

Ellerston Global Equity Managers Fund (GEMS) Class C

Monthly Newsletter, April 2021

Investment Objective

To generate superior returns for unitholders with a focus on risk and capital preservation.

Investment Strategy

The Fund provides investors with exposure to global markets through a long short equity strategy. The strategy overlays fundamental bottom-up stock selection with global macroeconomic and market outlook.

Key Information

Inception Date ^^	1 December 2009
Portfolio Managers	Ashok Jacob & Arik Star
Class C Redemption Price	\$2.2855
Unit Pricing	Monthly
No Stocks	89
Gross Exposure	204.19%
Net Exposure	87.91%
Management Fee	1.50%
Performance Fee	16.50%
Buy/Sell Spread	0.25% on application 0.25% on redemption

Performance Summary

Performance*	CYTD	FYTD	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^^
GEMSC	21.23%	56.59%	64.83%	16.96%	15.41%	14.20%

Source: Ellerston Capital.

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

Performance

Fiscal Year to Date from July 1 to April 30, 2021, the Australian S&P/ASX 200 Index is up +22.12%, and the US S&P500 Index is up +36.63%. **Your Fund is up net after fees +56.59%.**

Calendar Year to Date from January 1 to April 30, 2021, the Australian S&P/ASX 200 Index is up +7.88%, and the US S&P500 Index is up +11.84%. **Your Fund is up net after fees +21.23%.**

For the Month of **April 2021**, the Australian S&P/ASX 200 Index was up +3.47%, and the US S&P500 Index was up +5.34%. **Your Fund was up net after fees +4.66%.**

The portfolio performed strongly during the month of April, with contributions to performance across the portfolio, somewhat tempered by our consistent hedging strategy.

At April 20, 2021, the portfolio had a net exposure of circa 60%, plus an exposure to gold and silver of circa 14%, and uranium of circa 15% (all delta adjusted).

The Fund has performed solidly during the April month to date period.

Portfolio Commentary and Market Outlook

Along with our non-thematic stock specific investments, we maintain material exposures to cyclicals, financials, uranium and gold/silver.

During April/May many of our portfolio companies released quarterly or half yearly earnings reports, which in the main proved to be very robust. In a world where the noise that surrounds us as investors can be deafening, and macro issues pervasive, we have always found it most valuable and instructive to listen carefully to what the companies are telling us. Some high-level commentary for some portfolio companies from the recent quarterly earnings calls include:

Olin – Leading global manufacturer/distributor of chlorine and caustic soda, vinyls, and epoxies.

"When you think about supply demand fundamentals looking out a year from now... they only improve." "Demand continues to improve and certainly relative to supply, that gap continues to widen." "Our customer forecasts are still for volume throughout the rest of the year that are higher than our forecasted ability to supply them. So that should give you an indication as to the robustness of the chlorine side" "From epoxy standpoint... we've seen good month-over-month improvements, but we think we're still very much in the early innings of this demand recovery."

Corning – Leader in specialty glass for consumer electronics, cars, life sciences, fibre optics.

"When we examine the growth in all our business today, we see key trends converging around our capabilities at a very exciting pace." "We posted double-digit sales and net income growth year-over-year across all of our segments." "Corning experienced the most favourable first quarter glass pricing environment in more than a decade." "We believe the pricing environment will remain favourable going forward." "We expect glass supply to remain short-to-tight in the upcoming quarters." "We had an excellent quarter relative to both 2020 and to 2019. Demand is high across our businesses." "We are off to a great start and we expect that strong demand and positive momentum to continue throughout the year."

Cemex – Leading global building materials company focused on Cement, Ready-Mix Concrete and Aggregates.

"What we are experiencing in first quarter goes well beyond recovery. In fact, we are seeing strong volume growth even over first quarter 2019, well before the pandemic." "Supply/demand conditions for cement are extremely tight throughout the Americas." "Every region contributed to EBITDA growth." "The growth story for our business in the US gained steam in the quarter. With the exception of Texas, which was impacted by the February freeze, all of our key markets contributed double-digit volume growth. All of our major markets are tight with regard to cement supply and demand is being met with pricing inputs." "This is our third consecutive quarter of accelerating EBITDA growth." "Strong momentum in our business in the first quarter and with greater visibility on demand." "We believe supply/demand dynamics are supportive of pricing increases." "Quarter performance convinces me that we should be entering a period of sustainable growth for our major markets. Supply/demand conditions are extremely tight, which should support pricing and enhance the contribution of our unique supply chain capabilities."

Cameco – One of the world's largest uranium producers, with operations that span the nuclear fuel cycle from exploration to fuel manufacturing.

"Demand for nuclear power is becoming more certain as the megatrend of increasing electrification while phasing out carbon intensive sources of energy continues to take hold around the globe." "Uranium supply is becoming less certain, as years of persistently low prices have led to planned production curtailments, lack of investment, the end of reserve life for some mines, shrinking secondary supplies and trade policy issues." "Demand for uranium is rising at precisely the same time, that supply is becoming less certain." "We know that utilities have not been replacing what they consume annually under long term contracts. This has led to a growing wedge of uncovered uranium requirements. That wedge is now bigger than it was back in the early 2000s which was another period of complacency." "The risks to uranium supply are far greater than the risks to uranium demand." "And we continue to have a large pipeline of uranium business under negotiation. In fact, we continue to see off-market interest growing and historically, it has been a leading indicator of broader demand for long-term contracting." "We believe that today's price is insufficient to generate the supply needed to meet the improving demand outlook."

Bed Bath & Beyond – Omnichannel retailer that sells a wide assortment of merchandise in the Home, Baby, Beauty and Wellness markets.

"Fiscal 2020 was a year of fast-paced transformation in which we reformed the past, overcame extraordinary circumstances of the present and established a firm foundation for the future." "Focused on taking purposeful and bold steps to transform our entire organization." "Established an entirely new leadership team with world-class retail and digital experience." "Accelerated change in our operations to create a more competitive omni-always shopping experience." "Registered more than one billion visits to our websites and more than 3 million downloads of our apps." "Returned to comp sales and adjusted EBITDA margin growth as of Q2 after four years of decline." "Streamlined our portfolio, unlocking capital from non-core asset sale." "Ended the year net cash positive." "We have exciting strategic and impactful initiatives for fiscal 2021 that will create a platform for sustainable long-term growth." "Launching strategic new owned brand." "Upgrading and remodelling stores under our store network optimization program." "Not only are we attracting new customers, but we're also seeing a return at a higher rate than ever before." "We've also seen tremendous growth in mobile, representing more than half of our digital sales in the quarter." "We plan to introduce at least eight own brands this fiscal year, including six in the first half, with three in the first quarter alone..... we anticipate own brands will go from about a 10% penetration rate to approximately 30% within the first three years." "We continue to make substantial progress with our store network optimization program." "Our digital channels represented approximately 40% of total net sales for the full year and surpassed \$3 billion, almost doubling in size versus the prior year." "Well poised to activate and drive our transformation initiatives to fuel our growth." "We feel well poised with prior work and the ongoing rolling work through 2021 that will see incremental benefits to gross margin."

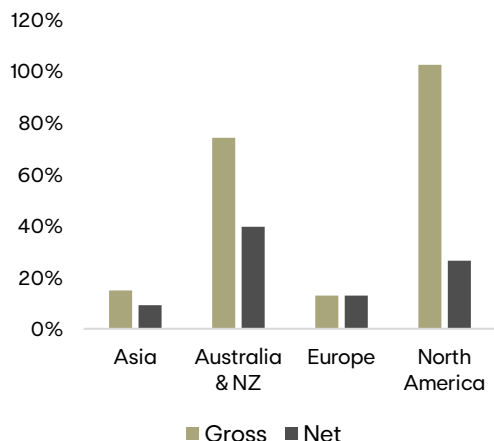
Newmont Mining – The world's leading gold company and a producer of copper, silver, zinc and lead.

"Among our 12 operating mines and two joint ventures, we have nine world class assets. Each of which delivers more than 500,000 gold equivalent ounces per year with all in sustaining costs of less than \$900 per ounce and with the mine life exceeding 10 years." "Combined, we will deliver nearly 8 million gold equivalent ounces per year for the next decade, the most of any company in our industry." "The industry's largest gold reserves including 94 million ounces of gold and 65 million gold equivalent ounces from other metals." "Enhanced by the gold industry's best exploration pipeline of both greenfield and brownfield opportunities." "If you assume that just one of these three megaprojects complete their production profile at the back end of this decade, Newmont's total production would be around 15% to 20% copper." "There is significant value to unlock as we optimize and advance our longer-term projects that lay the pathway to steady production and cash flow well into the 2040s."

Stock specific investments, including Bed Bath and Beyond, delivered great execution combined with strong underlying operating momentum. The common themes that came through very strongly for cyclicals, including Olin, Cemex, Alcoa, and Bluescope, were strengthening pricing power, strong demand, tightening supply, incremental capacity constraints and a focus on optimal capital management. Financials showed great strength in their franchises, excess liquidity, combined with tremendous optionality with potential for increased lending as economic growth accelerates and net interest margin expansion if rates rise. Uranium companies provided extremely optimistic commentary regarding the nature of the spot market and the pathway for acceleration of contracting of long term supply. Gold companies gave investors a clear picture of the under levered cash machines that they have become with great cold price and exploration optionality. While the updates and outlooks across the portfolio companies were strong, we remain vigilant and focussed for any macro or micro changes that may require us to tweak or pivot our positioning.

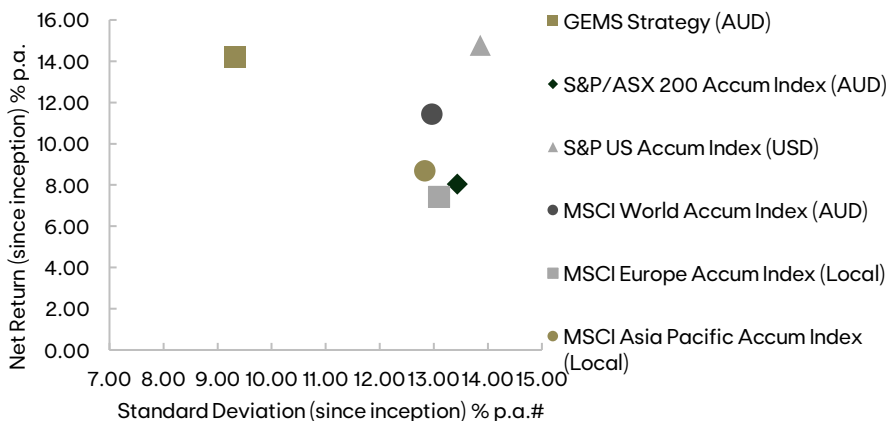
Portfolio Characteristics

Market Exposure as a % of NAV



Source: Ellerston Capital.

GEMS Strategy Performance & Volatility[^]



Source: Ellerston Capital.

Top 10 Holdings (Alphabetical, Long Only)

- BLUESCOPE STEEL
- CAMECO CORP
- CELLNEX
- CITIGROUP
- FACEBOOK
- GRAINCORP
- OLIN CORP
- SCIENTIFIC GAMES
- SKY CITY ENTERTAINMENT
- WELLS FARGO

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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**

[^] 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.

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. 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.