

Ellerston Global Equity Managers Fund (GEMS) Class C

Monthly Newsletter, September 2022

Investment Objective

To generate superior returns for unitholders with a focus on risk and capital preservation.

Investment Strategy

The Fund provides investors with exposure to global markets through a long short equity strategy. The strategy overlays fundamental bottom-up stock selection with global macroeconomic and market outlook.

Key Information

Inception Date ^^	1 December 2009
Portfolio Managers	Ashok Jacob & Arik Star
Application Price	\$1.4896
NAV Price	\$1.4859
Redemption Price	\$1.4822
Gross Exposure	164.86%
Net Exposure	27.12%
Unit Pricing	Monthly
Management Fee	1.50%
Performance Fee	16.50%
Buy/Sell Spread	0.25% on application 0.25% on redemption

PERFORMANCE SUMMARY

Performance (Net)*	1 Year	2 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.) ^^
GEMS C	-18.6%	9.3%	8.8%	11.9%	10.9%

Source: Ellerston Capital.

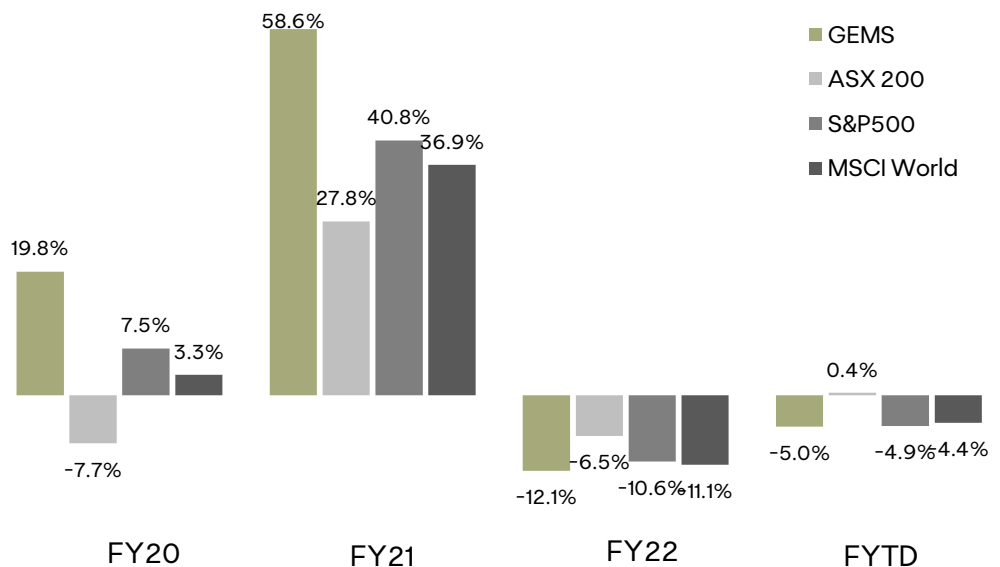
* The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.

Performance

For the 3 Year period from September 30, 2019 to September 30, 2022, the compound annual returns for the Australian S&P/ASX 200 Total Return Index was +2.7%, the US S&P 500 Index was +8.2%, the Russell 2000 Index was +4.3% and MSCI World (Local) Index was +5.8%. **Your Fund net after fees returned +14.1%.**

Calendar Year to Date from January 1, 2022 to September 30, 2022, the Australian S&P/ASX 200 Index is down -9.6%, the US S&P 500 Index is down -23.9%, the Russell 2000 Index is down -25.1% and MSCI World (Local) Index is down -21.9%. **Your Fund is down net after fees -18.1%.**

For the Month of September 2022, the Australian S&P/ASX 200 Index was down -6.2%, the US S&P 500 Index was down -9.2%, the Russell 2000 Index was down -9.6% and the MSCI World (Local) Index was down -8.3%. **Your Fund returned net after fees -5.3%.**



*GEMS C returns are net of fees and taxes for FY20 and FY21 and gross of fees and taxes for FY22 and FYTD.

The GEMS portfolio declined for the month of September, during a month that saw equity markets globally get crushed as inflation surprised to the upside, employment remained robust and misguided hopes of a Fed pivot evaporated.

While the portfolio performed materially better than global markets, we were disappointed that capital decrement was not better contained. While our exposures were and continue to be significantly lighter than historically, as we have discussed in recent months, we sustained outsized declines in economically sensitive positions like Alcoa, and our uranium and oil and gas exposures.

There really was nowhere to hide as markets stared down the most global attempt to tighten financial conditions in memory. Central banks in the 10 largest developed economies have raised rates by a combined 1,965 basis points in this cycle to date, which includes Japan as a holdout. 2022 is currently the year with the most S&P 500 down days since 1974.

During the month, contributors to performance included Gold positions and Willscot. Detractors from performance included Alcoa, Cameco, Cannabis ETF, Lynas, Light & Wonder and Cellnex. Hedging was effective with stock specific shorts and US index shorts and puts contributing positively to performance.

Outlook

Last month we highlighted some of the key macro headwinds facing investors, including Earnings Downside, Recession, Inflation, Interest Rates, and QT. Lots of known unknowns. In addition to this there are several Elephants tiptoeing around the room, although the tiptoeing intermittently turns to stomping. Any of these could potentially lead to a black swan type event. The Ukrainian situation keeps escalating. An ostracised and cornered Russian President with a nuclear arsenal facing off against a determined and angry Ukrainian Prime Minister fuelled by state-of-the-art US supplied arms. A potentially lethal cocktail. Iranians have taken to the streets in mass protests against the entrenched regime. Will these be squashed or is regime change a real possibility? The implications for the oil market and oil price could be significant. Again, these are known unknowns. All these and many other macro and geopolitical issues are highly relevant, important and impactful. They are also discussed at length, ad nauseum by all and sundry.

In the meantime, equity valuations are rightfully and meaningfully declining, and will likely continue to do so. There is now a very loud chorus singing this consensus view.

What's important for us all to remember though is that drowning in macro is not a pathway to long term wealth creation. Focussing on the opportunities that macro dislocations create is a pathway to long term wealth creation.

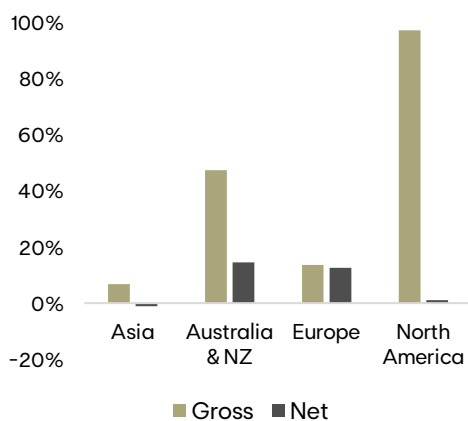
Bill Miller, a renowned investor with one of the most impressive long term track records articulated this in another way.

"When I am asked what I worry about in the market, the answer usually is "nothing", because everyone else in the market seems to spend an inordinate amount of time worrying, and so all of the relevant worries seem to be covered. My worries won't have any impact except to detract from something much more useful, which is trying to make good long-term investment decisions."

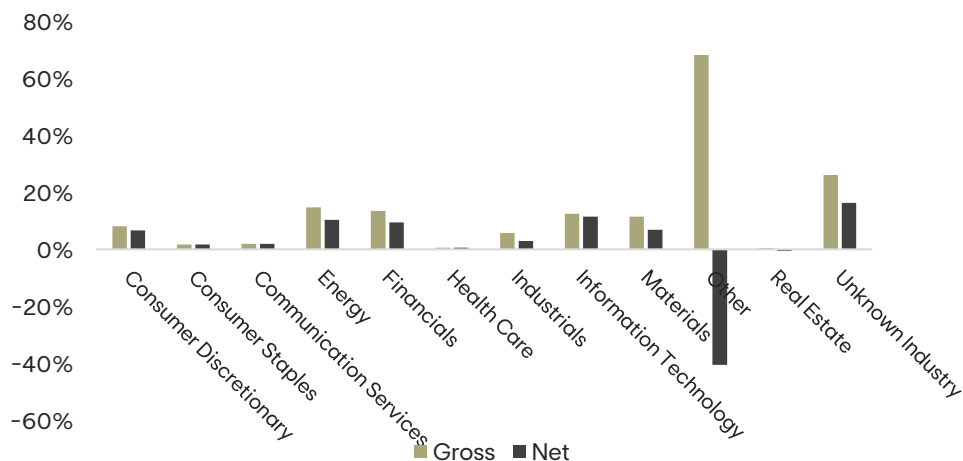
Listed Equity markets, as we all know, are live and very dynamic platforms that enable investors to acquire shares which give them an economic interest in a Company, Trust, REIT, SPAC or other type of entity. The proliferation of financial products such as ETF's and Super Funds, and of platforms such as Robinhood or CommSec, have enabled a majority of the Western World population to have direct or indirect exposure to equities. Most also have exposure to other assets, be it a House, Private Equity, Private Debt, Venture Capital, Cars, Collectibles, Art or others. Most if not all asset classes have experienced significant valuation declines this year when marked to market appropriately. Therein lies one big difference between listed equities and other asset classes. Most stock markets operate five days a week for six to eight hours per day, ensuring that equities are repriced, marked to market, every second, minute, hour, during those sessions. The price discovery is frequent, immediate, and constant. The true underlying fair value discovery happens over the longer term. Other asset classes don't share this liquidity dynamic, provide a somewhat false sense of minimal volatility, and are marked to market infrequently and subjectively. As valuations rebase and the risk reward skews adjust, great opportunities emerge. History has shown us this many times, including post the 2000 tech wreck and the 2008 GFC. The daily liquidity and ruthless repricing of listed equities in live time ensures that some of the best mispriced investment opportunities emerge in global equity markets. While we remain cautious, constructive and opportunistic, we also believe strongly that crisis and disequilibrium are great creators of opportunity.

PORTFOLIO CHARACTERISTICS

Region Exposure



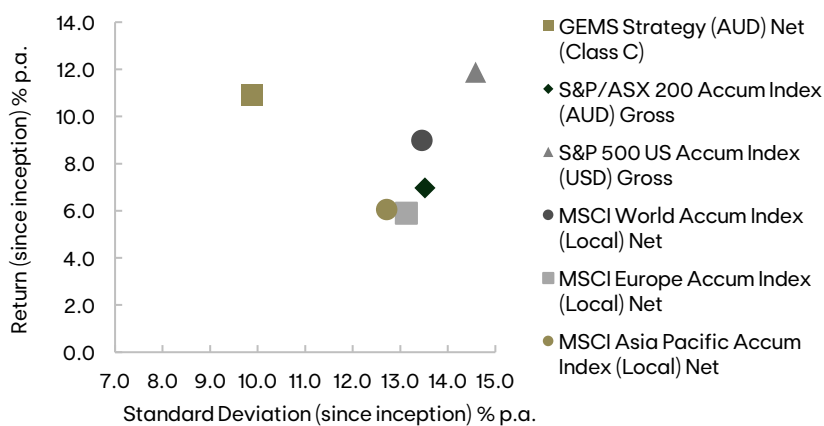
Sector Exposure



Source: Ellerston Capital.

Source: Ellerston Capital.

GEMS Strategy Performance & Volatility^^



Source: Ellerston Capital.

Past performance is not a reliable indication of future performance.

Top 10 Holdings (Alphabetical, Long Only)

- ALCOA
- CAMECO
- CIENA
- GENERATION DEVELOPMENT GROUP
- LIGHT AND WONDER
- LYNAS
- MONEY3
- OCCIDENTAL PETROLEUM
- VANECK VECTORS GOLD MINERS
- YELLOW CAKE

Source: Ellerston Capital.

Regulatory Guide (RG240) Fund Disclosure Benchmark – Periodic Reporting (monthly)

- Net Asset Value of the Fund and Redemption Price of Units**

Please refer to details on P1.

- Any changes to key service providers including any change in related party status**

There have been no changes to key service providers, including any change in related party status.

- Net returns after fees, costs and relevant taxes**

Please refer to details on P1.

- Any material changes to the Fund's risk profile and strategy**

There have been no changes to the Fund's risk profile and strategy.

- Any material changes related to the primary investment personnel responsible for managing the Fund**

Please refer to details on P1; there have been no changes to the primary investment personnel responsible for managing the Fund

Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
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**

[^] Actual performance for your account may vary from that set out in this newsletter and will vary for investments made in different classes, or at different times throughout the year. Some performance data is estimated and preliminary and subject to change.

The standard deviation is often used by investors to measure the risk of an asset. The standard deviation is a measure of volatility; the more an asset's returns vary from the average return, the more volatile the asset. A higher standard deviation means a greater potential for deviation of return from the average return of the asset. The returns and risk of the Fund and the relevant Indices are net of taxes, fees and expenses and assuming distributions are reinvested. The performance figures presented are for the Ellerston Global Equity Managers Fund GEMS C Units. The one month return figure may be an estimate and not the final return. This estimate also impacts other performance information provided. Estimated performance figures are preliminary and subject to change. Returns for other classes may differ slightly. Past performance is not indicative of future performance. This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as the responsible entity of the Ellerston Global Equity Managers Fund ARSN 118 887 095 without taking account the objectives, financial situation or needs of individuals. Before making an investment decision about the Fund persons should read the Fund's Product Disclosure Statement and Target Market Determination (TMD) which can be obtained from the Manager's website www.ellerstoncapital.com or by contacting info@ellerstoncapital.com and obtain advice from an appropriate financial adviser. Units in the Fund are issued by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000. This information is current as at the date on the first page. This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance.