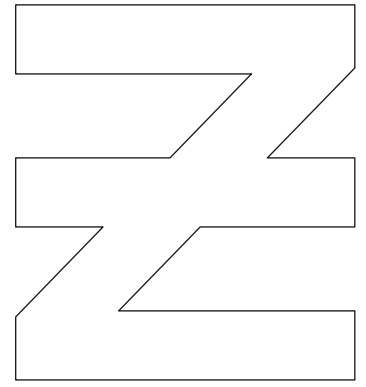


Ellerston Australian Absolute Return Fund



Monthly Newsletter, October 2022

Investment Objective

The Fund targets absolute returns with an annualised return objective of 5% above the RBA Cash Rate over rolling five year periods.

Investment Strategy

The Fund seeks to provide investors with a return profile that has a low correlation with traditional asset classes. The Fund aims to generate positive returns in all market environments by reducing the majority of market risk and focusing on capital preservation and alpha generation.

Key Information

Inception Date **	3 June 2013
Portfolio Manager	Ashok Jacob
Application Price	\$1.1037
NAV Price	\$1.1009
Redemption Price	\$1.0981
Liquidity	Daily
Gross Exposure	107.56%
Net Exposure	23.50%
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 [^]	-2.15%	-5.68%	-10.74%	-14.73%	4.15%	3.01%	6.23%
Benchmark*	0.22%	0.55%	0.75%	0.80%	0.44%	0.82%	1.40%
Alpha	-2.37%	-6.23%	-11.49%	-15.52%	3.71%	2.19%	4.83%

[^] Net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance
* RBA Cash Rate

PERFORMANCE

The Ellerston Absolute Return Fund delivered -2.15% in October.

COMMENTARY

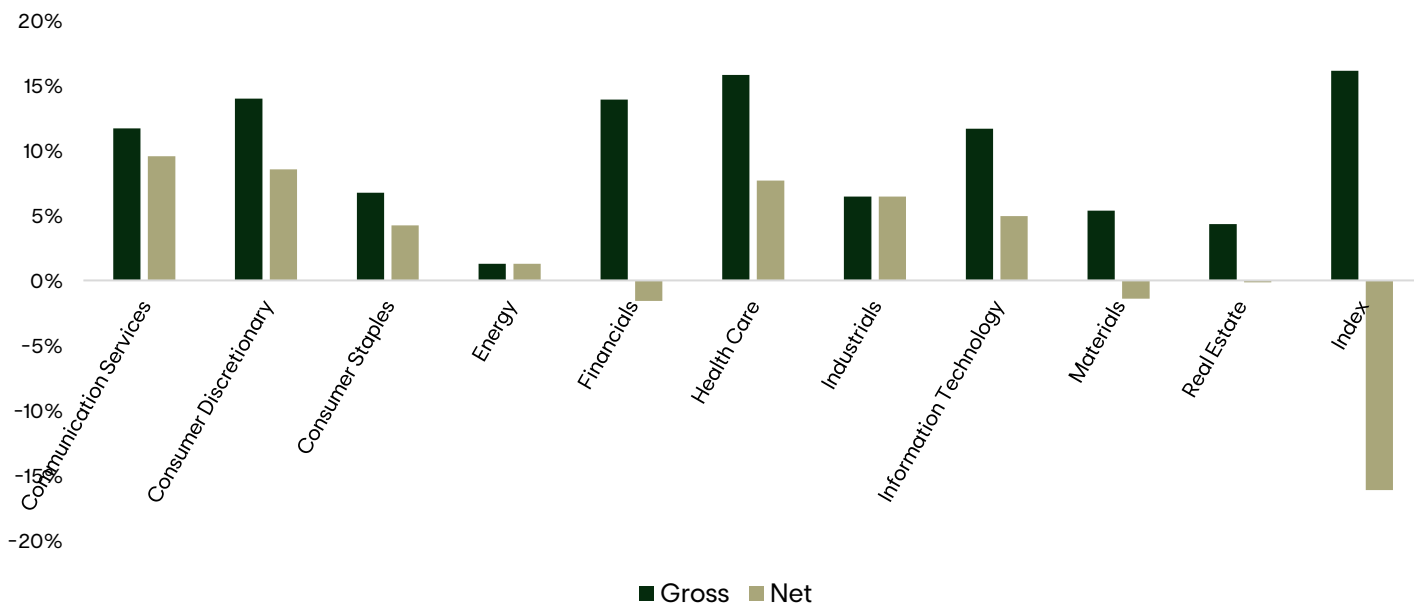
Two stocks that did well for us in October were Smartpay (SMP AU) and Estia Health (EHE AU).

Smartpay (SMP AU) offers payment solutions in Australia and New Zealand by providing EFTPOS systems predominately to SME customers. During October, SMP announced its 2Q23 result which showed that transacting terminals accelerated strongly and finished the quarter at 12,546 terminals which was well above consensus estimates. Pleasingly we saw all key metrics for the group ramp including revenue per terminal, number of terminals added and transaction revenue. We look forward to SMP's 1H result (March YE) in late November and believe the group will demonstrate operating leverage kicking in and margins continuing to expand despite ongoing investment in marketing. SMP remains a core holding for the portfolio given its growth profile, undemanding valuation and attractive business model to global players.

Estia Health (EHE AU) was one of our stronger performers, putting on 16% during the month. This reflected the accretive acquisition the company made, which add another 409 relatively new beds to its portfolio, at a material discount to what they would cost to build. In addition, both listed aged care operators released positive trading updates which showed improving spot occupancy and declining COVID-related costs. Looking beyond the trading updates, we think EHE will benefit from several tailwinds including the ageing population (and consequential supply shortage), tightening occupancy, increased government funding, and improved staff availability with immigration starting to come back online. Combine these tailwinds with solid balance sheets and healthy RAD inflows, EHE is well placed to continue growing both organically and execute opportunistic acquisitions when they present themselves.

PORTFOLIO CHARACTERISTICS

Sector Exposure

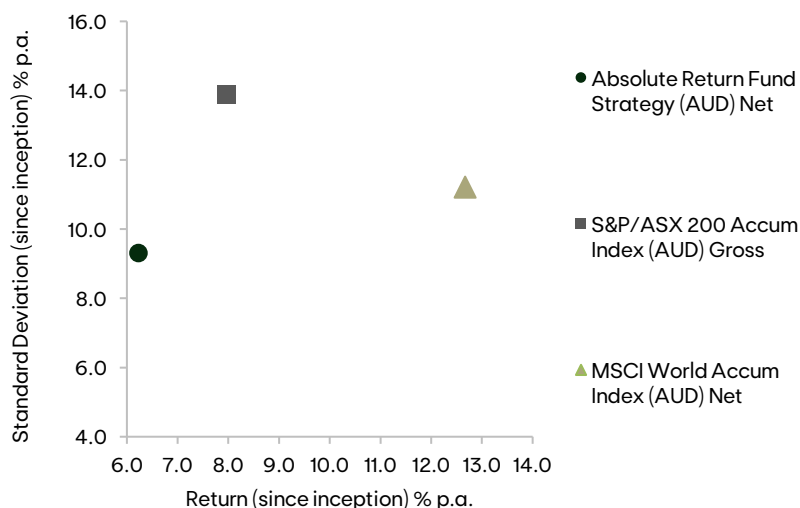


Source: Ellerston Capital.

Top 10 Holdings (Alphabetical, Long Only)

- Capitol Health
- Corporate Travel Management
- EQT Holdings
- Estia Health
- Fleetwood
- Hipages
- IPH
- Regis Healthcare
- Rubicon Water
- Tasfoods

Strategy Performance & Volatility



Source: Ellerston Capital.

RG240 Fund Disclosure Benchmark – Periodic Reporting (monthly)

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

Please refer to details on page one.

- **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 page one.

- **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 page one; there have been no changes to the primary investment personnel responsible for managing the Fund

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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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