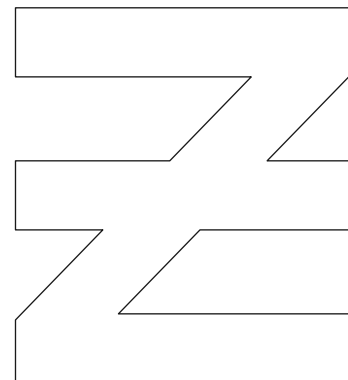


Ellerston Australian Emerging Leaders Fund



Monthly Newsletter, January 2023

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-Aug-21
Portfolio Manager	David Keelan & Alexandra Clarke
Application Price	\$0.7763
Net Asset Value	\$0.7744
Redemption Price	\$0.7725
Liquidity	Daily
No Stocks	45
Management Fee	1.10% p.a.
Performance Fee**	20%
Buy/Sell Spread	0.25% on application 0.25% on redemption
Minimum Investment	\$10,000
Minimum Additional Investment	\$5,000
Distribution Frequency	Half Yearly (i.e. June & December)

** Of the investment return above the benchmark, after recovering any underperformance in past periods

Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)^^
Net^	2.02%	-0.82%	-5.54%	-15.92%	-15.67%
Benchmark*	6.56%	7.64%	2.35%	-4.44%	-7.99%
Alpha	-4.54%	-8.45%	-7.88%	-11.48%	-7.68%

^ 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

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 cyclical 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 Australian Emerging Leaders Fund finished the month up 2.02% verse the Small Ordinaries up 6.56%.

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.

HUB24 Limited (HUB) finished the month relatively flat, however intra-month was a very different story with the stock off by as much as 10% on the quarterly flow announcement. December is not a seasonally strong quarter for flows, and we thought the number was reasonable, especially given the market volatility. We believed the selloff was an overreaction by what has become a very skittish market, and we took the opportunity to top up our position. We were proven correct when peers Netwealth and Praemium reported much weaker flows, highlighting the quality of HUB's result and helping it recover the ground it lost. Looking beyond the quarterlies we really like the business on a long-term basis. It's benefiting from structural system growth while

rapidly taking market share from the legacy platforms, complimented by improving cash margins and operating leverage.

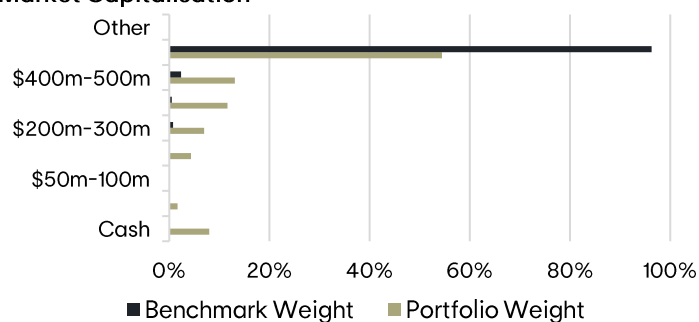
Looking forward to reporting season, we think the market is likely to focus on several key factors:

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.

PORTFOLIO CHARACTERISTICS

Market Capitalisation

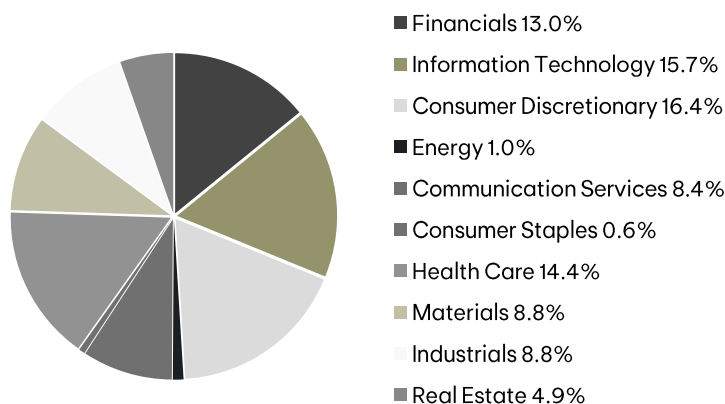


Source: Ellerston Capital.

Key Portfolio Metrics

FY23e	Fund	Benchmark
Price/Earnings	16.42x	18.35x
Dividend Yield	1.93%	3.33%
Net Debt/EBITDA	-0.36x	1.22x

Source: Ellerston Capital.



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Find out more

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All holding enquiries should be directed to our register, Automic Group on 1300 101 595 or ellerstonfunds@automicgroup.com.au

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