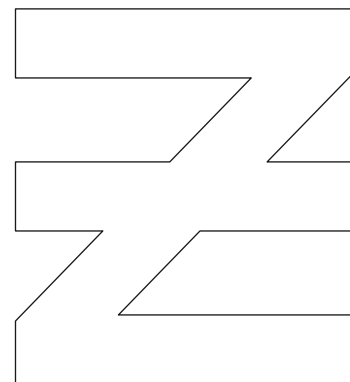


# Ellerston Australian Emerging Leaders Fund



## Monthly Newsletter, July 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	\$0.8218
Net Asset Value	\$0.8198
Redemption Price	\$0.8178
Liquidity	Daily
No Stocks	42
Management Fee	1.10% p.a.
Performance Fee	20%
Buy/Sell Spread	0.25% on application 0.25% on redemption

### Performance Summary

Performance	1Month	3 Months	6 Months	1Year	3 Years (p.a.)	Since Inception (p.a.)^^
Net^	10.40%	-12.69%	-10.99%	-	-	-18.02%
Benchmark*	11.43%	-9.94%	-6.63%	-	-	-13.76%
Alpha	-1.04%	-2.75	-4.36%	-	-	-4.25%

^ 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

The Ellerston Australian Emerging Leaders Fund trailed the Small Ordinaries Accumulation Index by 1.04% 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. 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 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.

Two stocks which helped support our July were Johns Lyng and Tuas. Johns Lyng (JLG AU) was a strong performer in July, delivering a 31% return for the month. The recent weather events over 2H22 as well as the underlying business outperforming saw JLG increase its FY22 guidance in June. While JLG was sold off along with many other 'growth' stocks, we continue to believe JLG has a material opportunity in coming years. This is driven by continued growth in Australia across its IBRS division; a strong pipeline of catastrophe work given recent weather events; and meaningful expansion into the US market through its beachhead acquisition Reconstruction Experts. We took advantage of share price weakness in June to increase our weighting in this quality name.

Tuas Limited (TUA AU) was another strong performer in July, with the stock +40% for the month. While the company did not have any news flow 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.

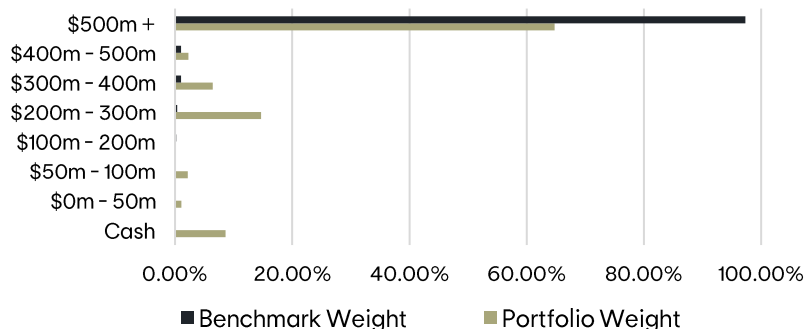
## PORTFOLIO CHARACTERISTICS

### Key Portfolio Metrics

FY22e	Fund	Benchmark
Price/Earnings	16.7x	17.4x
Dividend Yield	2.1%	3.57%
Net Debt/EBITDA	0.2x	1.27x

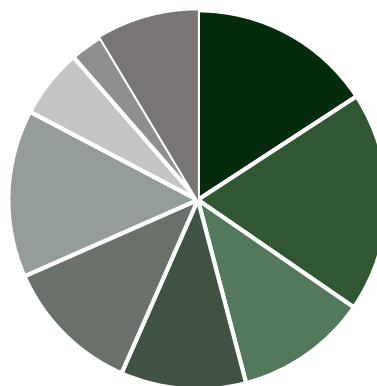
Source: Ellerston Capital.

### Market Capitalisation



Source: Ellerston Capital.

### Sector Allocation



- Consumer discretionary, 15.8%
- Information technology, 18.8%
- Communication services, 11.3%
- Financials, 10.7%
- Health care, 11.8%
- Industrials, 14.3%
- Materials, 5.9%
- Real estate, 2.8%
- Cash, 8.6%

Source: Ellerston Capital.

## 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, Link Market Services on 1800 992 149 or [ellerston@linkmarketservices.com.au](mailto:ellerston@linkmarketservices.com.au)

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