

Ellerston Global Equity Managers Fund (GEMS) Class A and B

Monthly Newsletter, November 2021

Investment Objective

The investment objective is 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 January 2002
Portfolio Manager	Ashok Jacob & Arik Star
Class A Redemption Price	\$1.6464
Class B Redemption Price	\$1.6112
Unit Pricing	Monthly
Management Fee	1.50%
Performance Fee	16.50%
Buy/Sell Spread	0.25% on application 0.25% on redemption

PERFORMANCE SUMMARY

Performance*	FYTD	CYTD	1 Year	2 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)^^
GEMS A	-1.6%	20.7%	31.7%	31.5%	14.3%	13.7%
GEMS B	-1.6%	20.7%	31.8%	31.5%	14.3%	13.5%

* 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 November 30, 2021, the Australian S&P/ASX 200 Index is up +1.1%, and the US S&P 500 Index is up +6.9%. **Your Fund (GEMS A) is down net after fees -1.6%.**

Calendar Year to Date from January 1 to November 30, 2021, the Australian S&P/ASX 200 Index is up +14.1%, and the US S&P 500 Index is up +23.2%. **Your Fund (GEMS A) is up net after fees +20.7%.**

For the Month of **November 2021**, the Australian S&P/ASX 200 Index was down -0.5%, and the US S&P 500 Index was down -0.7%. **Your Fund (GEMS A) was down net after fees -2.7%.**

Market Outlook:

While the stars have appeared to be aligned looking in the rear-view mirror, the more important view looking through the front windscreen provides a much more scrambled image. The market pendulum has been swinging wildly between growth and value, risk on and risk off, as COVID machinations, macro data, algorithmic trading, daily headlines, and analyst recommendation changes drive the bus.

The past few months have seen the world transition through the bell curve of the coronavirus Delta variant, and as vaccination rates surged, the light at the end of that tunnel was beginning to shine. Now we welcome to the scene the new Omicron variant. Are we entering another bell curve journey, or is this a more transmissible but mild strain that leads to heard immunity and a final pathway out of the pandemic world?

The debate around inflation rages on, with the eventual outcome having material impacts for investors. Prices of seemingly most things having moved up materially, combined with tight labour markets causing upward pressure on wages. Having insisted that inflationary pressures were "transitory", Federal Reserve Chair Jerome Powell last week told the Senate Banking Committee "it's a good time to retire that word and try to explain more clearly what we mean". "It is difficult to predict the persistence and effects of supply constraints, but it now appears that factors pushing inflation upward will linger well into next year". There is however a sizeable chorus singing the deflation tune, with COVID being the outlying cause of disruptive forces that caused temporary inflation, reversing as supply chain disruptions normalise and COVID related fiscal stimulus gets pulled back.

Fiscal and Central Bank injected Liquidity has been a significant driver of asset prices globally since the GFC but far more significantly since the start of COVID. The Federal Reserve's portfolio of interest-bearing assets stands at \$8.6 trillion. That's up 20% year-over-year, and 115% from December 2019. Talk around the Fed tapering has moved to the onset of action and then last week comments by Federal Reserve Chair Jerome Powell indicating the Fed may accelerate the pace of tapering. Government programs and stimulus aimed at helping people get through COVID are gradually being pulled back. Will these actions continue and lead to reduced liquidity, will there be a growth scare and more liquidity, or will it be something in between, or something else? What we know for certain is the words uttered by Jerome Powell will be very intently listened to and analysed by market participants, potentially causing markets to move violently up or down. Heightened volatility seems to be staring us in the face.

As COVID ramped up through 2020, growth stocks surged with a flood of liquidity, low rates and fiscal responses. Those that had structural COVID benefits soared with the strongest tailwinds. Now a tale of broken growth is seeing these stocks take the elevator down. Recent darlings like Zoom, Peloton and Docusign are a few examples. Look at the charts of these companies and you will quickly be reminded how viciously the pendulum can swing.

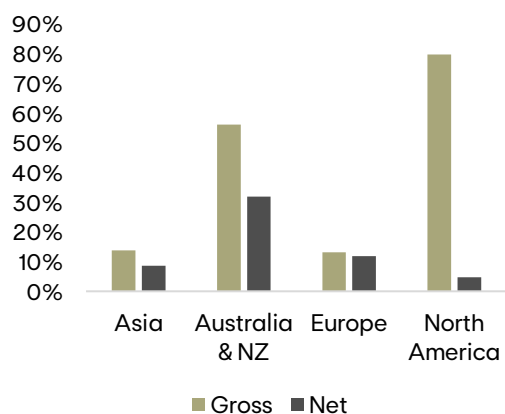
Market movements are too hard to call and it's not something we look to do. Being mindful of clear skies versus foggy roads is however important for positioning and managing risk.

Portfolio:

There are times to play offence and times to play defence. Over recent weeks we have reduced our gross and net exposures as we navigate the road ahead and look to capitalise on opportunities that have arisen as a result of recent volatility.

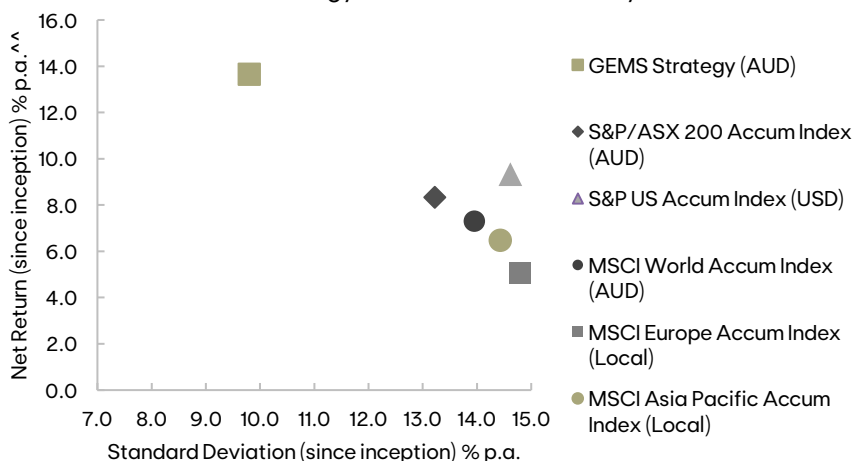
Portfolio Characteristics

Market Exposure as a % of NAV



Source: Ellerston Capital.

GEMS Strategy Performance & Volatility^



Source: Ellerston Capital.

Top 10 Holdings (Alphabetical, Long Only)

- CELLNEX
- GENERATION DEVELOPMENT GROUP
- GRAINCORP
- INTERNATIONAL GAME TECHNOLOGY
- MAGGIE BEER HOLDINGS
- MAWSON INFRASTRUCTURE
- MONEY3
- OLIN CORP
- SITEMINDER
- TESCO

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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 holdings 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.

^^For the period 1 January 2002 to 30 April 2006, the CPH Group GEMS Portfolio was not operated within a separate fund structure. The underlying investment assets of the CPH Group GEMS Portfolio were owned during that time within corporate entities of the CPH Group for which audited accounts were prepared on an annual basis. Accordingly, in order to provide relevant historical performance information for the period 1 January 2002 to 30 April 2006 (Historical Returns) net returns were calculated on the basis of the actual dollar returns of the CPH Group GEMS Portfolio adjusted to reflect a fund structure similar to the Fund and including all fees. For GEMS B, GEMS A returns have been used between 1 May 2006 and 2 November 2009. The returns of the Fund and the relevant Indices are net of fees, expenses and taxes and assuming distributions are reinvested.

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.

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