

Ellerston Global Equity Managers Fund (GEMS) Class C

Monthly Newsletter, November 2021

Investment Objective

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 December 2009
Portfolio Managers	Ashok Jacob & Arik Star
Application Price	\$1.7926
NAV Price	\$1.7881
Redemption Price	\$1.7836
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 (Net)*	FYTD	CYTD	1 Year	2 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^^
GEMS C	-1.6%	20.7%	31.8%	31.5%	14.3%	13.4%

Source: Ellerston Capital.

* The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.

PERFORMANCE – Fiscal Year in Review

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 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 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 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 herd 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.

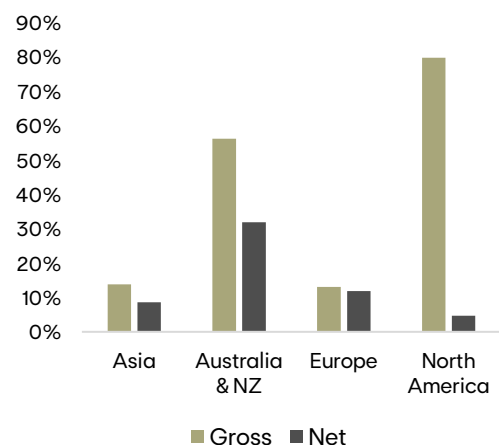
Market movements are too hard to call and it's not something we look to do. Being mindful of clear skies versus foggy roads is however important for positioning and managing risk.

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.

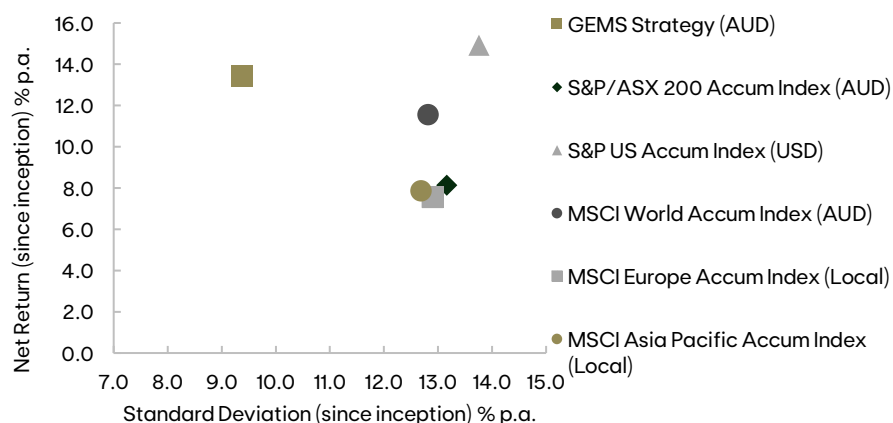
PORTFOLIO CHARACTERISTICS

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 holding 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.

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. The returns and risk of the Fund and the relevant Indices are net of taxes, fees and expenses and assuming distributions are reinvested. The performance figures presented are for the Ellerston Global Equity Managers Fund GEMS C Units. The one month return figure may be an estimate and not the final return. This estimate also impacts other performance information provided. Estimated performance figures are preliminary and subject to change. Returns for other classes may differ slightly. Past performance is not indicative of future performance. This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as the responsible entity of the Ellerston Global Equity Managers Fund ARSN 118 887 095 without taking account the objectives, financial situation or needs of individuals. Before making an investment decision about the Fund persons should read the Fund's Product Disclosure Statement and Target Market Determination (TMD) which can be obtained from the Manager's website www.ellerstoncapital.com or by contacting info@ellerstoncapital.com and obtain advice from an appropriate financial adviser. Units in the Fund are issued by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000. This information is current as at the date on the first page. This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance.
