while supply reductions and improving demand should boost utilisation and profitability.

Accent (AX1)

Accent delivered a solid 31% return during the month, jolted by its acquisition of Glue Store. Glue operates 21 store, adding to the group extensive 500+ store network. At \$13m the investment is relatively small, and the immediate earnings contribute is likely to be negligible, but the strategic merits stack up. The deal expands Accent's addressable market further into apparel (a \$16b market), introduces meaningful cross sell opportunities, while we think Accent can leverage its strong landlord relationships to expand Glue's network with attractive terms. In addition, retail heavyweight Brett Blundy re-joined the board as a non-executive director, which was also well-received by the market.

Contribution

Relative Value Gross Contribution +0.34%

Positive	Negative
KAROON GAS AUSTRALIA LTD (AU) – SANTOS	0.34%

Special Situations Gross Contribution +2.70%

Positive		Negative	
IMPEDIMED LTD (AU)	1.04%	FISHER & PAYKEL HEALTHCARE C (AT)	-0.10%
BETMAKERS TECHNOLOGY GROUP L	0.41%	WISETECH GLOBAL LTD (AT*)	-0.04%
BLUESCOPE STEEL LTD (AU)	0.18%	FORTESCUE METALS GROUP LTD (AU)	-0.04%
JAPARA HEALTHCARE LTD (AT*)	0.12%	SOUTHERN CROSS MEDIA GROUP L (AT*)	-0.03%
KINA SECURITIES LTD (AT*)	0.11%	DAMSTRA HOLDINGS LTD (AT*)	-0.02%

Positions

Top 10 Relative Value Positions

KAROON GAS AUSTRALIA LTD - SANTOS

Top 10 Special Situation Positions

IMPEDIMED LTD (AU)	PRIMEWEST GROUP LTD (AT*)
BLUESCOPE STEEL LTD (AU)	AIRTASKER LTD (AT*)
BETMAKERS TECHNOLOGY GROUP L	PALADIN ENERGY LIMITED (AU)
KINA SECURITIES LTD (AT*)	FISHER & PAYKEL HEALTHCARE C (AT)
DGL GROUP LIMITED - IPO (AU)	NOVONIX LTD (AT*)

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Find out more

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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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