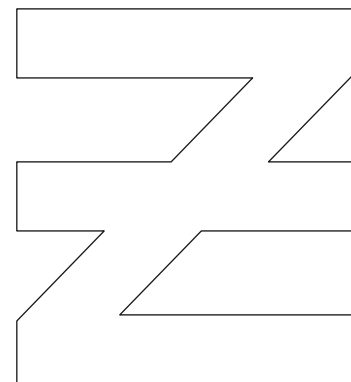


# Ellerston 2050 Fund



## Performance Report, July 2022

### Investment Objective

The investment objective of the Fund is to outperform the Benchmark over a rolling three year period.

### Investment Strategy

The Fund employs an active, research-driven investment approach which seeks to identify a portfolio of unlisted (pre-IPO and expansion capital) and listed (micro and small capitalisation) companies, with the aim of delivering superior returns to the benchmark over time. Investments will generally be made in companies that have sound business franchises with attractive earnings profiles that operate in growth industries and trade at a discount to valuation. For inclusion in the portfolio, companies must, either directly or indirectly, demonstrate a pathway to aiding the abatement of carbon within Australia and the global economy.

### Key Information

Inception Date*	31 May 2022
Portfolio Manager(s)	David Keelan & Alexandra Clarke
Application Price	\$1.0083
Net Asset Value	\$1.0045
Redemption Price	\$1.0007
No Stocks	30
Management Fee	1.50%
Performance Fee	20% of the investment return above the Benchmark for each financial year, calculated and accrued monthly
Distributions	Half Yearly

### Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)*
Ellerston 2050 Fund^	6.68%	0.45%	-	-	0.45%
Benchmark**	11.78%	-0.19%	-	-	-0.19%
Alpha	-5.10%	0.64%	-	-	0.64%

^ The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance  
\*\*S&P/ASX Small Ordinaries Industrials Accumulation Index

### Market Commentary

The Ellerston 2050 Fund trailed the Small Industrials Accumulation Index by 5.10% during July. It was an incredibly solid month for global equity markets, with the benchmark rallying by over 11% driven by lower bond yields, and moderating rate-hike expectations. Looking at the broader market, Healthcare led the charge, rising by 23%, while many of the heavily sold off tech names ran hard, driving the IT sector up almost 18%. The only sector that went backwards was consumer staples, albeit by a modest 3%, while small industrials also outperformed small resources for the second straight month. Confession season is well and truly underway. We saw Nuix and EML Payments falling by around 30% on a weaker trading update and a sudden CEO departure respectively. It was also a tough month for some of the agriculture names with Bega Cheese and Costa Group down by circa 20% on weaker trading updates, while several other names were heavily sold off on the back of noise around a possible Foot and Mouth disease outbreak in Australia.

Fleetwood (FWD AU) was a solid performer with the stock up +32% for the month. FWD fits into the 2050 Fund because its modular housing manufacturing requires substantially less energy than traditional construction techniques, while reducing wastage and transportation costs. FWD over the last decade has gone from market darling to an under-loved micro-cap. Over the last four years, FWD has transformed the business by selling off underperforming assets, purchased further modular businesses, bringing in new management and bolstering the balance sheet. Late June and early July were a roller coaster ride for the FWD share price with the company announcing both a downgrade and a material contract within days of each other. FWD's Building Solutions business continued to have issues impacted by cost increases from material and labour shortages, project delays and unfavourable weather conditions. These problems resulted in a full year EBITA loss of circa \$3-4m relative to market expectations of a small EBITA gain. Management believe, issues in its Building Solutions business should be well contained to the FY22 and 1H23 result. On the flip side of this horrible news, a few days later FWD then announced a material contract for its Searipple Village in Karratha. This is a five-year contract with Rio Tinto to provide 250 rooms per night on an exclusive basis. The contract should generate between \$52-70m of revenue over the life of the contract and has the potential to increase if RIO takes up additional options. Our attraction to FWD has always been around the operating leverage that the Searipple village can deliver to earnings. This asset over the last 10 years has been heavily written off on FWD's balance sheet given the historic downturn in accommodation requirements around Karratha. However, over the last few years even though occupancy had remained low compared to historical averages it has been a solid cash producing asset. We believe as more projects are launched around the Karratha region that this asset can once again start printing circa \$25m+ of earnings which is more than the entire business is generating currently. We believe the RIO contract will be one of many contracts FWD can announce in regard to its village which should see a continue re-rating to the FWD share price. In our view, we also think with nearly a third of its market cap in cash, FWD is well placed to seek out additional acquisitive growth strategies.

Tuas Limited (TUA AU) was another strong performer in July, with the stock +40% for the month. TUA fits in the 2050 Fund because its mobile connectivity helps companies to transition to remote or hybrid work. This is more efficient because reduces the emissions from commuting, and in the long run will lead to reduced office space. While the company did not have any newsflow during the month, the stock had been oversold and was trading close to its asset backing of ~A\$1 per share. Recent industry data implies TUA continues to accelerate its subscriber levels, which is being assisted by improving migration flows into Singapore as the economy reopens. We believe the group is well-funded for its 5G rollout and continues to take market share as the 'challenger' Mobile Network Operator in Singapore.

Moving into August, we continue to assess our positions as we head into reporting season, and we have focused the portfolio on higher quality companies which have pricing power, defensive earnings, and solid balance sheets. Given the recent surge in inflation and rapid interest rate hikes we think the outlook statements and post result trading commentary will be key and expect to see FY23/FY24 EPS revisions across the street. Notwithstanding, we continue to stress test each of our assumptions and remain vigilant in upweighting the quality of our portfolio and looking for opportunities that present a three to one reward to risk.

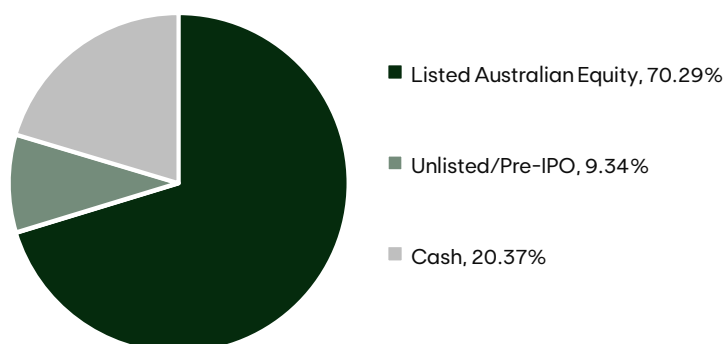
## Holdings Summary

SECURITY	PORTFOLIO WEIGHT
Adrad Pty Ltd*	8.36%
IPH	5.01%
Fleetwood	4.35%
Aussie Broadband	4.27%
Booktopia	3.95%
Additional Holdings^	53.69%
Cash	20.37%
Total	100.00%

Source: Ellerston Capital. ^Other capital deployed includes additional 25 holdings.

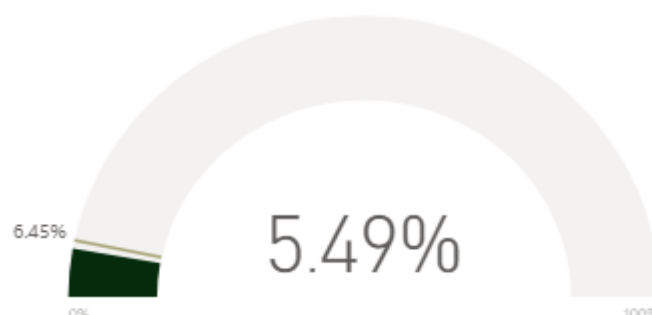
\*Unlisted position. Currently over 8% of NAV given market movements. The Fund may fall outside of its position criteria from time to time while it acquires seed assets and until the Fund reaches sufficient scale.

### Portfolio Breakdown

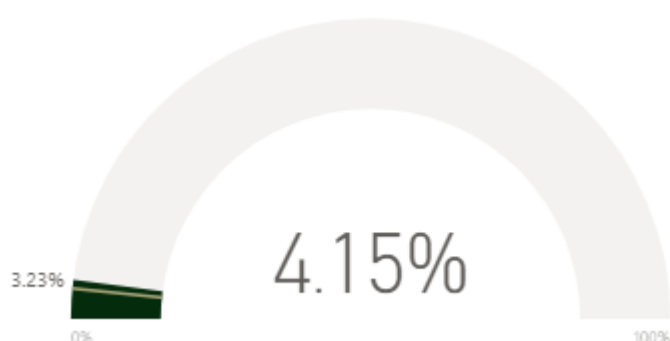


Source: Ellerston Capital.

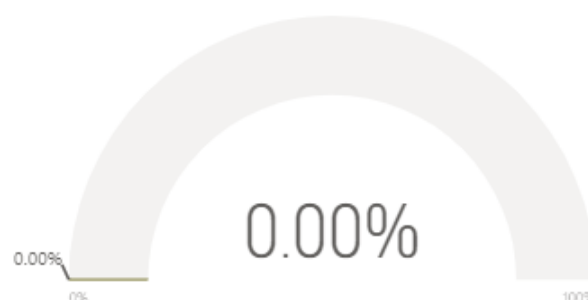
### Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2\*



### Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 3\*



### Value of Portfolio Reporting vs. Number of Companies Reporting According to TCFD^\*



Source: ^Task Force on Climate-Related Financial Disclosure

\*Please note the % represented by the line is the number of companies reporting and the shaded area (green) is the total holding value of the portfolio that the companies represent.

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## Contact Us

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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](mailto:info@ellerstoncapital.com)** or visit us at **[ellerstoncapital.com](http://ellerstoncapital.com)**

All holding enquiries should be directed to our register, Automic Registry Services on **1300 101 595** or **[ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au)**

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