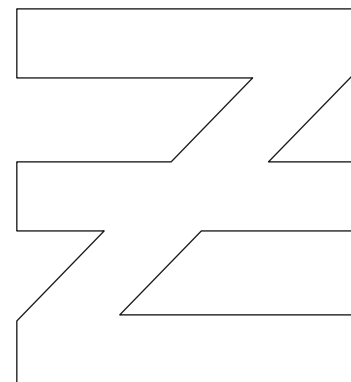


# Ellerston 2050 Fund



## Performance Report, September 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	\$0.9458
Net Asset Value	\$0.9422
Redemption Price	\$0.9386
No Stocks	31
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^	-5.69%	0.06%	-	-	-5.78%
Benchmark**	-10.49%	-0.98%	-	-	-11.58%
Alpha	4.79%	1.05%	-	-	5.80%

^ 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 outperformed the Small Industrial Accumulation Index by 4.8% during September. It was a rough month for the benchmark which finished down almost 11%, mainly on the back of the ongoing inflationary pressure in the US and the consequential higher interest rate expectations. Looking more broadly, Small Resources fell by almost 14%, trailing the Small Industrials by almost 3%. The currency markets were also volatile, as the AUD/USD slid by 6% to 0.64.

Equity Trustees (EQT-AU) one of our higher conviction positions held its ground extremely well in what was a tough month for equities. The company provides trustee and related services to both corporate and personal clients. The business is extremely resilient, with long duration earnings and a prudent management team. We think the market has digested the acquisition announced late in August. We think this acquisition makes perfect sense, the two businesses are highly complementary, brings additional scale and highly sought-after staff, and material cost synergies which should deliver double digit accretion. The business continues benefiting from structural tailwinds, and still has plenty of firepower to undertake further acquisitions. EQT fits in the 2050 fund because it provides trustee/RE services for a rapidly growing number of funds which have an ESG theme, sustainable development goal, and/or are carbon neutral themed. The company recently announced it will be providing Custodian and Trustee Services to Clean Energy Investor which is managing around \$1b of renewable energy products in ANZ, and we expect meaningful growth in this space.

IPH Limited (IPH AU) a patent attorney firm outperformed the market in September. IPH files patents from global leading brands in Australia, New Zealand and Asia. In August with its full year result, the group announced the acquisition of Smart & Biggar a Canadian patent firm and IPH's first foray into the region. While the market is supportive of IPH moving into a new geography, we believe the main reason IPH was so resilient in September was its leverage to the falling US dollars. A bulk of IPH's revenues are billed in US dollars as such a 1 cent movement in the AUD/USD equates to approximately \$1.9m increase in revenue with most of this falling through to earnings. IPH remains a core portfolio holding, and we look forward to seeing how they integrate Smart & Biggar and continue to consolidate the Canadian market. Innovation is going to be a crucial component of the transition to Net Zero Emissions and this IP is going to need to be protected. Accordingly, the company has flagged cleantech as one of its fastest growing IP categories, and a key focus moving forward.

Moving forward we're focusing our efforts on the upcoming AGM season, which is effectively a mini-reporting season. We will be paying close attention to the first quarter trading updates, and particularly looking at outlook commentary on the cost bases and consumer behaviour, as share prices will move depending on how these are received. Given the rapid interest rate hikes, we are carefully monitoring any of our positions that have variable rate debt, and stress testing these names for potential earnings/cashflow implications. We're also looking closely at existing and prospective companies with offshore earnings, given the volatility in the USD and GBP relative to AUD. We think all of these moving parts and elevated levels of volatility have created some attractive opportunities which we continue to sift through.

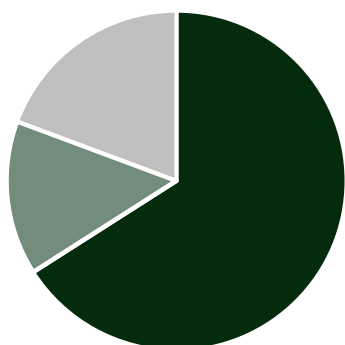
### Holdings Summary

SECURITY	PORTFOLIO WEIGHT
Adrad Pty Ltd*	10.68%
RPMGlobal Holdings	4.64%
Phocas Group**	4.14%
IPH Ltd	4.11%
EQT Holdings	3.92%
Additional Holdings^	53.20%
Cash	19.32%
Total	100.00%

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

\*Unlisted position, \*\*Convertible Notes. Currently over 11% 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.

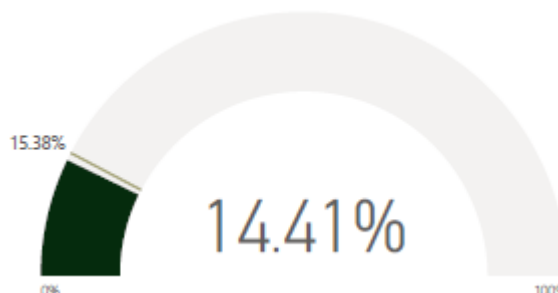
### Portfolio Breakdown



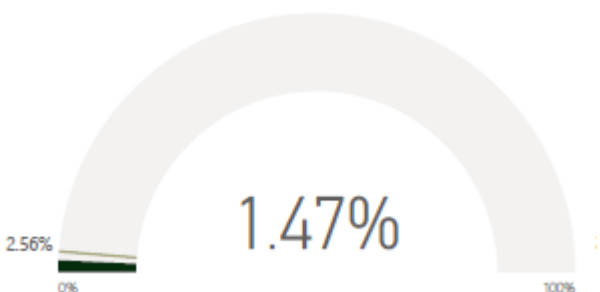
- Listed Australian Equity, 65.97%
- Listed New Zealand Equity,
- Unlisted/Pre-IPO, 14.71%
- Cash, 19.32%

Source: Ellerston Capital.

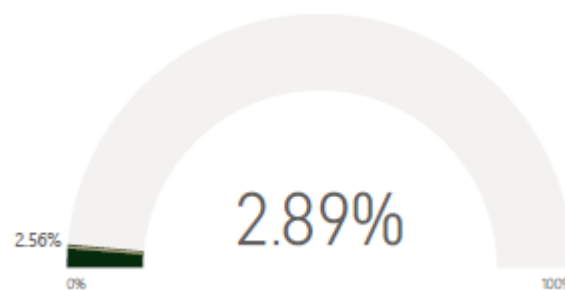
### Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2\*



### 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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