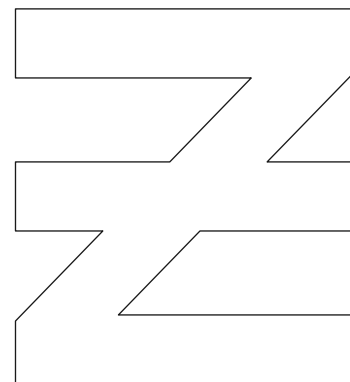


# Ellerston Australian Micro Cap Fund



## Monthly Newsletter, June 2021

### Investment Objective

To provide investors with long term capital growth by investing in a portfolio of quality Australian & New Zealand Micro Cap companies. The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

### Investment Strategy

The Fund employs an active, research-driven investment approach which seeks 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. Positions are actively managed within the Fund.

### Key Information

Strategy Inception ^^	1 May 2017
Portfolio Manager	David Keelan & Alexandra Clarke
Application Price	\$2.1252
Net Asset Value	\$2.1199
Redemption Price	\$2.1146
Liquidity	Daily
No Stocks	56
Management Fee	1.20% p.a.
Performance Fee	20%
Buy/Sell Spread	0.25% on application 0.25% on redemption

### Performance Summary

Performance	1Month	3 Months	6 Months	1Year	3 Years (p.a.)	Since Inception (p.a.)^^
Net^	2.33%	6.89%	8.97%	42.33%	22.13%	24.59%
Benchmark*	3.08%	8.50%	10.76%	33.23%	8.60%	11.77%
Alpha	-0.74%	-1.60%	-1.79%	9.10%	13.53%	12.82%

^ The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance  
\* S&P/ASX Small Ordinaries Accumulation Index

### Commentary

The Ellerston Micro Cap Fund delivered 42.33% in FY21, substantially outperforming the index. We would like to thank all of our unit holders for their support during this unique year. In FY22 we will continue to search for high-quality companies that give us a 3-to-1 risk reward or 50% upside over a three-year period.

Looking at FY21, we think the year can be loosely broken down into two camps: 1) ongoing COVID-19 challenges; and 2) the ever-changing economic landscape. We saw unprecedented levels of government stimulus which supported businesses into the recovery. This saw the Small Ordinaries Accumulation index finish up 33.23% supported by the Consumer Discretionary Sector which rallied +58% in FY21. Other notable sectors for the year were Financials +52%, Communication Services + 45% and Materials + 39%. This was the strongest return for the index since 2007.

June is always a busy month for the team as we continue to hit the 'pavement' to assess our holdings before companies go into blackout. June is always about preparation for the upcoming reporting season in August and ensuring we continue to reassess our investment thesis and portfolio weightings, as well as stress test our assumptions into this catalyst rich period.

## Best and Worst Share Price Movements ASX Small Ordinaries Index - FY 2021



Source: FactSet

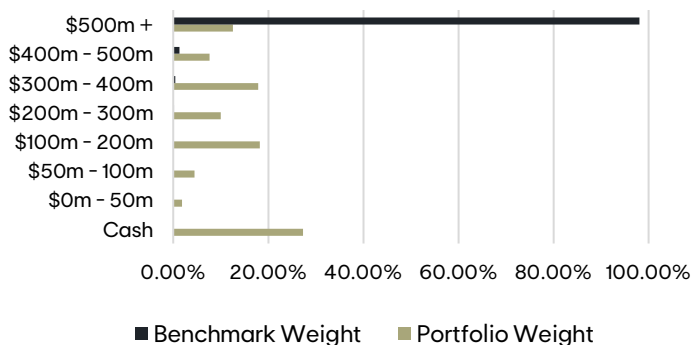
### Two notable stocks in June were Equity Trustee (EQT AU) and DGL Group (DGL AU).

Equity Trustee (EQT AU) was a solid performer delivering a healthy 14% return. The business is high-quality with an extremely sticky customer base, minimal churn, and solid cash conversion. The company is leveraged to multiple structural tailwinds including the ever-growing superannuation pool, along with increasing regulatory oversight and compliance requirements – both of which are likely to encourage investment funds to outsource trustee services. In addition to the structural tailwinds, the company is working through a healthy pipeline of new client opportunities and is enjoying the strong equity markets, all of which should contribute to a strong fiscal 2021 result.

We participated in the IPO of DGL Group (DGL AU) in May and have added to our exposure over the last month. DGL is a vertically integrated speciality chemicals logistics company which provides end-to-end supply chain and environment services for agriculture, mining and construction industries across Australia and New Zealand. DGL has come to market with a war chest ready to continue to build out its strategic footprint and make specific bolt on acquisitions. As such we think DGL is uniquely positioned as Australia and New Zealand's only dangerous materials company with operations spanning the entire back end of the chemical life cycle. As such DGL has become a core portfolio holding.

## PORTFOLIO CHARACTERISTICS

### Market Capitalisation



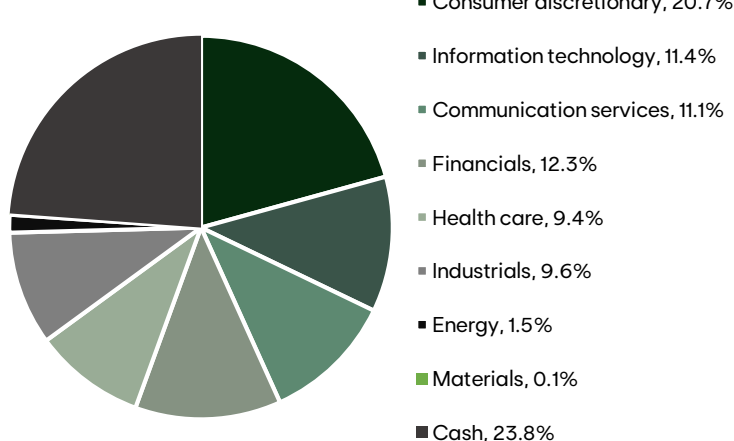
Source: Ellerston Capital.

### Key Portfolio Metrics

FY21e	Fund	Benchmark
Price/Earnings	19.8x	22.8x
Dividend Yield	2.5%	2.5%
Net Debt/EBITDA	0.1x	1.3x

Source: Ellerston Capital.

### Sector Allocation



Source: Ellerston Capital.

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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](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com)

All holding enquiries should be directed to our register, Link Market Services on 1800 992 149 or [ellerston@linkmarketservices.com.au](mailto:ellerston@linkmarketservices.com.au)

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