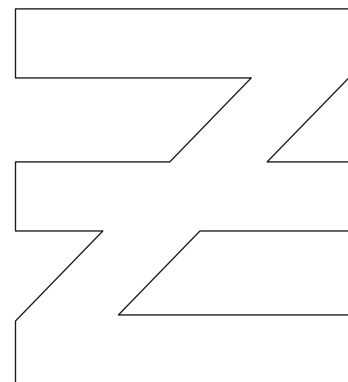


Ellerston Australian Emerging Leaders Fund



Monthly Newsletter, November 2021

Investment Objective

To provide investors with long term capital growth by investing in a portfolio of quality Australian & New Zealand 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 a portfolio of smaller company Securities with the aim of delivering superior returns to the Benchmark over time. The Fund will 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 the downside risk. Positions are actively managed within the Fund.

Key Information

Strategy Inception ^^	13 August 2021
Portfolio Manager	David Keelan & Alexandra Clarke
Application Price	\$0.9969
Net Asset Value	\$0.9944
Redemption Price	\$0.9919
Liquidity	Daily
No Stocks	40
Management Fee	1.10% 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.)	Since Inception (p.a.)^^
Net^	-4.15%	-3.46%	-	-	-	-0.56%
Benchmark*	-0.31%	-1.54%	-	-	-	0.07%
Alpha	-3.85%	-1.91%	-	-	-	-0.63%

^ 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 Australian Emerging Leaders Fund delivered -4.15% in November underperforming the Small Ordinaries Accumulation Index which was down -0.31%. The market volatility increased towards the end of the month as the US Fed Chair provided more hawkish comments around the tapering timeline as well as the emergence of the Omicron COVID variant. Bonds rallied sharply on renewed COVID concerns, and we also witnessed the AUD slide aggressively down to 0.71 against the USD. Once again the Small Resources Index materially outperformed the Small Industrials Index with a circa 5% delta between the two indices. While some of our underperformance can be attributed to our lack of resource exposure, we did wear some pain from transitional flow along with some weaker stock announcements.

One detractor in November was Atomos (AMS AU), which declined 20% for the month. Despite providing strong FY22 guidance at its AGM (revenue growth of 20% and EBITDA margins in line with consensus), the stock was impacted by concerns over chip shortages and selling pressure in technology stocks. We continue to like AMS as one of the few companies to provide strong FY22 guidance and is now at the cheapest valuation it has ever been (~13x FY22 consensus EBITDA). We believe new product releases and M&A activity will continue to expand AMS' addressable market and bolster its earnings and free cash flow growth in coming periods.

Estia Health (EHE AU), one of our core positions put on a healthy 5% during November. Overall, the AGM commentary was positive, with occupancy holding strong at around 93% (as at the end of October) notwithstanding the disruption from Covid-19 during this period. Additionally, strong cash flows and a healthy balance sheet have prompted a share buy-back, a well-received surprise signalling confidence in the outlook. More broadly, the aged care sector is in the midst of a reform program, and while the details are being finalised, we think the larger listed operators like EHE will be clear winners. Some of these benefits are additional funding to ensure adequate levels of care, tightening supply which will drive improved occupancy. These improving conditions should drive stronger operating margins, and we expect will reignite the development pipelines, supporting earnings growth for years to come.

As the calendar year draws to a close, the equity markets are as busy as ever, with a seemingly never-ending pipeline of capital raises and IPOs trying to squeeze in before Christmas. In keeping with our strict investment process, we remain disciplined, and extremely selective about which transactions we participate in. We heavily scrutinise every proposal that comes across our desk and are wary of opportunistically timed deals. As always, our preference is to find high quality businesses, with long-term structural tailwinds, savvy management teams, and are profitable or with a clear path to profitability. We prefer businesses that can thrive in a variety of economic environments rather than getting too caught up with the latest craze.

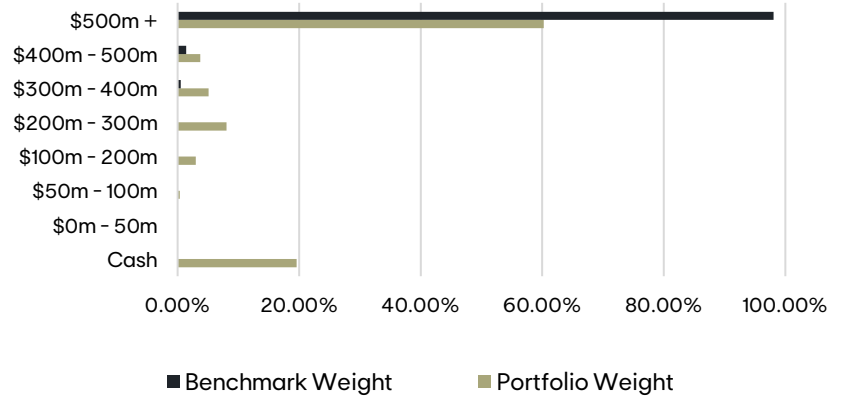
PORTFOLIO CHARACTERISTICS

Key Portfolio Metrics

FY22e	Fund	Benchmark
Price/Earnings	22.21x	23.21x
Dividend Yield	1.41%	2.49%
Net Debt/EBITDA	0.71x	1.13x

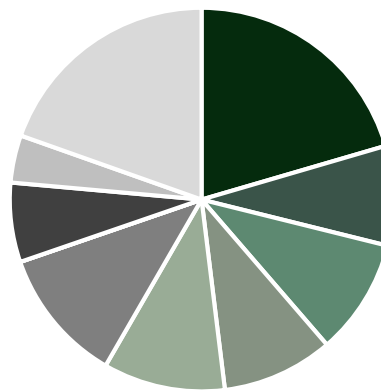
Source: Ellerston Capital.

Market Capitalisation



Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

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Find out more

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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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