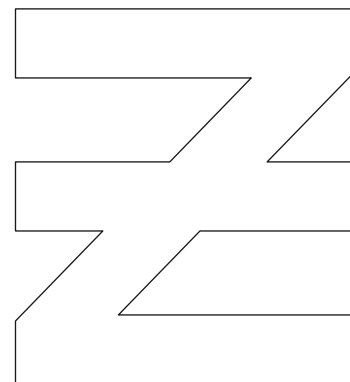


Ellerston Australian Emerging Leaders Fund



Monthly Newsletter, May 2022

Investment Objective

To provide investors with long term capital growth by investing in a portfolio of quality Australian & New Zealand 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 a portfolio of smaller company Securities with the aim of delivering superior returns to the Benchmark over time. The Fund will 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 the downside risk. Positions are actively managed within the Fund.

Key Information

Strategy Inception ^^	13 August 2021
Portfolio Manager	David Keelan & Alexandra Clarke
Application Price	\$0.8375
Net Asset Value	\$0.8354
Redemption Price	\$0.8333
Liquidity	Daily
No Stocks	41
Management Fee	1.10% 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^	-11.02%	-9.05%	-15.99%	-	-	-16.46%
Benchmark*	-7.01%	-3.58%	-11.02%	-	-	-10.96%
Alpha	-4.01%	-5.46%	-4.97%	-	-	-5.50%

^ 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

May was a volatile month with the Small Ordinaries falling 7.01%, as the market digested rate hikes, inflation, the Federal Election, and ongoing concerns around recessions, particularly in the USA. Once again Small Resources outperformed Small Industrials driven by the coal names. We saw continued weakness in housing and consumer discretionary names as the market tried to process the new rate environment as well as inflationary fears, both of which will ultimately flow through to households. M&A remained elevated with several non-binding approaches made across numerous sectors. Against this backdrop the Ellerston Australian Emerging Leaders Fund underperformed the Small Ordinaries Accumulation Index by 4.01%. The Fund was not immune to several issues both at a macro level as well as a stock specific level which weighed on performance. Specifically, 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 previous 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 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 as 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.

A positive contributor this month was EnviroSuite (EVS AU), delivering a 9% return. EVS is a global provider of environmental management software, providing blue-chip customers with real-time data and analytics. Its software assists with operational and environmental outcomes across Air, Noise and Water. EVS provided an update on its Water division this month, which now has sites operational across Australia, Asia, Europe and the USA. Additionally, revenue per site ahead of forecasts and total Water revenue to date now over A\$1 million. We think EVS is well placed to benefit the momentum in Water continues to build, in addition to increased spend in its Aviation segment as travel resumes.

As we approach the end of the financial year, we expect further volatility and macro noise around interest rate rises, inflationary concerns along with ongoing political unrest to have an impact on broader markets. As such we remain vigilant in upweighting the quality of our portfolio and looking for opportunities that present a three to one risk reward. As we are all aware volatility does create opportunities and we are well positioned to take advantage of these opportunities.

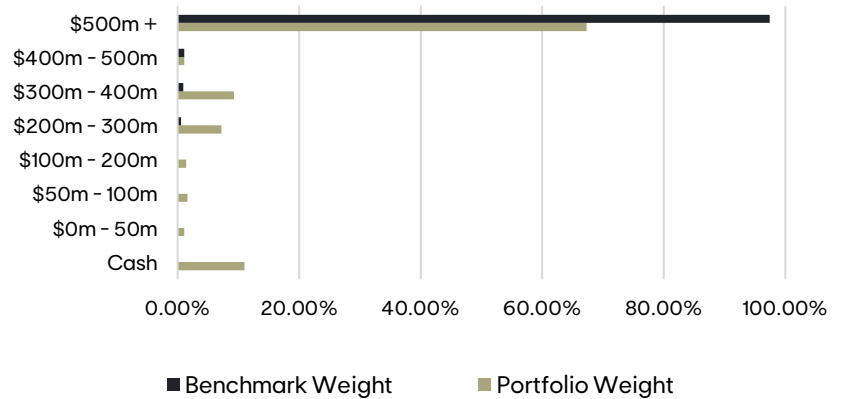
PORTFOLIO CHARACTERISTICS

Key Portfolio Metrics

FY22e	Fund	Benchmark
Price/Earnings	15.9x	16.1x
Dividend Yield	2.0%	3.5%
Net Debt/EBITDA	0.1x	1.0x

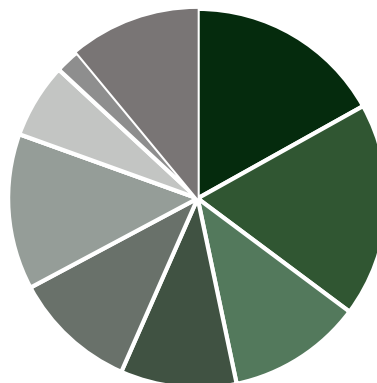
Source: Ellerston Capital.

Market Capitalisation



Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

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Find out more

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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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