Ellerston Global Mid Small Cap Fund

Monthly Newsletter, April 2022

Investment Objective

To outperform the MSCI World Mid Cap NR (AUD) Index by 3% over a rolling 5 year period on a net of fees basis, with a focus on risk management and capital preservation.

Investment Strategy

The Funds investment strategy is to construct a concentrated portfolio of global mid small cap securities using the Manager's distinctively contrarian high conviction, benchmark independent investment approach. The Manager believes that the trade-off between risk and potential returns is improved by implementing highest conviction ideas from a filtered universe of securities that are in a period of "price discovery" and offer the best risk/reward.

Key Information

Strategy Inception^^	1 March 2017
Portfolio Manager	Bill Pridham
Class A Application Price	$1.3936
Class A Net Asset Value	$1.3901
Class A Redemption Price	$1.3866
Class B Net Asset Value	$1.1999
Class B Redemption Price	$1.1969
Liquidity	Daily
No Stocks	20 - 40
Management Fee (Class A)	0.75%
Performance Fee	10%**
Buy/Sell Spread	0.25% on application 0.25% on redemption

**10% of the investment return over the benchmark return (MSCI World Mid Cap Index NR (AUD)), after recovering any underperformance in past periods.

Performance Summary

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception^^ (p.a.)
Class A^	**-1.00%**	**-10.36%**	**-4.39%**	**12.90%**	**11.82%**	**12.76%**
Benchmark*	-2.41%	-7.99%	-0.35%	7.91%	9.11%	**9.97%**
Alpha	1.41%	-2.37%	-4.04%	4.99%	2.71%	**2.79%**

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	Since Inception*** (p.a.)
Class B^	**-0.94%**	**-10.19%**	**-12.13%**	**-3.55%**	-	**11.38%**
Benchmark*	-2.41%	-7.99%	-8.68%	-0.35%	-	**11.41%**
Alpha	1.47%	-2.21%	-3.45%	-3.20%	-	**-0.03%**

^ The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.
* MSCI World Mid Cap Index NR (AUD)
***Class B Inception Date is 18 August 2020

ESG in Focus

As highlighted in our latest blog, e-waste is a large and growing problem. It is estimated that 57.4m tonnes of e-waste was generated in 2021 which is greater than the weight of the Great Wall of China (the worlds heaviest artificial object). Due to the technological advancements, we are seeing product life cycles becoming shorter and due to increased complexity, repair options are becoming increasingly limited.

We need all stakeholders from households, businesses and governments to get behind an improved circular network right from design to end of life to facilitate a system where the devices can be repaired or recycled. This would have multiple benefits as valuable materials could be recovered from old devices, the impact on landfills becomes less onerous and people in lower income households and countries could have access to relatively new technology.

Redundant devices that cannot remain in circulation due to damage or advanced wear and tear should be responsibly recycled. Each year we will have more and more electronic devices enter the system and while technology and innovation are important, this should not come at the expense of our environment, especially when considering we have the means and tools to repurpose and reuse the incredibly large e-waste stream that we are swimming in.

Portfolio Commentary

Global equity markets continued to come under pressure during April with the S&P 500 down 8.7% and Nasdaq 100 down 13.2%. Europe tended to fair much better with the French CAC and German DAX indices down 1.4% and 3.0% respectively.

The Ellerston Global Mid Small Cap Fund declined 1.0% net during the month while the MSCI World Mid Cap (AUD) Index was lower by 2.4% over the same period.

The portfolio's top three contributors **Graphic Packaging, PTC and Soitec SA added 75bps to performance while GXO Logistics, XPO Logistics and WillScot Mobile detracted 198bps**. The Fund had 16 portfolio companies reporting quarterly results or trading updates in April.

The standouts this reporting season included PTC which delivered above guidance results with bookings up mid-teens as its CAD and PLM businesses continue to drive solid growth. PTC is really benefiting from the digital transformation of its manufacturing customers as they look to drive production efficiencies.

WillScot Mobile Mini raised full year EBITDA guidance by >5% as leasing conditions for its modular offices remain robust and pricing continues to grow at a high teens pace.

TKH Group provided a trading update which highlighted >28% organic growth and over 80% EBITDA growth as all segments contributed to the result. Management also announced capacity increases as it responds to increased market demand for its energy (cables connecting wind farms), digitisation (fibre optic cables) and tire building systems.

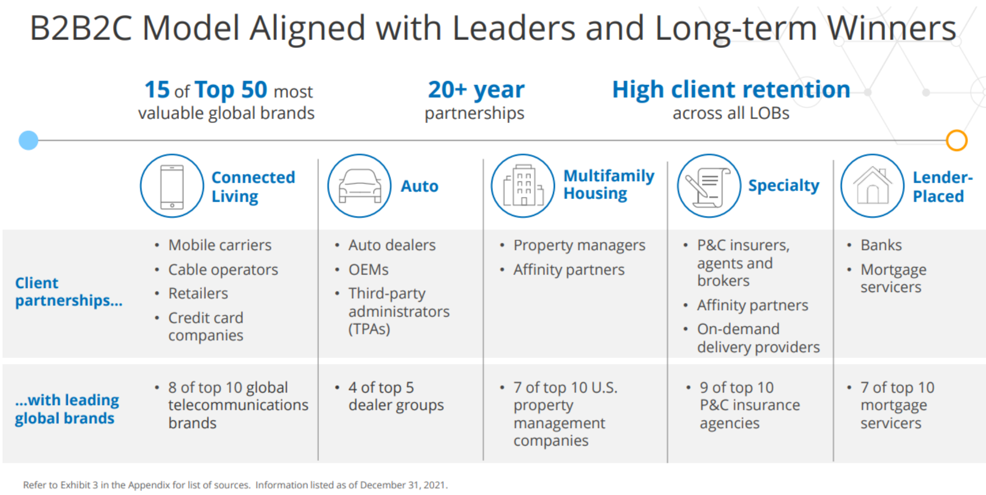
Conversely, Anritsu reported a disappointing quarter as supply chain disruptions in electrical components continue to impact its ability to provide its customers with 5G testing equipment.

STOCK IN FOCUS: Assurant (AIZ US, $10.2bn Market Cap)

Assurant is a global leader operating under a business to business to consumer model partnering with some of the world's largest consumer brands offering protection and integrated services across mobile devices, automobiles, and homes.

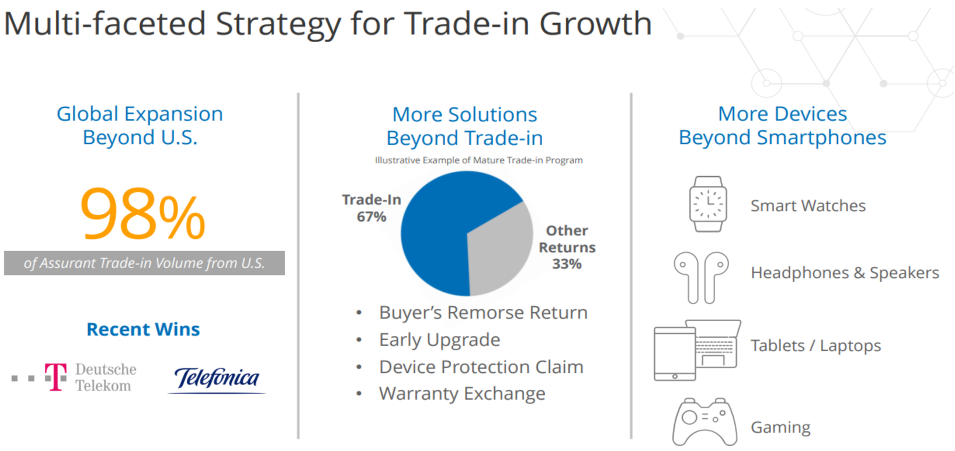
It has operations in 21 countries which highlights its global mindset and market opportunity with very long-term partnerships underpinned by its high customer retention rates. Approximately 80% of its earnings are fee-based and capital light with market leadership positions providing significant scale advantages for its specialised solutions.

The business is organised into two main segments, Global Lifestyle, which houses its connected living and automotive business and Global Housing which comprises its multifamily, specialty and lender placed offerings. The businesses are exposed to attractive industries with favourable tailwinds which are generally insulated from major macroeconomic risk:



Source: Assurant

As part of its extensive service portolio, Assurant operates a comprehensive set of electronic repair capabilities and trade in services that wraps around its mobile protection business. Assurant is the clear market leader supporting global trade-in services counting some of the largest mobile operators as customers. Management anticipates increasing its focus on other consumer electronics and appliances underpinned by its existing capabilities in mobile phones.



Source: Assurant

Lifestyle is expected to lead the growth for Assurant, generating low double-digit growth in 2022 and approximately 10 percent average annual growth in 2023 and 2024. Housing will also contribute with Adjusted EBITDA increasing each year between mid- to high-single-digits. Combined EPS growth for FY22 has been guided to come in between 16-20% ahead of last year with FY23 and FY24 EPS expected to grow >12% compound.

Given the capital light nature of the business, Management also expects to generate >$2.9bn of cash from its business units which provides signficant captial allocation options to shareholders. At the time of writing, Assurant is trading on an attractive 11.5x forward earnings multiple.

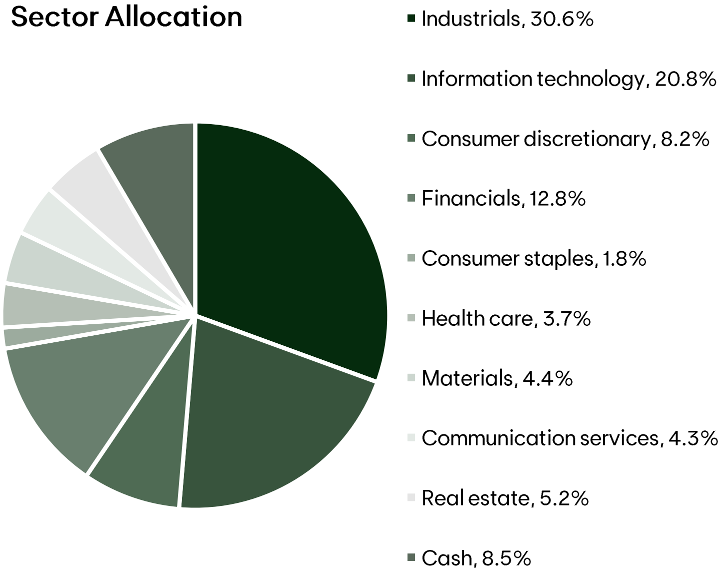
Portfolio Characteristics

Holdings

Top 10 holdings	Country	Sector	%
Assurant	United States	Financials	4.53%
Graphic Packaging	United States	Materials	4.37%
Cellnex Telecom	Spain	Communication Services	4.29%
WillScot Mobile Mini	United States	Industrials	4.12%
Flex	United States	Information Technology	3.99%
DigitalBridge Group	United States	Real Estate	3.85%
Sensata Technologies	United States	Industrials	3.81%
Option Care Health	United States	Health Care	3.69%
Webster Financial Corporation	United States	Financials	3.64%
GXO Logistics	United States	Industrials	3.57%

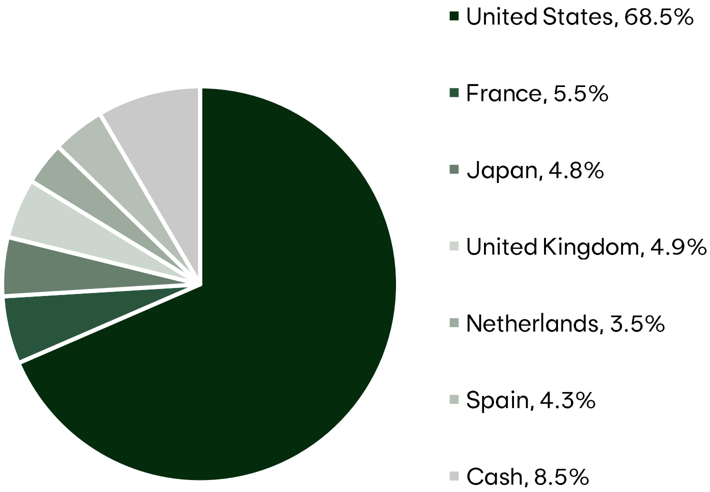
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Geographic Allocation



Source: Ellerston Capital.

Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
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, Mainstream Fund Services on **02 8259 8550** or **InvestorServices@MainstreamGroup.com**

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