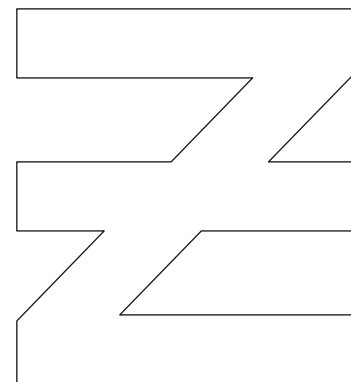


# Ellerston Pre-IPO Fund



## Performance Report, March 2022

### Investment Objective

The investment objective of the Fund is to generate a positive return above a Hurdle Return of 6% p.a. net of fees.

### Investment Strategy

The Manager uses a fundamental, research driven investment strategy to provide returns above the Hurdle Return that are not correlated to listed equity markets. The Manager undertakes fundamental research to selectively identify and invest in quality companies focus on investments in Pre-IPO, IPO, Unlisted Expansion Capital and Listed Microcap Companies, predominantly in Australia but also covering OECD and developed countries.

### Key Information

<b>Inception Date*</b>	31 March 2020
<b>Portfolio Manager(s)</b>	David Keelan & Alexandra Clarke
<b>Application Price</b>	\$0.8909
<b>Net Asset Value</b>	\$0.8909
<b>Redemption Price</b>	\$0.8909
<b>No Stocks</b>	20
<b>Hurdle Return</b>	6% p.a. net of fees
<b>Management Fee</b>	1.50%
<b>Performance Fee</b>	20% of the investment return above the Hurdle Return for each financial year, calculated and accrued quarterly
<b>Distributions</b>	Annually

### Performance Summary

Performance	3 Months	6 Months	1 Year	Since Inception (p.a.) <sup>^</sup>
Ellerston Pre-IPO Fund <sup>^</sup>	-1.30%	-0.15%	4.99%	9.50%

<sup>^</sup> The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

### Market Commentary

The March quarter saw the Small Ordinaries (XSO) lose 4.2% over the period. January was a highly volatile month, with the XSO down 12% at its peak to finish down 9% driven by rising real yields. In February, the key macro driver was the outbreak of war in Ukraine which saw a global rotation into more defensive assets and a spike in energy prices. In March, the market rallied strongly into the month end driven by sustained strength in resources as the rotation into commodity exposures continued. M&A activity during the quarter remained elevated with numerous takeover bids launched.

### Fund News

During the March quarter the Ellerston Australian Pre-IPO Fund generated a return of -1.30%. We note currently less than 4% of the book is exposed to market movements with the remaining holdings predominately held at cost. The Fund has paid out two distributions since inception, totalling A\$0.302.

### Current Thinking

Given the state of the market we thought it would be timely to delve into our current thinking on the pre-IPO market. To provide some context we think it is important to understand the listed landscape. The Small Ordinaries (XSO) was down 4.2% in the March quarter, however there were meaningful movements in the composition of this index. The Small Industrials were down 9.1%, while the Small Resources gained 14.5% for the quarter. While the conflict in Ukraine has amplified these concerns (primarily driven by a spike in energy prices), we note heightened inflation prints and rising rates were already front of mind for investors.

Reflecting our view on the above factors, we have only made three new investments this financial year in the context of a flurry of pre-IPO activity over 2HCY22. We have been cautious about deploying capital into what was a frothy market where valuations were stretched and did not reflect the inherent risk associated with illiquidity. Consequently, our more cautious approach means that we are well placed to capitalise on businesses that require additional growth capital in a tougher market environment at more realistic valuations. Our cash position sits at over 20% with several liquidity events expected to occur over the next 6-12 months.

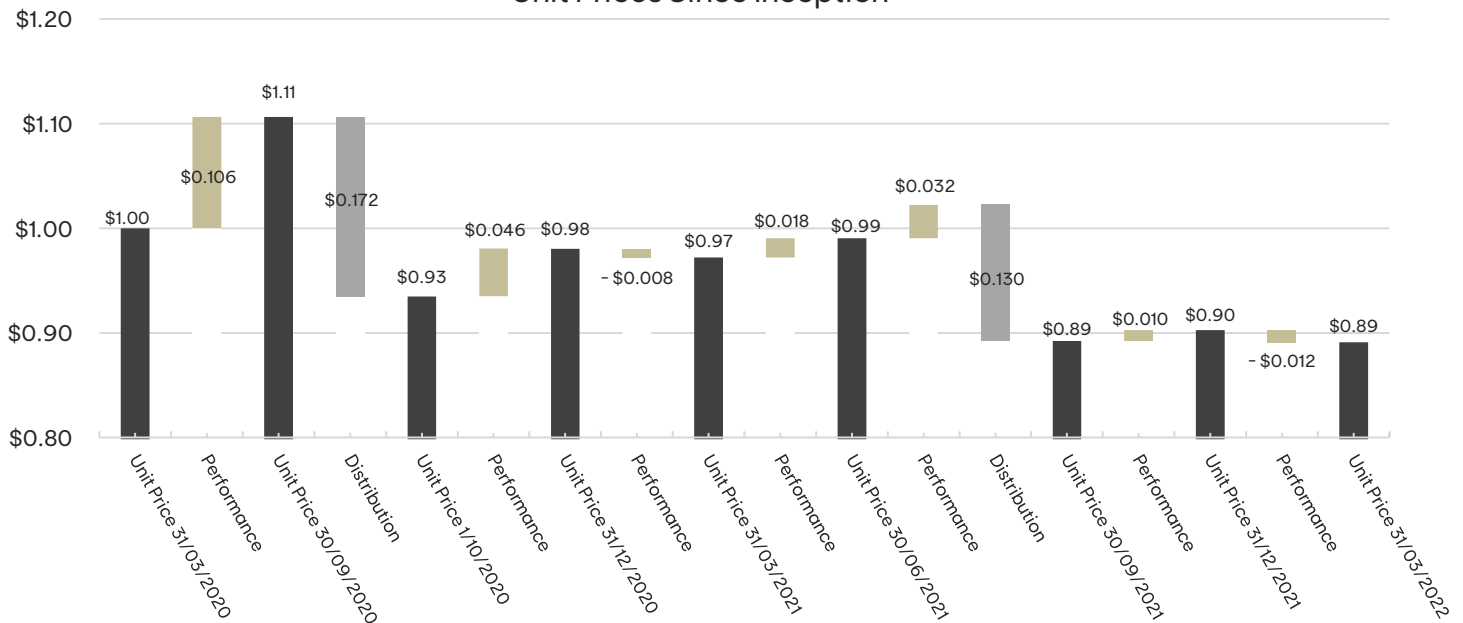
We think it is important given the current state of markets to reiterate how assets are held and valued within the portfolio. We know that market conditions have resulted in a slow-down in primary and secondary equity markets and a de-rating of market multiples. While this may have a potential impact on the timing of some of our liquidity events, the majority of our investments are held at cost and in instruments which float, like convertible notes. This reflects our conservative approach and means the Fund is well placed when our expected liquidity events occur. The Fund also has a process of reviewing the holding valuations of its investments, which is overseen from an external valuation committee.

## Notable News

The Fund did not make any new investments during the quarter, however other notable news included:

- Adrad:** Adrad is Australia's largest manufacturer, importer and distributor of radiators, air-conditioning parts and other heat exchange products for the Australian automotive and industrial aftermarket. Adrad was founded in 1985 and headquartered in Beverley, South Australia with approximately 400 employees across 8 offices and 16 warehouse locations in Australia, New Zealand and Thailand. Adrad recently undertook a non-deal roadshow for a potential IPO process this year. We believe the business is well placed given its growth prospects and the markets current appetite for profitable businesses with strong organic growth prospects.
- Attvest (Capevest):** Attvest Finance is an Australian, leading Insurance Premium Funder with an extensive national broker origination network and in-house relationship manager team. In February 2022, Attvest declared a \$3.20 per share interim dividend. This equated to a cash yield of ~6% and 8% including franking credits for the half year. We are pleased with the businesses progress.

## Unit Prices Since Inception



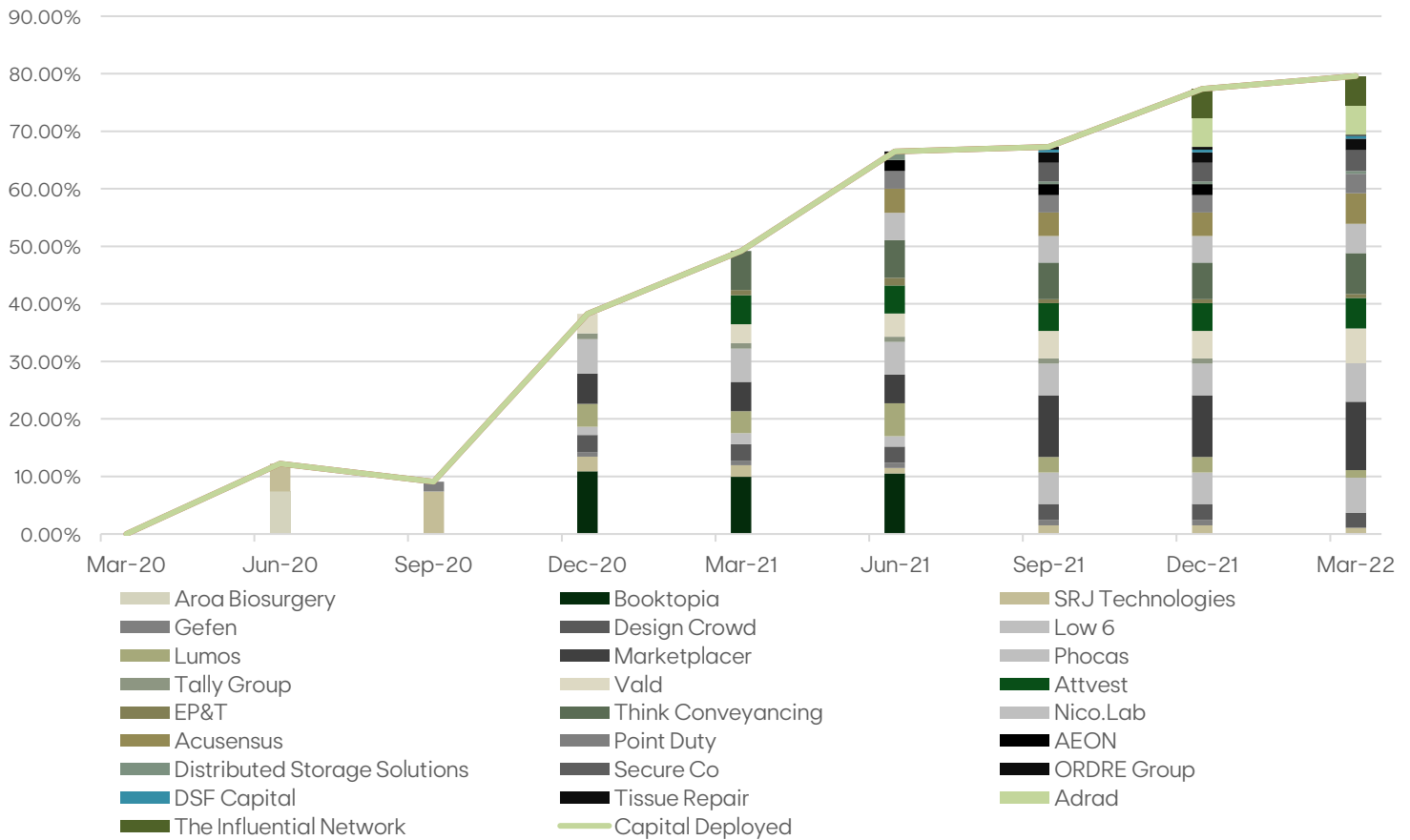
Source: Ellerston Capital.

## Top 5 Holdings Summary

SECURITY	PORTFOLIO WEIGHT
MARKETPLACER	11.90%
THINK CONVEYANCING (DEEP BLUE COMPANY)	7.10%
PHOCAS GROUP	6.70%
ACUSENSUS	5.70%
ATTVEST (CAPEVEST)	5.30%
OTHER CAPITAL DEPLOYED*	43.30%
CASH	20.00%
<b>TOTAL</b>	<b>100.00%</b>

Source: Ellerston Capital. \*Other capital deployed includes additional 15 holdings.

# Capital Deployed



Our philosophy around pre-IPOs is very simple. We are looking for high quality businesses that have clear pathways to IPO, offering opportunities to achieve superior returns with minimal correlation to the market. We are looking to achieve a 20% IRR and given the current state of the market we believe we are well placed to deliver on this target.

## Contact Us

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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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