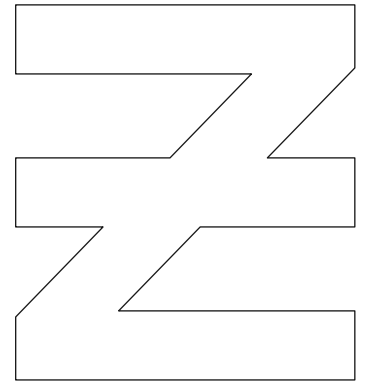


# Ellerston Australian Absolute Return Fund



Monthly Newsletter, October 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.

## Key Information

Inception Date **	3 June 2013
Portfolio Manager	Ashok Jacob
Application Price	\$1.2942
NAV Price	\$1.2910
Redemption Price	\$1.2878
Liquidity	Daily
Gross Exposure	65.86%
Net Exposure	39.47%
Management Fee	1.20% p.a.
Performance Fee	20%
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 <sup>^</sup>	0.44%	7.12%	8.95%	21.86%	12.89%	6.99%	9.04%
Benchmark*	0.01%	0.03%	0.05%	0.10%	0.61%	0.96%	1.47%
Alpha	0.43%	7.09%	8.89%	21.76%	12.28%	6.03%	7.57%

<sup>^</sup> Net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance  
\* RBA Cash Rate

## PERFORMANCE

The Ellerston Absolute Return Fund delivered 0.44% in October.

## COMMENTARY

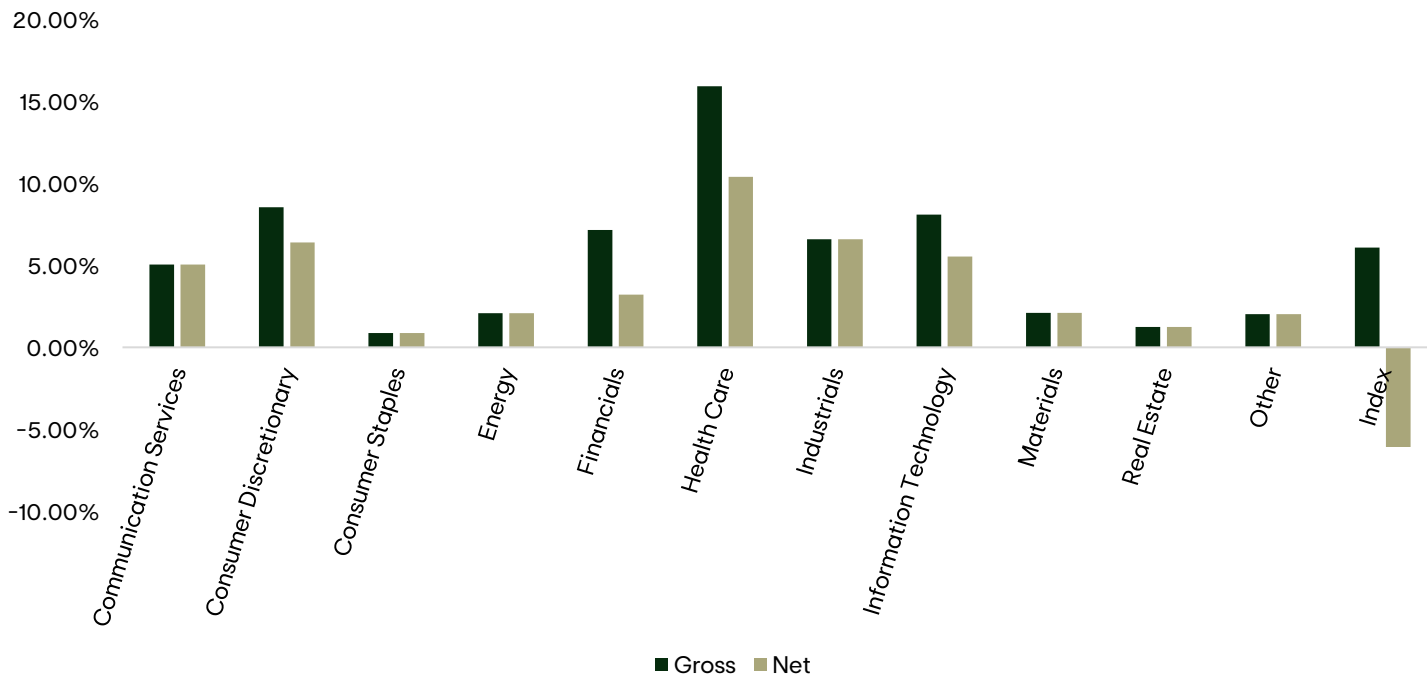
There was a lot of news flow in two of our names: Aussie Broadband (ABB AU) and Aroa Biosurgery (ARX AU).

ABB posted a solid first quarter trading update, and also made a takeover bid for Over the Wire (OTW AU), both of which we were pleased with. The trading update featured a continuation of the strong organic growth across both residential and business customers, as the company continues to take market share from the larger incumbents. The white label deal is performing better than initially expected, while the fibre build project is progressing well and on track to deliver material network cost savings from FY23. Over the Wire is a technology driven telco, which provides data and voice networks, cloud hosting, security, and manager services. At this point we only have limited detail on the takeover proposal (including the price at \$5.75 per share and a mix of cash and scrip) but from a strategic standpoint we think it makes a lot of sense. It is consistent with ABB's strategy of building out its capabilities in the business segment, and we'd expect material network cost savings by migrating OTW customers onto ABB's infrastructure where possible. We look forward to seeing how the OTW plays out over the coming months.

Aroa Biosurgery (ARX AU) is a NZ based soft tissue regeneration company founded in 2008. ARX develops and manufactures medical devices for hernia repair, wound healing, soft tissue reinforcement and reconstructive surgery. All of ARX's products feature a proprietary extracellular matrix (ECM) biomaterial derived from ovine (sheep) forestomach. ARX currently has regulatory approval in over 35 countries, however, the main focus is rolling out in the US. During the month, ARX pre-released its 1H22 results showing revenue up >100% year on year to NZ\$17.9m. Given the strong 1H result and improving demand for its products, ARX upgraded its FY22 revenue guidance by 12%. The business has a healthy A\$65m net cash position and continues to ramp up its manufacturing and US sales operations. We believe ARX is well placed over coming years, trading at a meaningful discount to peers. ARX closed the month up 4.7%.

## PORTFOLIO CHARACTERISTICS

### Sector Exposure

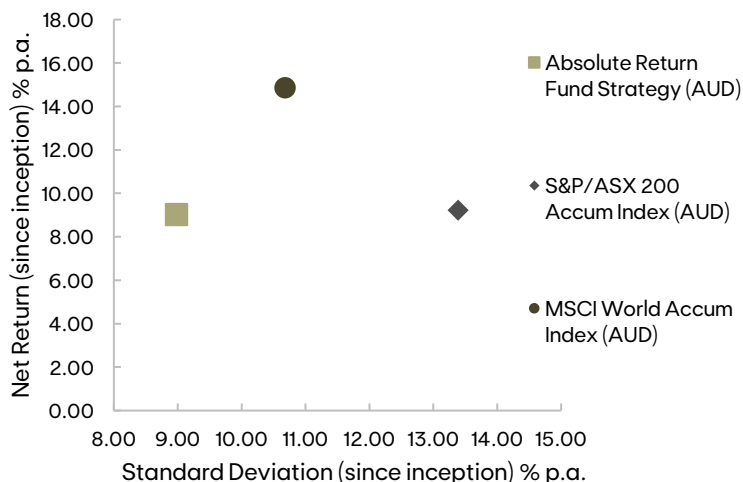


Source: Ellerston Capital.

### Top 10 Holdings (Alphabetical, Long Only)

- Atomo Diagnostics
- Atomos
- Aussie Broadband
- EQT Holdings
- Event Hospitality and Entertainment
- Family Zone Cyber Safety
- Impedimed
- Propel Funeral Partners
- Rubicon Water
- Universal Store Holdings

### Strategy Performance & Volatility



Source: Ellerston Capital.

#### Contact Us Sydney

Level 11, 179 Elizabeth Street,  
Sydney, NSW 2000  
+612 90217701  
info@ellerstoncapital.com

#### 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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