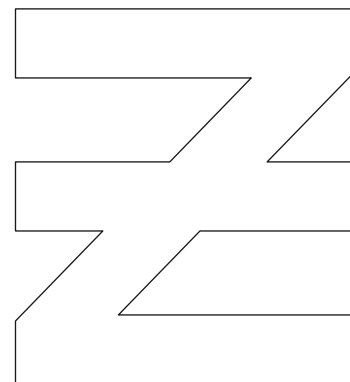


Ellerston Australian Emerging Leaders Fund



Monthly Newsletter, September 2022

Investment Objective

To provide investors with long term capital growth by investing in a portfolio of quality Australian & New Zealand 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	\$0.7409
Net Asset Value	\$0.7391
Redemption Price	\$0.7373
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	Since Inception (p.a.)^^
Net^	-9.71%	-0.47%	-22.84%	-29.17%	-22.82%
Benchmark*	-11.20%	-0.47%	-20.76%	-22.56%	-20.05%
Alpha	1.48%	0.00%	-2.08%	-6.61%	-2.78%

^ 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 outperformed the Small Ordinaries Accumulation Index by 1.5% 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.

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.

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.

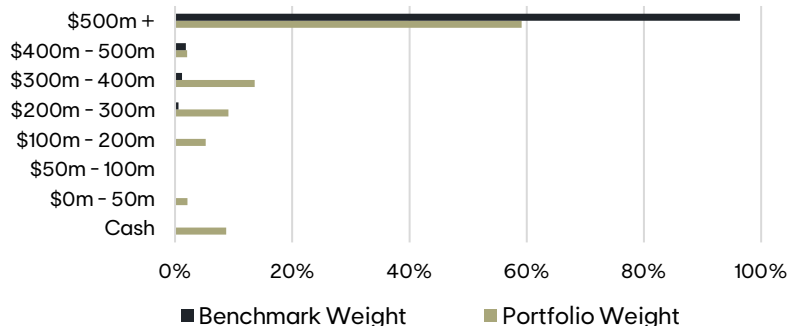
PORTFOLIO CHARACTERISTICS

Key Portfolio Metrics

FY22e	Fund	Benchmark
Price/Earnings	15.4x	17.4x
Dividend Yield	1.3%	3.6%
Net Debt/EBITDA	0.5x	1.3x

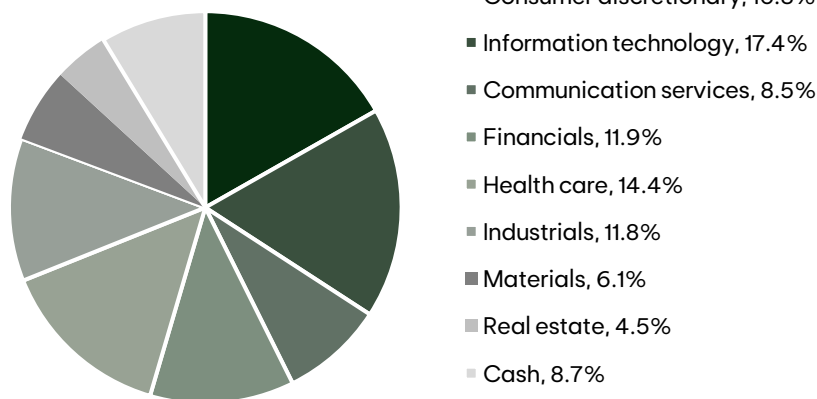
Source: Ellerston Capital.

Market Capitalisation



Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 90217701
info@ellerstoncapital.com

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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