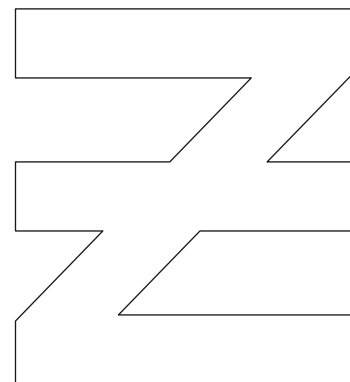


Ellerston Australian Emerging Leaders Fund



Monthly Newsletter, December 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	\$0.7610
Net Asset Value	\$0.7591
Redemption Price	\$0.7572
Liquidity	Daily
No Stocks	44
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^	-3.37%	2.71%	2.22%	-25.92%	-17.68%
Benchmark*	-3.73%	7.54%	7.03%	-18.38%	-12.45%
Alpha	0.35%	-4.83%	-4.81%	-7.54%	-5.23%

^ 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

December saw a reversal of the exceptionally strong November with the market finishing down 3.7%. The Ellerston Australian Emerging Leaders Fund outperformed the Small Ordinaries Index by 0.4%. The market was weighed down by higher than expected US Nonfarm payrolls which in turn meant that equity markets expected a delay in the US Federal Reserve (Fed) "pivot".

Looking more broadly at CY 2022, it has been a particularly challenging year for micro and small caps in general with the Small Ordinaries finishing down 18.4% compared to the ASX 100 which was up 0.6%. The smaller end of the market was disproportionality impacted by the withdraw of liquidity due to tightening monetary policy, which in turn led to significantly reduced volumes across financial markets (especially at the small end of town). We also saw the Small Industrial index derate heavily as higher inflation rates accentuated existing cost pressures at an industry level. While at an asset allocation level it drove a rotation out of Industrials into Resources which have historically benefited in inflationary environments.

Contributing to the Funds' performance in December was Kelsian Group (KLS AU) and Johns Lyng Group (JLG AU).

Kelsian Group (KLS AU) was a steady performer in December with the defensive nature of its earnings stream helping support the share price in a weaker market. The Group also secured a \$800m, seven year contract for Sydney Bus services. This contract helped to alleviate some uncertainty which existed on KLS's ability to renew contracts and win new work in Australia given the competitive environment. We continue to like KLS's organic growth profile, the strong tender pipeline and optionality around M&A.

Johns Lyng Group (JLG AU) was a detractor in December, with the share price declining 15% for the month. The stock has been a market darling for many years, with the business having a strong track record of outperforming its guidance and consensus estimates through a mixture of organic growth and accretive acquisitions. Another key feature of the investment case has been management's strong alignment with shareholders, having owned roughly one-third of the business. As a result, the market reacted negatively to a key management personnel selling 31% of its holding 10 days prior to half-end, the second sell-down by management in recent times. We continue to like the business however expect this could weigh on the share price in the short-term.

Kicking off 2023, our initial priority will be preparation for the 1H23 reporting season. With concerns around cost pressures, weakening demand and balance sheet flexibility we are comfortable that our portfolio exposure is balanced heading into the reporting season. We think volatility will remain elevated in the near term. As always, our preference is to find high quality businesses benefiting from long-term structural tailwinds, with solid balance sheets and strong management teams. Given our bottom-up stock picking approach we welcome volatility, as it provides the fund with opportunities to accumulate high quality stocks at attractive prices.

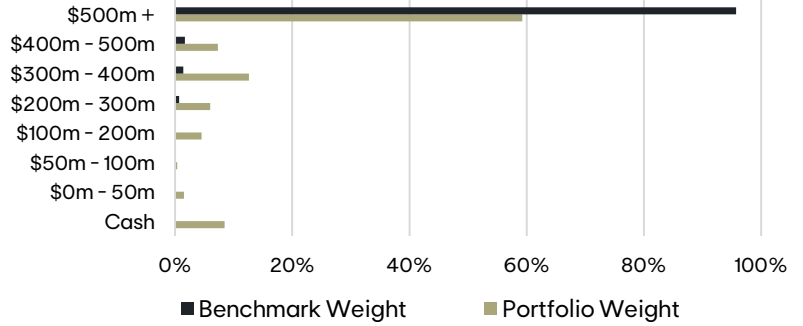
PORTFOLIO CHARACTERISTICS

Key Portfolio Metrics

FY23e	Fund	Benchmark
Price/Earnings	16.1x	19.5x
Dividend Yield	2.0%	3.4%
Net Debt/EBITDA	-0.3x	1.2x

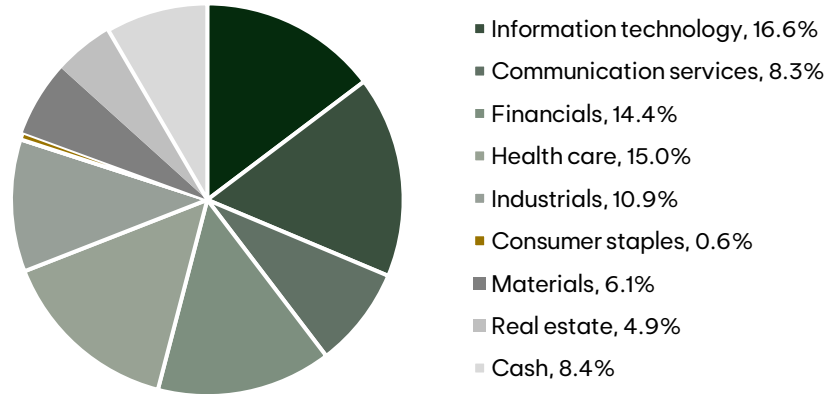
Source: Ellerston Capital.

Market Capitalisation



Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

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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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