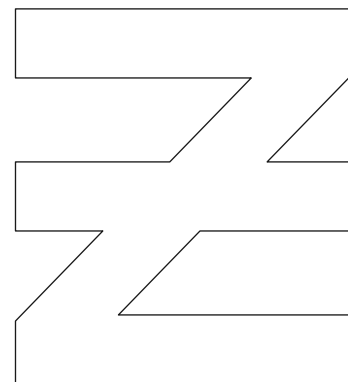


Ellerston Australian Micro Cap Fund



Monthly Newsletter, September 2022

Investment Objective

To provide investors with long term capital growth by investing in a portfolio of quality Australian & New Zealand Micro Cap 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 and 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 downside risk. Positions are actively managed within the Fund.

Key Information

Strategy Inception ^^	1 May 2017
Portfolio Manager	David Keelan & Alexandra Clarke
Application Price	\$1.1104
Net Asset Value	\$1.1076
Redemption Price	\$1.1048
Liquidity	Daily
No Stocks	60
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^	-6.80%	1.51%	-21.95%	-31.59%	6.85%	10.35%	13.36%
Benchmark*	-11.20%	-0.47%	-20.76%	-22.56%	-0.80%	4.07%	4.56%
Alpha	4.40%	1.98%	-1.18%	-9.03%	7.65%	6.28%	8.80%

^ The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

* S&P/ASX Small Ordinaries Accumulation Index

COMMENTARY

The Ellerston Australian Micro Cap Fund outperformed the Small Ordinaries Accumulation Index by 4.40% during September. It was a rough month for the benchmark which finished down over 11%, mainly on the back of the ongoing inflationary pressure in the US and the consequential higher interest rate expectations. Small Resources fell by almost 14%, trailing the Small Industrials by almost 3%. The worst performing sectors were Financials and Information Technology, both off by around 12%, while Energy and Industrials were the best performing, only giving away 3% and 6% respectively. 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, 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.

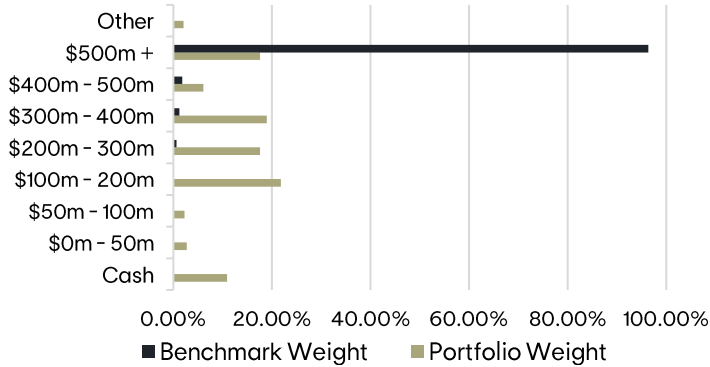
Peter Warren (PWR-AU) one of Australia's largest car dealerships was a solid performer during the month. Order books are at record levels and continuing to grow despite supply starting to improve over the last couple month. This shows how well demand is holding up despite the macro backdrop. Another noteworthy event was private equity firm Quadrant sold their remaining 9.4% position in PWR to Suttons Motor Group, one of the largest private dealers in NSW.

In addition to the strategic benefit of having Suttons on the register, it eliminates the overhang, and should allow PWR to internalise the family's Toyota dealership's which was not permitted while private equity were shareholders. This would be highly accretive and should help get the ball rolling on other acquisition opportunities.

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 which 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.

PORTFOLIO CHARACTERISTICS

Market Capitalisation



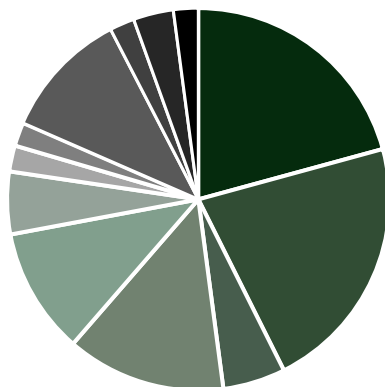
Source: Ellerston Capital.

Key Portfolio Metrics

FY22e	Fund	Benchmark
Price/Earnings	14.35x	17.4x
Dividend Yield	2.55%	3.59%
Net Debt/EBITDA	0.27x	1.26x

Source: Ellerston Capital.

Sector Allocation



- Consumer discretionary, 20.8%
- Information technology, 21.9%
- Communication services, 5.3%
- Financials, 13.5%
- Health care, 10.7%
- Industrials, 5.3%
- Energy, 2.2%
- Consumer staples, 2.0%
- Cash, 10.9%
- Materials, 2.1%
- Real estate, 3.4%
- Other, 2.1%

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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