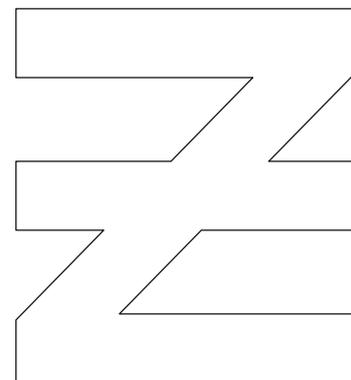


Ellerston 2050 Fund



Performance Report, January 2023

Investment Objective

The investment objective of the Fund is to outperform the Benchmark over a rolling three year period.

Investment Strategy

The Fund employs an active, research-driven investment approach which seeks to identify a portfolio of unlisted (pre-IPO and expansion capital) and listed (micro and small capitalisation) companies, with the aim of delivering superior returns to the benchmark over time. Investments will generally be made in companies that have sound business franchises with attractive earnings profiles that operate in growth industries and trade at a discount to valuation. For inclusion in the portfolio, companies must, either directly or indirectly, demonstrate a pathway to aiding the abatement of carbon within Australia and the global economy.

Key Information

Inception Date*	31 May 2022
Portfolio Manager(s)	David Keelan & Alexandra Clarke
Application Price	\$0.9442
Net Asset Value	\$0.9406
Redemption Price	\$0.9370
No Stocks	33
Management Fee	1.50%
Performance Fee	20% of the investment return above the Benchmark for each financial year, calculated and accrued monthly
Distributions	Half Yearly

Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)*
Ellerston 2050 Fund^	1.14%	-2.41%	-6.37%	-	-5.94%
Benchmark**	6.31%	5.54%	0.37%	-	0.19%
Alpha	-5.17%	-7.94%	-6.74%	-	-6.13%

^ The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance
**S&P/ASX Small Ordinaries Industrials Accumulation Index

Market Commentary

January saw the equity markets rally strongly on the back of easing fears around interest rates with the perception that inflation may have peaked. This saw discretionary stocks take off with the likes of Super Retail Group up 18% and JB-Hi-Fi up 15% on the back of positive trading updates. Discretionary stocks with larger than usual short interest also outperformed, with Breville up 23% and ARB Limited up 24%. Other deeper value cyclicals also had positive momentum with Media and Telco stocks having a good run. Materials stocks weren't left out, however, it mattered very much which commodity you were in with lithium and rare earth stocks outperforming the coal names. The Ellerston 2050 Fund finished the month up 1.14% verse the Small Ordinaries up 6.31%.

While January is usually a quiet month as the market comes back from the Christmas break and prepares for the February reporting season it wasn't the case this year. We saw numerous M&A transactions and trading updates. Two of our companies provided updates were Imdex Limited and HUB24 Limited.

Imdex (IMD AU), a mining technology and services company, gained 15% on the back of acquiring Devico, a global leader in drill site technology and pre releasing its 1H23 result which was ahead of consensus estimates. Devico is a directional drilling technologies and sensor technologies company headquartered out of Europe and holds number one and number two market shares in the respective categories. IMD acquired Devico for an enterprise value of A\$324m. We see this acquisition as strategic as it offers not only significant synergies but new markets for IMD to penetrate and cross sell its core tools and fluids into. The outlook for IMD remains reasonably constructive with junior capital raises looking healthy, commodity prices improving, and new tools that are close to penetrating the production segment of the market. IMD remains one of our high conviction positions. IMD fits within the 2050 portfolio because it's technology and consulting services help global mining companies track and reduce their carbon emission.

Austin Engineering (ANG AU) is a mining services company that specialises in the construction of light-weight buckets and trays for large mining plant and equipment. In January, ANG's share price rose by 23% on the back of a very solid trading update at the end of the month. In its trading update, the group confirmed that it had received confirmed orders and contracts for its budgeted \$250m FY23 revenue. This means that any additional contracts signed to March have a high probability of being realised in FY23 and provide further upside. In this update, ANG confirmed a positive outlook for the mining equipment market for the next 18 months. We continued to be excited by the prospects of ANG going forward, as it continues to realise both cost and revenue synergies from its Mainetec acquisition, tapping into the huge potential of the US market. ANG fits within the 2050 portfolio because its lightweight truck bodies/buckets help materially reduce carbon emissions with an estimated 48 tonnes less CO2 emitted per truck over its life.

Looking forward to reporting season we think the market is likely to focus on several key factors:

1. **Cost inflation impacting margins:** Given our high employment rate, the lag effect of supply chains as well as higher input costs we think margins will come under pressure. Therefore, companies which can demonstrate flat to growing margins should be rewarded by the market.
2. **M&A:** Despite current market conditions, balance sheets are reasonably robust and private equity firms have refilled their war chests. As such we believe M&A activity will remain elevated as companies seek out inorganic growth opportunities.
3. **Earnings outlook commentary/guidance:** While outlook commentary and guidance is always a key focus for the market, we think given the volatility in the market and the nervousness of investors, the companies which provide quantitative outlook will be rewarded.

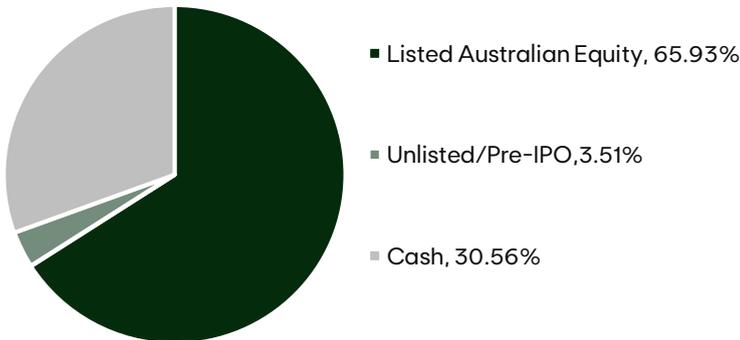
While this reporting season will undoubtedly be different to prior years given the macro landscape with higher inflation, we continue to stress-test our positions, and we remain confident of our process and portfolio.

Holdings Summary

SECURITY	PORTFOLIO WEIGHT
Index	6.48%
RPMGlobal Holdings	4.94%
Adrad Pty Ltd	4.33%
Kelsian Group	3.70%
Estia Health	3.51%
Additional Holdings^	46.48%
Cash	30.56%
Total	100.00%

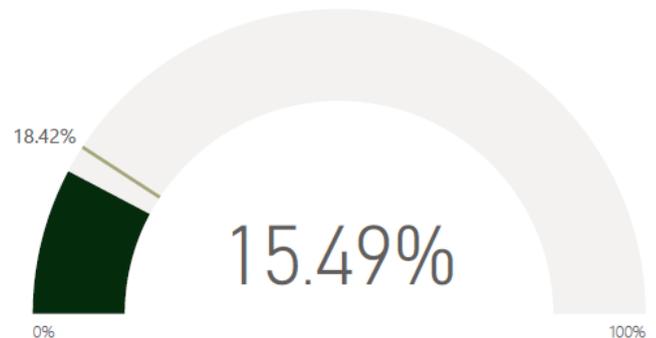
Source: Ellerston Capital. ^Other capital deployed includes additional 29 holdings.

Portfolio Breakdown

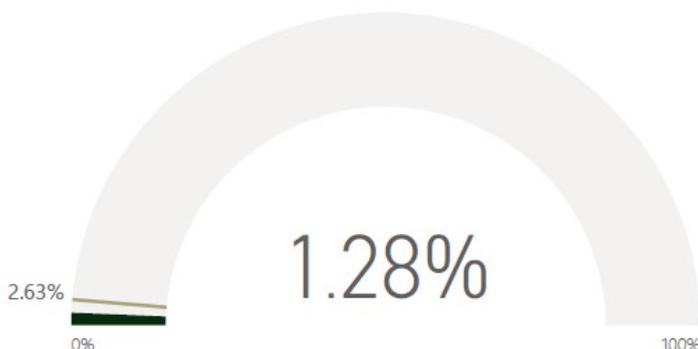


Source: Ellerston Capital.

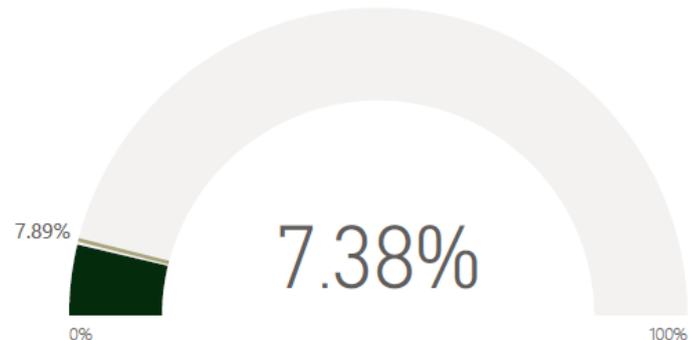
Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2*



Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 3*



Value of Portfolio Reporting vs. Number of Companies Reporting According to TCFD^**



Source: ^Task Force on Climate-Related Financial Disclosure

*Please note the % represented by the line is the number of companies reporting and the shaded area (green) is the total holding value of the portfolio that the companies represent.

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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 Registry Services on **1300 101 595** or **ellerstonfunds@automicgroup.com.au**

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