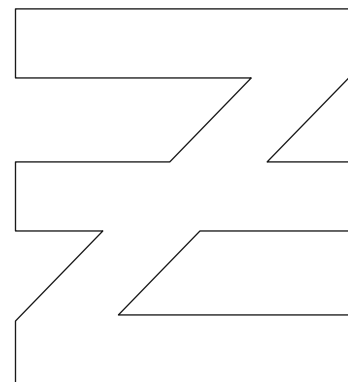


Ellerston Australian Micro Cap Fund



Monthly Newsletter, November 2021

Investment Objective

To provide investors with long term capital growth by investing in a portfolio of quality Australian & New Zealand 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	\$1.7614
Net Asset Value	\$1.7570
Redemption Price	\$1.7526
Liquidity	Daily
No Stocks	54
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.)	Since Inception (p.a.)^^
Net^	-2.37%	0.43%	15.39%	25.39%	31.73%	25.37%
Benchmark*	-0.31%	-1.54%	7.27%	18.44%	13.54%	11.61%
Alpha	-2.06%	1.97%	8.13%	6.94%	18.19%	13.76%

^ 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 Australian Micro Cap Fund delivered -2.37% 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.

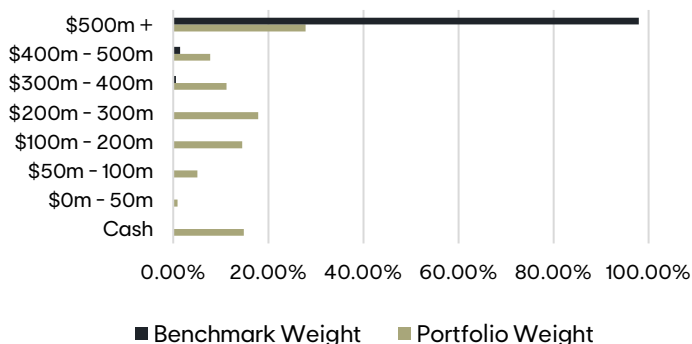
One detractor in November was Atomos (AMS AU), which declined 20% for the month. Despite providing strong FY22 guidance at its AGM (revenue growth of 20% and EBITDA margins in line with consensus), the stock was impacted by concerns over chip shortages and selling pressure in technology stocks. We continue 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.

Sovereign Cloud (SOV AU) had a strong November and delivered a 36% for the month. SOV specialises in providing cloud-based Infrastructure as a Service (IaaS) solutions to customers in federal government, defence and critical national industries. Originally starting in Canberra and Sydney, the business executed a capital raise and strategic partnership with leading Australian Data Centre provider NextDC (NXT) in November. This will see them expand into Brisbane, Melbourne and Adelaide which is expected to grow revenues and assist the business to scale. We believe SOV is set to benefit from multiple industry tailwinds, its strategic partnerships and increased scale over coming periods.

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

Market Capitalisation



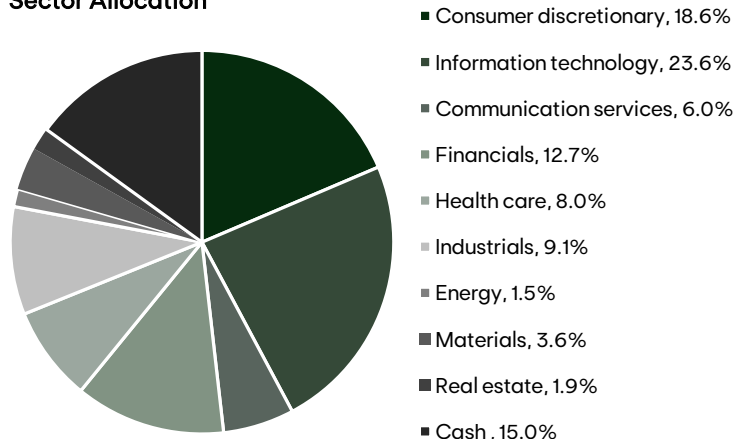
Source: Ellerston Capital.

Key Portfolio Metrics

FY22e	Fund	Benchmark
Price/Earnings	19.0x	23.21x
Dividend Yield	1.5%	2.49%
Net Debt/EBITDA	0.10x	1.13x

Source: Ellerston Capital.

Sector Allocation



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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