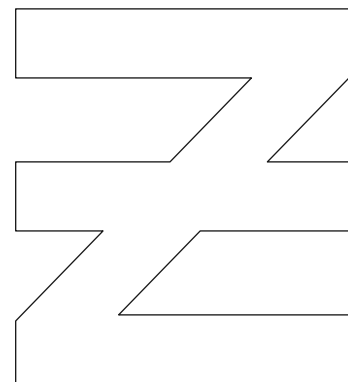


Ellerston Australian Absolute Return Fund



Monthly Newsletter, January 2022

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	\$1.2294
NAV Price	\$1.2263
Redemption Price	\$1.2232
Liquidity	Daily
Gross Exposure	59.62%
Net Exposure	25.53%
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 [^]	-2.64%	-5.01%	1.75%	8.17%	12.99%	5.72%	8.13%
Benchmark*	0.01%	0.03%	0.05%	0.10%	0.49%	0.89%	1.43%
Alpha	-2.64%	-5.04%	1.70%	8.07%	12.50%	4.83%	6.70%

[^] 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 -2.64% in January.

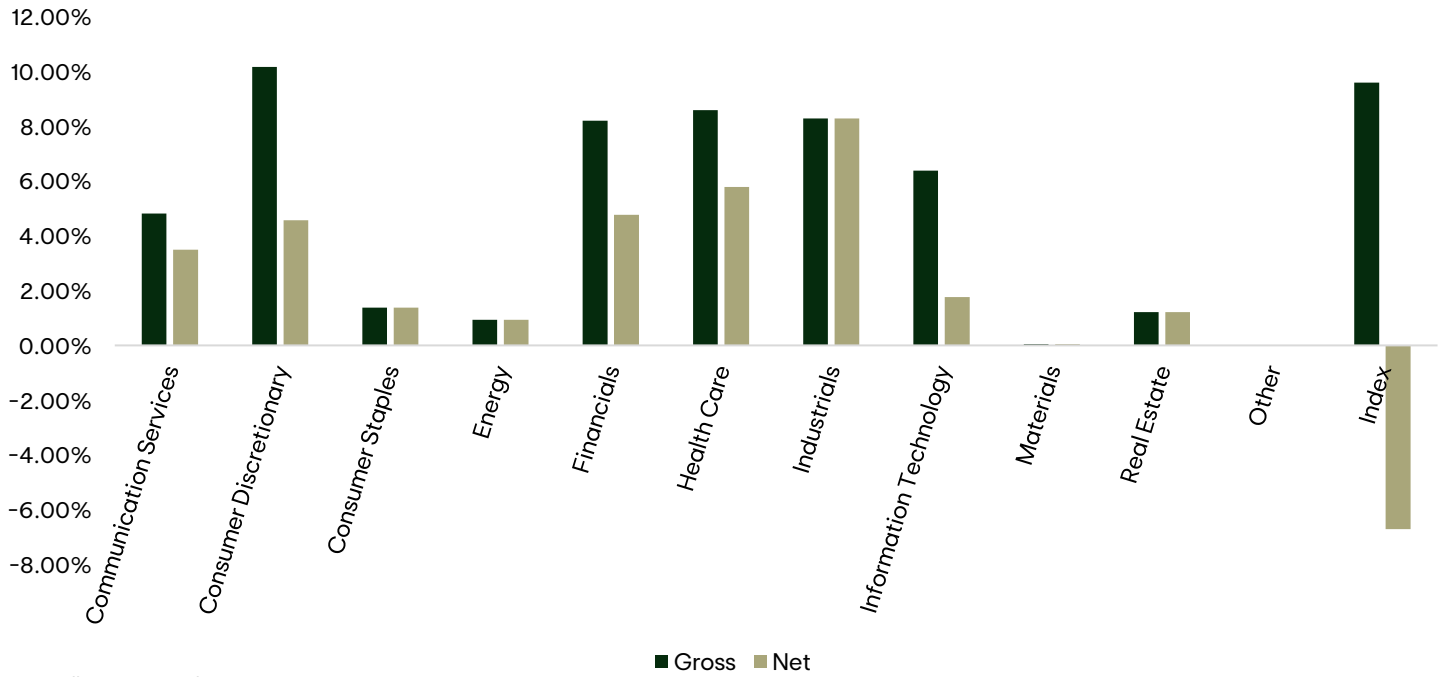
COMMENTARY

One of our higher conviction positions Equity Trustees (EQT AU) held steady during January, which is a solid outcome when the market shed 9%. The business is benefiting from several tailwinds, including the ever-growing superannuation pool, along with rising compliance costs and complexity - which is encouraging super funds and fund managers to outsource their trustee and responsible entity functions. This flows through to EQT in the form of strong inflows (where it generates incremental revenue) and ongoing new client wins. The pipeline is solid, and includes both smaller, but rapidly growing funds, and a few whales which will take longer to land. We also think there are M&A opportunities floating around, which would be highly accretive and complimentary, and really help to drive the leverage. Outside of these trends, the company is highly cash generative, with a formidable management team, and we think the reliability of its earnings and growth potential are not fully appreciated at the current valuation.

On the flip side of our higher conviction position in Equity Trustees, one of our spicier core positions Family Zone Cyber Safety (FZO AU) was down over 18% during the month. Being a high growth, but loss-making business FZO was heavily caught up with the tech sell-off, which was exasperated by the fact that it is still relatively illiquid. This aggressive share price move came despite the company releasing a solid 2Q FY2021 result, which saw ARR and a suite of metrics materially ahead of market expectations. FZO announced that it had ARR of \$52m with the 2Q FY2021 adjusted for seasonality implying an additional \$25m annually. We remain comfortable holders of the name, as it continues to trade at a material discount to its peers and is entering a catalyst rich period.

PORTFOLIO CHARACTERISTICS

Sector Exposure

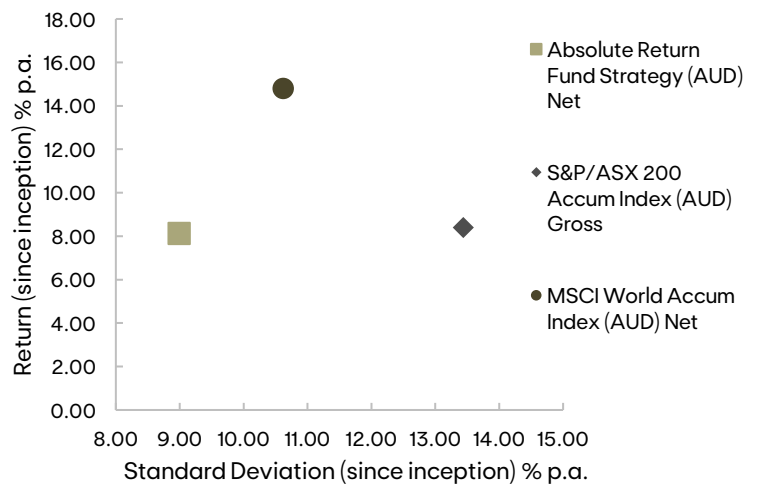


Source: Ellerston Capital.

Top 10 Holdings (Alphabetical, Long Only)

- Atomo Diagnostics
- Atomos
- Aussie Broadband
- EQT Holdings
- Estia Health
- HUB24
- Impedimed
- IPH
- Johns Lyng Group
- Rubicon Water

Strategy Performance & Volatility



Source: Ellerston Capital.

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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**

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