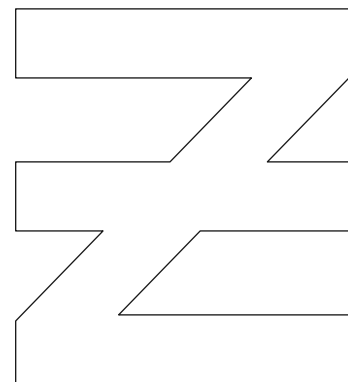


Ellerston Australian Absolute Return Fund



Monthly Newsletter, November 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 | \$1.0398 |
| NAV Price | \$1.0372 |
| Redemption Price | \$1.0346 |
| Liquidity | Daily |
| Gross Exposure | 107.96% |
| Net Exposure | 36.46% |
| 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 [^] | -5.79% | -11.80% | -11.15% | -17.85% | 1.59% | 1.83% | 5.51% |
| Benchmark* | 0.23% | 0.63% | 0.95% | 1.02% | 0.50% | 0.85% | 1.41% |
| Alpha | -6.02% | -12.43% | -12.10% | -18.87% | 1.09% | 0.99% | 4.10% |

[^] 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 -5.79% in November.

COMMENTARY

November was a difficult month for the fund.

HelloWorld Travel (HLO AU) which is an integrated travel company shares fell 23.3%, on the back of Qantas selling its c10% stake in the business in a sloppy sell-down. HLO is a core position for the portfolio and the fundamentals of the stock keep improving. During November, HLO provided a positive trading update to finish the month, with TTV, revenue and EBITDA all accelerating from month to month in FY23 as travel recovery is underway back to pre-COVID levels. On the last day of November, HLO provided another trading update on October trading which saw the group print EBITDA of \$5.2m for the month vs full year guidance of \$22-26m. Given the strong momentum in the business and the fact that HLO is tracking towards the top end of guidance we remain comfortable holders of HLO and believe at current prices the valuation is compelling.

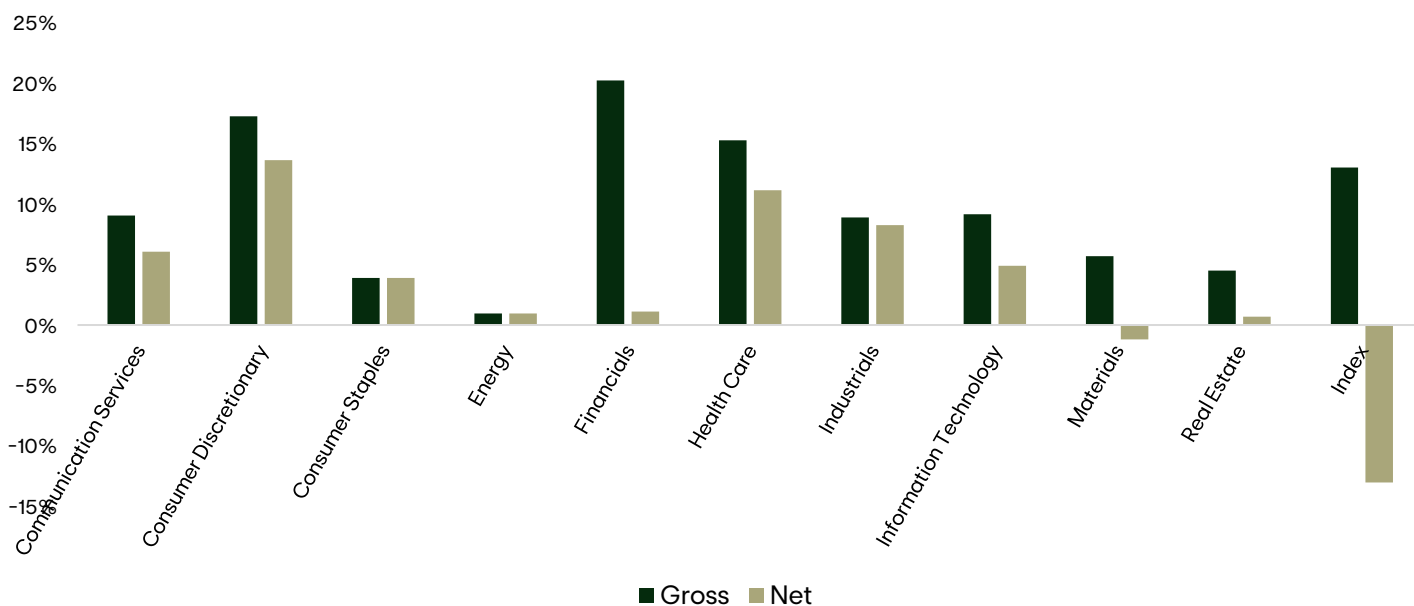
Two stocks which did better during November were Smartpay (SMP AU) and Aroa Biosurgery (ARX AU).

Moving to more positive news, Smartpay (SMP AU) had a solid month, gaining 26%. During November, SMP announced its 1H23 result which showed very solid expansion at the gross margin line as they were able to reduce switching and processing fees on incremental customers. We also saw strong acceleration in terminal roll-out numbers, with end of quarter terminals sitting well above consensus estimates. This result demonstrated 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.

Another strong contributor in November was Aroa Biosurgery (ARX AU) which gained 25.7% over the month. ARX is a commercial stage medical device company, with its primary offering being the proprietary AROA-ECM, a bioscaffold derived from sheep stomach used in the treatment of soft tissue repairs. In November, ARX report its 1H23 results where they reiterated their recently upgraded guidance of NZ\$62-64m, maintained gross margin of 84% and FY23 normalised EBITDA breakeven. We like the outlook for ARX given the strong growth profile ahead for the business, coupled with a robust balance sheet position.

PORTFOLIO CHARACTERISTICS

Sector Exposure

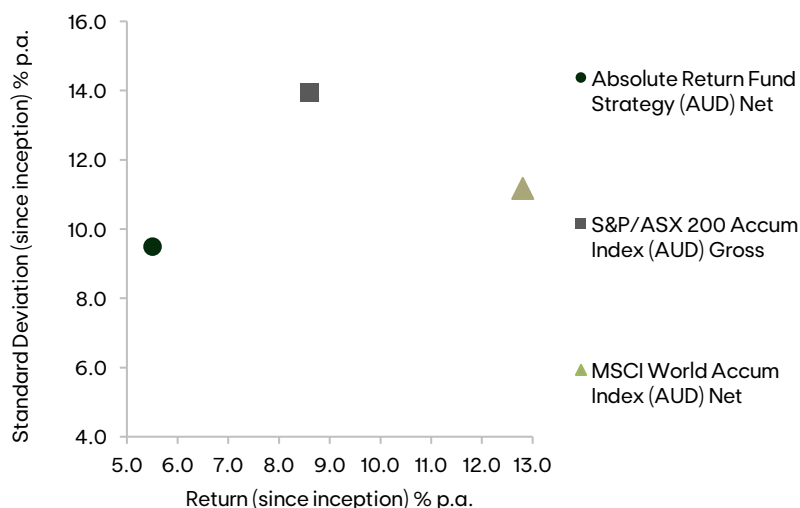


Source: Ellerston Capital.

Top 10 Holdings (Alphabetical, Long Only)

- Capitol Health
- EQT Holdings
- Estia Health
- Fleetwood
- Hipages
- IDP Education
- 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

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, Automic Group on **1300 101 595** or **ellerstonfunds@automicgroup.com.au**

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