

Ellerston Australian Emerging Leaders Fund

Fact Sheet

Key Fund Facts

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| Inception Date | July 2021 |
| Benchmark | S&P/ASX Small Ordinaries Accumulation Index |
| Style | Small Cap equity – active, long only, fundamental bottom-up stock picking, benchmark agnostic |
| Investment Objective | To outperform the benchmark over a rolling three year period. |
| Asset Allocation Ranges | Australian listed Securities: 60 – 100% New Zealand listed Securities: 0 – 20% Cash: 0 – 20% Derivatives: 0 – 15% |
| Number of Holdings | 30 – 60 stocks |
| Investment Horizon | 3–5 years |
| Cash Limit | 0 – 20% |
| Management Fee | 1.10% p.a. |
| Performance Fee [^] | 20% |
| Buy / Sell Spread | 0.25% on application 0.25% on redemption |
| Distribution Frequency | Half-Yearly |
| Minimum Investment | \$25,000 |
| Additional Investment | \$5,000 |

[^]20% of the amount by which the accumulated investment return exceeds the accumulated return of the Benchmark during each year to 30 June.

Invest in a portfolio of exceptional small cap companies from Australian and New Zealand that have attractive growth prospects

The Ellerston Australian Emerging Leaders Fund (the "Fund") invests in small cap companies which we believe have sound business franchises with attractive earnings profiles that operate in growth industries and trade at a discount to valuation.

To invest, we require a minimum market capitalisation of more than AUD\$50m at the time of investment and seek to continue to hold a company as it grows beyond this level. As a result, the typical average market cap of the total portfolio will be at a material discount to the average market cap of the S&P/ASX Small Ordinaries Index, and all portfolio names held will generally be outside the S&P/ASX Top 100 Index.

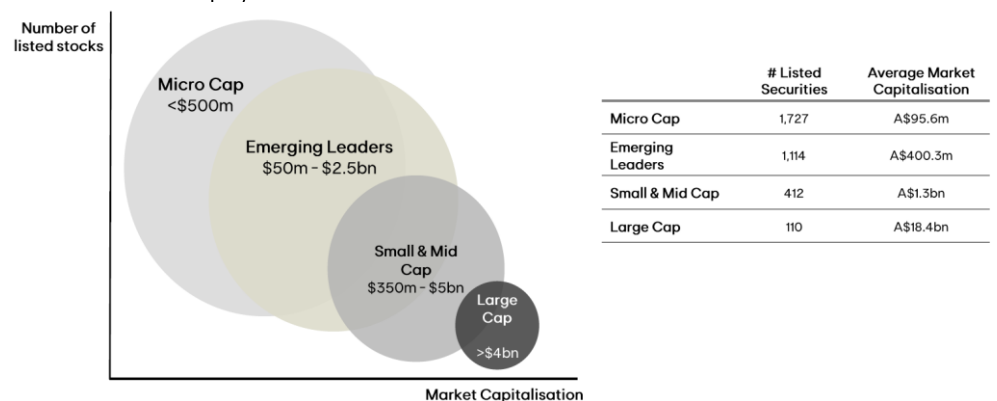
The foundation of this approach is that it's a true-to-label small cap portfolio that seeks to deliver significant out-performance versus the Benchmark, with a focus on capital preservation.

Why Australian Emerging Leaders?

Companies in the smaller cap part of the equity market are generally under-researched and under-owned. As a result, there exists an information asymmetry which can be exploited by undertaking fundamental, bottom-up research to help identify attractive companies earlier in their growth life cycle that have intrinsic strategic value and are being mispriced.

Further, we take a different approach to the traditional definition of smaller companies, identifying a segment of the market between AUD\$50m – \$2.5b size that we like to term "Emerging Leaders". We believe there are extensive opportunities within this space for us to identify companies that are believed to have the potential to deliver significant upside over the medium term and where there is a reasonable margin of safety to mitigate downside risk.

Chart 1. Australian Equity Market Overview



Source: Market Index, as at 24 May 2021. Note: bubble size is illustrative only.

Why invest in the Fund?

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| <p>✓ Attractive risk/return</p> | <p>An exposure to the smaller end of the small cap market gives investors' access to attractive growth opportunities at lower risk and has the ability to provide attractive returns through different market cycles.</p> |
| <p>✓ Diversification</p> | <p>Smaller capitalisation stocks help diversify a portfolio. The larger end of the Australian stock market is highly concentrated by sector, whereas smaller companies exposure offers a diversity in sector.</p> |
| <p>✓ Under-researched</p> | <p>Smaller capitalisation stocks are less well known and unlikely to be covered by brokers compared with larger cap peers. This provides an opportunity for active management to succeed.</p> |
| <p>✓ Proven track record</p> | <p>The Emerging Leaders strategy has been run since 1 October 2019 and delivered a cumulative return of 49.66% (gross) since this date to 31 May 2021.</p> |

Investment Process

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| <p>1. Idea sourcing</p> | <p>The investment strategy that underlies the Fund is built around an assertion that the Australian share market, particularly outside the ASX100, is at times inefficient and "dislocations" or mispricing opportunities frequently prevail across securities.</p> |
| <p>2. Research</p> | <p>Companies in the smaller cap sector are under-researched and under-owned and we believe we can:</p> <ul style="list-style-type: none"> - Discover companies earlier in their growth life-cycle; - Identify businesses that are in the middle of a solid and sustainable turnaround or restructure; and - Find assets that have a strategic value and are being mispriced. |
| <p>3. Active pipeline</p> | <p>The Fund aims to identify and invest in companies that are believed to have the potential to deliver significant upside over the medium term and where there is a reasonable margin of safety to mitigate downside risk.</p> |
| <p>4. Portfolio construction</p> | <p>Positions are actively managed and investments will generally be made in companies that have sound business franchises with attractive earnings profiles that operate in growing industries and trade at compelling valuations.</p> |
| <p>5. Investment & monitoring</p> | |

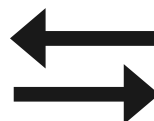
About Ellerston Capital



Founded on discovery



Managing money since 2002



Diverse range of investment strategies



Aligned interest with clients

Managing money since 2002, we aim to do one thing exceptionally well: grow and protect our clients' wealth through investing.

We are passionate about creating value for our clients by identifying outstanding investment ideas and designing portfolios that perform over the long term. Our Funds target a diverse range of strategies including, but not limited to, long only Australian, global and Asian equities, Australian and global long-short equity and private equity.

As a firm majority owned by its principals and employees, our clients' objectives are our objectives. Our clients include Sovereign Wealth, industry and corporate superannuation funds, family offices and high net worth investors.

Investment Team

Dedicated Emerging Leaders team working alongside Ellerston's broader network of investment professionals



David Keelan
Portfolio Manager



Alexandra Clarke
Co-Portfolio Manager



Daniel Ragonese
Investment Analyst



James Barker
Investment Analyst

Contact us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701

Melbourne

Level 4, 75-77 Flinders Lane,
Melbourne, VIC 3000
+612 9021 7701

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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