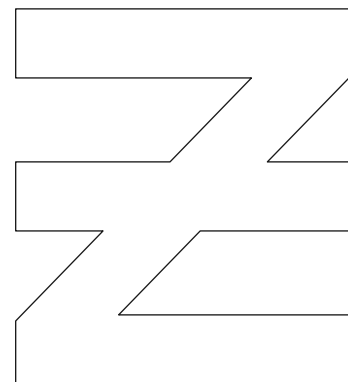


# Ellerston Australian Absolute Return Fund



## Monthly Newsletter, May 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	\$1.1702
NAV Price	\$1.1673
Redemption Price	\$1.1644
Liquidity	Daily
Gross Exposure	66.72%
Net Exposure	27.54%
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.)	5 Years (p.a.)	Since Inception (p.a.)**
Net <sup>^</sup>	-5.36%	-5.04%	-7.55%	-3.03%	11.68%	4.91%	7.23%
Benchmark*	0.03%	0.04%	0.07%	0.12%	0.34%	0.81%	1.39%
Alpha	-5.39%	-5.08%	-7.62%	-3.15%	11.33%	4.11%	5.84%

<sup>^</sup> 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 -5.36% in May.

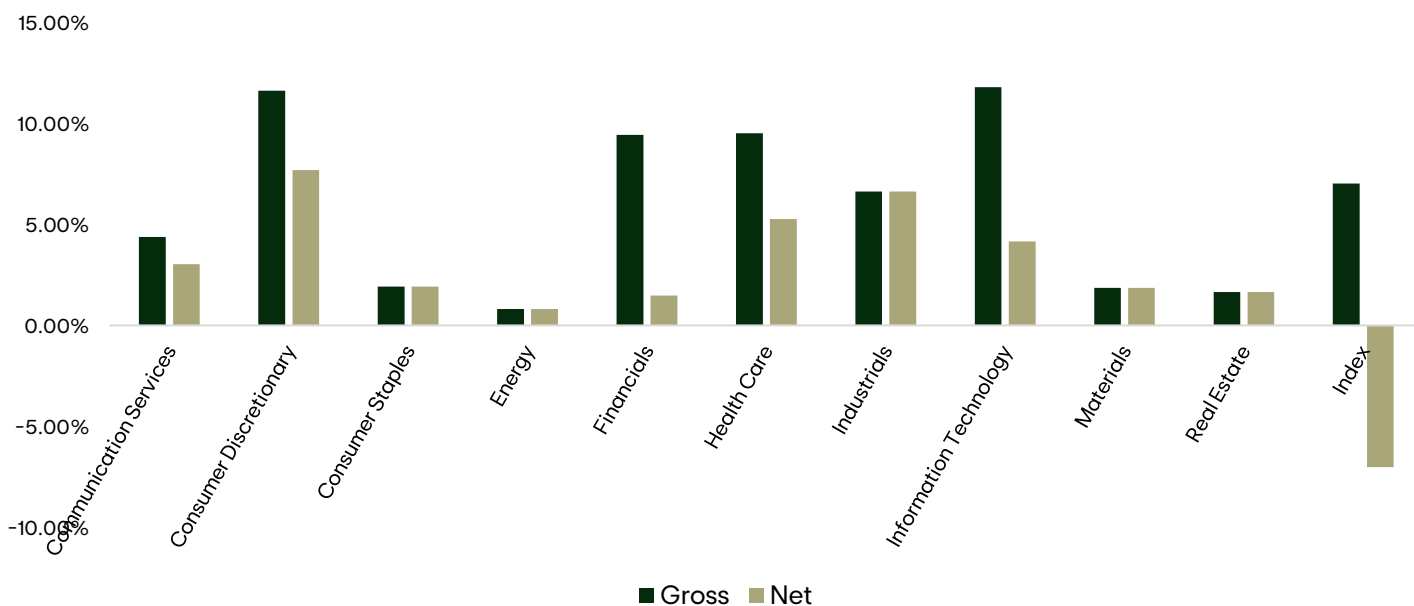
### COMMENTARY

It was a challenging month for one of our key holdings, Aussie Broadband (ABB AU), which fell 25% on a softer than expected trading update. The market was disappointed with the subscriber and EBITDA guidance, which were both tightened towards the bottom half of the range. The federal election campaign impacted marketing efficiency, which was exasperated by extended call centre wait times and elevated CVC charges. We think this was an overreaction to factors which we think are transitory and were largely outside of management's control. Accordingly, we took this as an opportunity to accumulate more of what we think is a solid business at an attractive price. We take comfort knowing the company continues to steal market share from the large incumbents at record pace, the Over the Wire integration is progressing well and the fibre rollout is tracking to schedule. ABB is the country's fastest growing telco, rapidly approaching the critical \$100m EBITDA mark with several catalysts yet to play out, and it remains one of our higher conviction positions.

ALS Limited (ALQ AU) provides laboratory testing services across key Industrial and Consumer facing industries in over 50 countries and 300 locations globally. In May it reported its full year results with NPAT of \$264m which was at the top end of its NPAT guidance range. The clear highlight of the result was its Life Science division which was able to deliver over 14% organic growth. Pleasingly, we saw price rises and strong volume leverage through additional capacity which has helped offset some inflationary pressures. While we do believe we are approaching peak margins in GeoChem, given the current environment we do believe the group should be able to hold close to these margins in the near term. We look forward to ALQ's AGM at the end of August where we hope to see a refresh of its 5 year strategic plan as well as its usual trading/guidance update. In the meantime with ALQ's strong balance sheet we remain optimistic on further accretive M&A deals.

## PORTFOLIO CHARACTERISTICS

### Sector Exposure

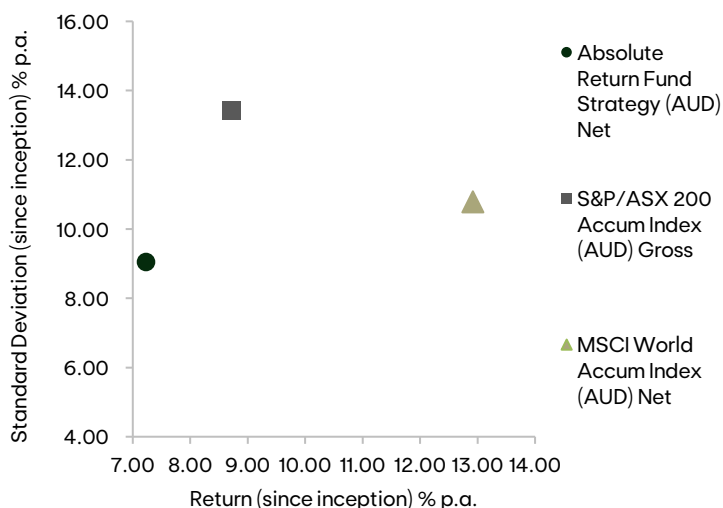


Source: Ellerston Capital.

### Top 10 Holdings (Alphabetical, Long Only)

- Corporate Travel Management
- DGL Group
- EQT Holdings
- Estia Health
- Fleetwood
- Generation Development Group
- GrainCorp
- IPH
- Regis Healthcare
- 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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