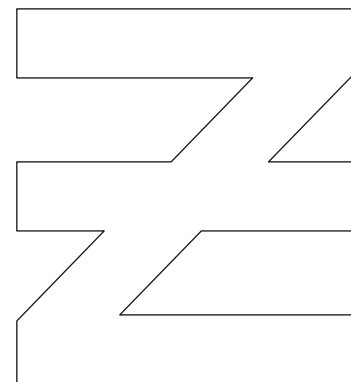


# Ellerston Pre-IPO Fund



## Performance Report, September 2022

### Investment Objective

The investment objective of the Fund is to generate a positive return above a Hurdle Return of 6% p.a. net of fees.

### Investment Strategy

The Manager uses a fundamental, research driven investment strategy to provide returns above the Hurdle Return that are not correlated to listed equity markets. The Manager undertakes fundamental research to selectively identify and invest in quality companies focus on investments in Pre-IPO, IPO, Unlisted Expansion Capital and Listed Microcap Companies, predominantly in Australia but also covering OECD and developed countries.

### Key Information

<b>Inception Date*</b>	31 March 2020
<b>Portfolio Manager(s)</b>	David Keelan & Alexandra Clarke
<b>Application Price</b>	\$0.8114
<b>Net Asset Value</b>	\$0.8114
<b>Redemption Price</b>	\$0.8114
<b>No Stocks</b>	19
<b>Hurdle Return</b>	6% p.a. net of fees
<b>Management Fee</b>	1.50%
<b>Performance Fee</b>	20% of the investment return above the Hurdle Return for each financial year, calculated and accrued quarterly
<b>Distributions</b>	Annually

### Performance Summary

Performance	3 Months	6 Months	1 Year	2 Years (p.a.)	Since Inception (p.a.)*
<b>Ellerston Pre-IPO Fund<sup>^</sup></b>	1.02%	1.28%	1.13%	5.17%	8.12%

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

### Market Commentary

The September quarter saw the Small Ordinaries (XSO) lose 0.5% over the period, however significant volatility continued. July was a strong month, with the index up 11.4% after a period of significant risk-off and tax loss selling in June. August closed up 0.6% as investors digested earnings season, which was largely in line with (lowered) expectations. September was a volatile month, with the market falling 11.2% and giving back all of July's gains, as the market continued to digest rate hikes, inflation and concerns around a USA recession. M&A continued to be a thematic over the September quarter, which we expect to continue especially in the context of recent FX movements making Australian assets more attractive to offshore players.

### Fund News

During the September quarter the Ellerston Australian Pre-IPO Fund generated a return of 1.02% We note pre the Adrad IPO at the end of September less than 2% of the book was exposed to market movements with the remaining holdings predominately held at cost. While ECM conditions remained challenging over the quarter, pleasingly one of our investments, Adrad, successfully completed its IPO.

In the June quarter we announced a A\$0.09 distribution per unit, which brings cumulative distributions paid to A\$0.392 since inception which was paid in the current quarter.

### September Update

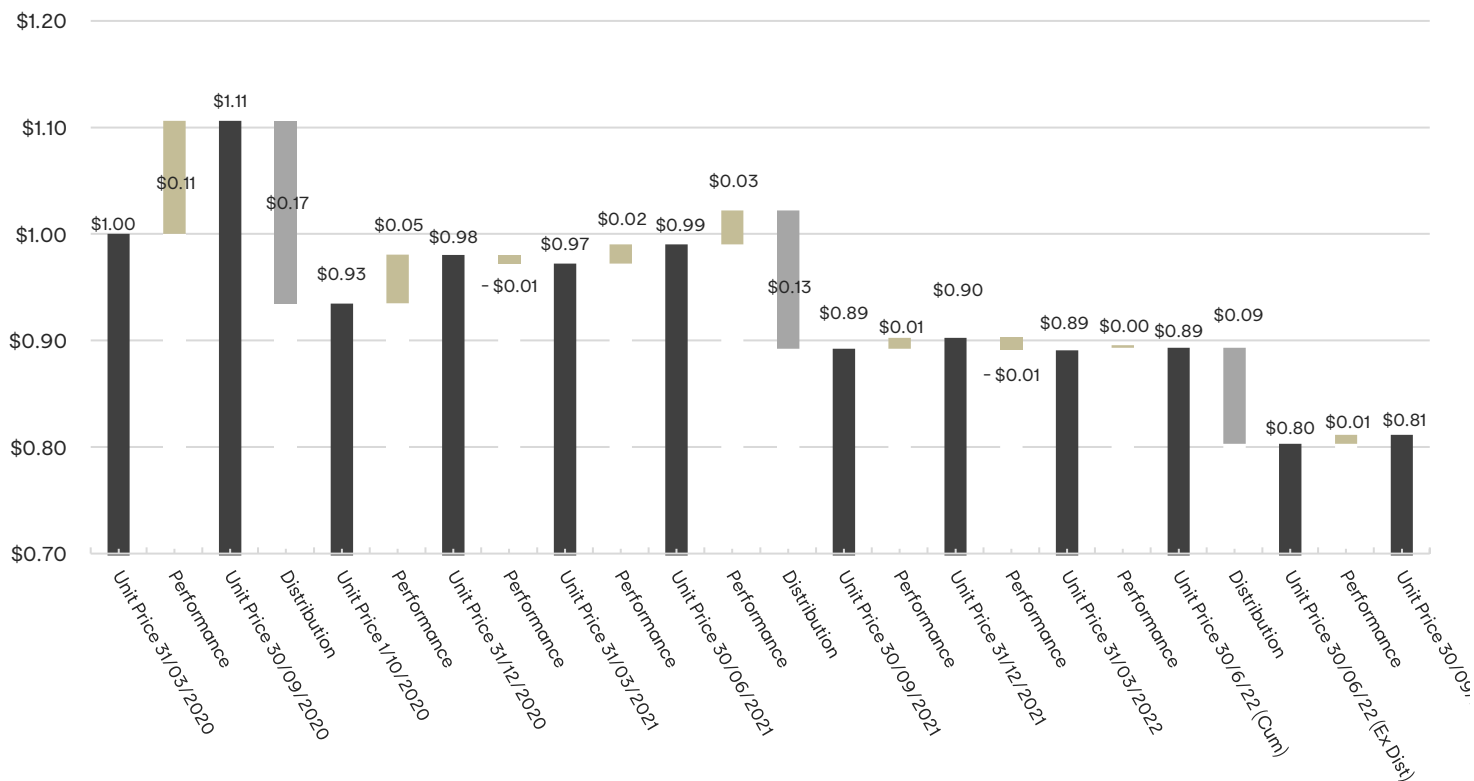
Volatility in markets continues, exemplified in the September quarter with the Small Ordinaries delivering one month up 11.4%, one month up 0.8% and one month down 11.2%. The market continues to grapple with inflation, the Federal Reserve's response to this heightened inflation and how this impacts economic growth and company earnings into 2023. In this context, we continue to be cautious about deploying capital into the pre-IPO sector. We are starting to see more attractive valuations flow through to the unlisted environment and we are more positive on quality and price of deal flow coming through looking ahead. Our cash position sits at over 14% with several liquidity events expected to occur over the next 6-12 months.

We think it is important given the current state of markets to reiterate how assets are held and valued within the portfolio. We know that market conditions have resulted in a slow-down in primary and secondary equity markets and a de-rating of market multiples. While this may have a potential impact on the timing of some of our liquidity events, the majority of our investments are held at cost (or lower if another funding round has been undertaken) and/or in instruments which float, like convertible notes. This reflects our conservative approach and means the Fund is well placed when our expected liquidity events occur. The Fund also has a process of reviewing the holding valuations of its investments, which is overseen from an external valuation committee.

Pleasingly, one of our recent investments, Adrad, listed in September 2022. Adrad is Australia's largest manufacturer, importer and distributor of radiators, air-conditioning parts and other heat exchange products for the Australian automotive and industrial aftermarket. Adrad was founded in 1985 and headquartered in Beverley, South Australia with approximately 500 employees across 8 offices and 16 warehouse locations in Australia, New Zealand and Thailand. We believe the business is well placed given its growth prospects and the markets current appetite for profitable businesses with strong organic growth prospects.

We invested in Adrad via a convertible note that converted at a 20% discount to the \$1.50 IPO price. We were attracted to Adrad given its long operating history, with the business founded by Gary and Karen Washington in 1985 who still retain ~60% ownership in the listed entity. Based on consensus estimates, the business is expected to deliver an EPS CAGR of 24% over FY22-25, is paying a 3.5% dividend yield and is trading on a FY24 PE of 9.3x. We look forward to watching the company progress in a listed environment over coming years sold during the period at a healthy premium to our investment price/holding cost.

### Unit Prices Since Inception



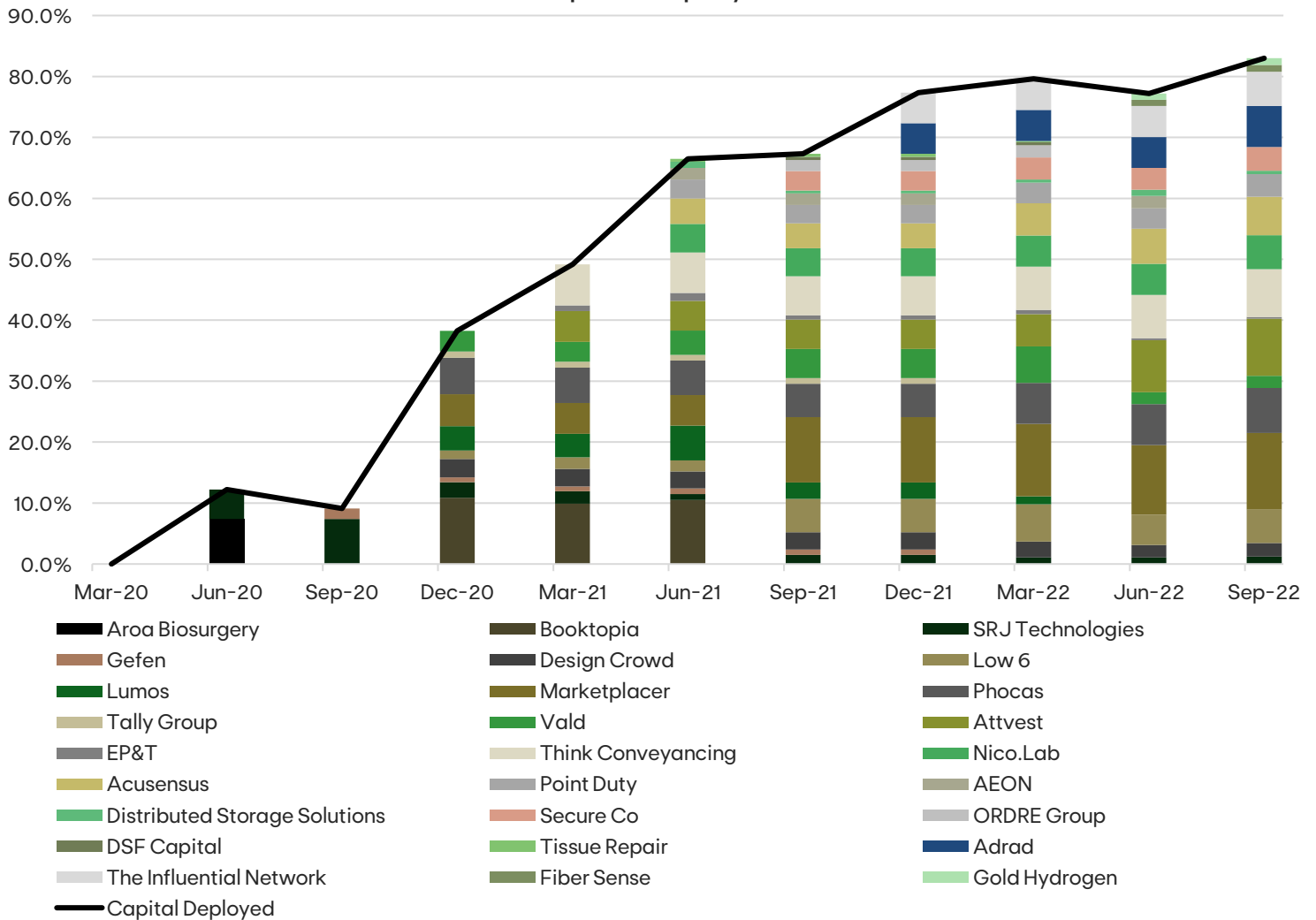
Source: Ellerston Capital.

### Holdings Summary

SECURITY	PORTFOLIO WEIGHT <sup>^</sup>
MARKETPLACER	12.58%
ATTVEST (CAPEVEST)	9.37%
DEEP BLUE COMPANY (THINK CONVEYANCING)	7.84%
PHOCAS	7.39%
ADRAD	6.72%
OTHER CAPITAL DEPLOYED*	41.88%
CASH	14.22%
<b>TOTAL</b>	<b>100.00%</b>

Source: Ellerston Capital. \*Other capital deployed includes additional 14 holdings. ^Portfolio weights are calculated excluding the impact of distribution.

## Capital Deployed



Source: Ellerston Capital.

Our philosophy around pre-IPOs is very simple. We are looking for high quality businesses that have clear pathways to IPO, offering opportunities to achieve superior returns with minimal correlation to the market. We are looking to achieve a 20% IRR and given the current state of the market we believe we are well placed to deliver on this target.

### 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** 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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