APIR Code: ECL0002AU, ECL0007AU

Ellerston GEMS Fund

Class A and B

Monthly Newsletter, February 2023

Investment Objective

The investment objective is to generate superior returns for Unitholders with a focus on risk and capital preservation.

Investment Strategy

The Fund provides investors with exposure to global markets through a long short equity strategy. The strategy overlays fundamental bottom-up stock selection with global macroeconomic and market outlook.

Key Information

Inception Date^^	1 January 2002
Portfolio Manager	Ashok Jacob & Arik Star
Class A Redemption Price	$1.3384
Class B Redemption Price	$1.3077
Gross Exposure	90.01%
Net Exposure	55.70%
Unit Pricing	Monthly
Management Fee	1.50%
Performance Fee	16.50%
Buy/Sell Spread	0.25% on application 0.25% on redemption

PERFORMANCE SUMMARY

Performance*	FYTD	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)^^
GEMS A	-7.6%	-8.1%	8.8%	5.4%	10.9%	11.7%
GEMS B	-7.6%	-8.1%	8.8%	5.4%	10.8%	11.6%

Source: Ellerston Capital.

* The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

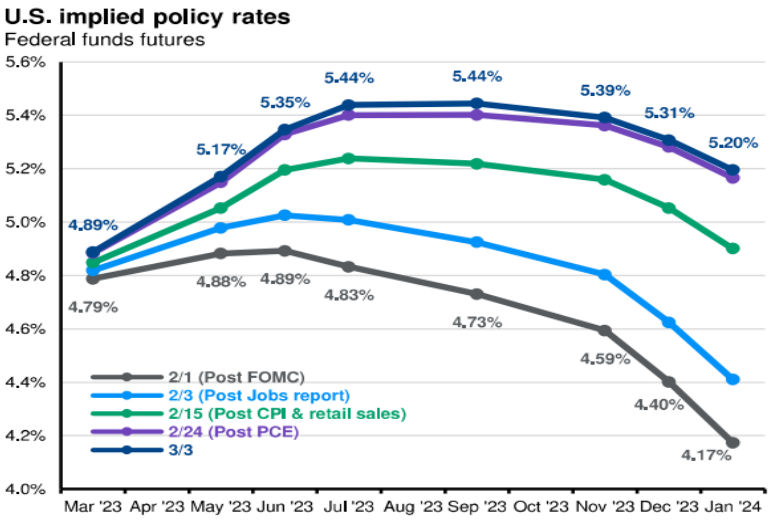
Performance

For the 3 Year period from February 28, 2020 to February 28, 2023, the compound annual returns for the Australian S&P/ASX 200 Total Return Index was +7.9%, the US S&P 500 Index was +12.1%, the Russell 2000 Index was +10.1% and MSCI World (Local) Index was +10.6%.
Your Fund (GEMS A) returned +8.8% pa (after fees).

For the Month of February 2023, the Australian S&P/ASX 200 Index was down -2.4%, the US S&P 500 Index was down -2.4%, the Russell 2000 Index was down -1.7% and the MSCI World (Local) Index was down -1.6%.
Your Fund (GEMS A) returned -4.3% (after fees).

Portfolio Commentary

February was a strange month. There is no doubt the first two months of 2023 have seen economic data come in broadly stronger than expected. Jerome Powell confirmed as much in his comments to the Senate during the month: "The latest economic data have come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated." The bond market adjusted throughout the course of February to appropriately price this reality.



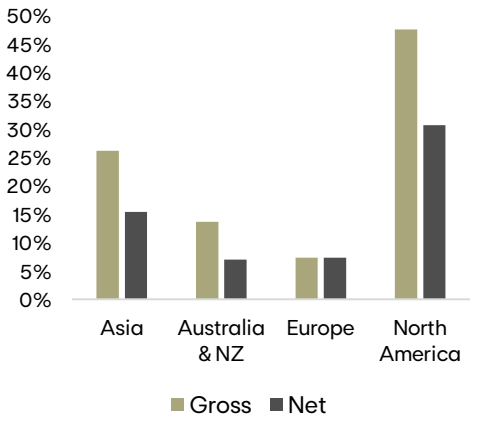
Source: JP Morgan.

However, in direct contrast to the rising discount rate outlook, the best performing sectors & factors of the equity markets continue to be growth and technology and particularly non-profitable technology. GEMs long book is up c.3.5% CYTD 2023, unfortunately, this has been more than offset by our cautious market positioning expressed via shorts and index hedges. Our low-quality business model shorts were particularly painful in the first half of February. We have since materially reduced our exposures to those trades to manage risk as animal spirits outweigh economic fundamentals in the short term.

Whilst we continue to exercise caution in our general market exposures, the 4Q22 reporting season over the past month has only reinforced our conviction in a number of specific idiosyncratic investments where we continue to see favourable risk/reward skews. These include, but are not limited to results from Booking, Celsius, Olin, Light & Wonder, and Uranium participants, among others.

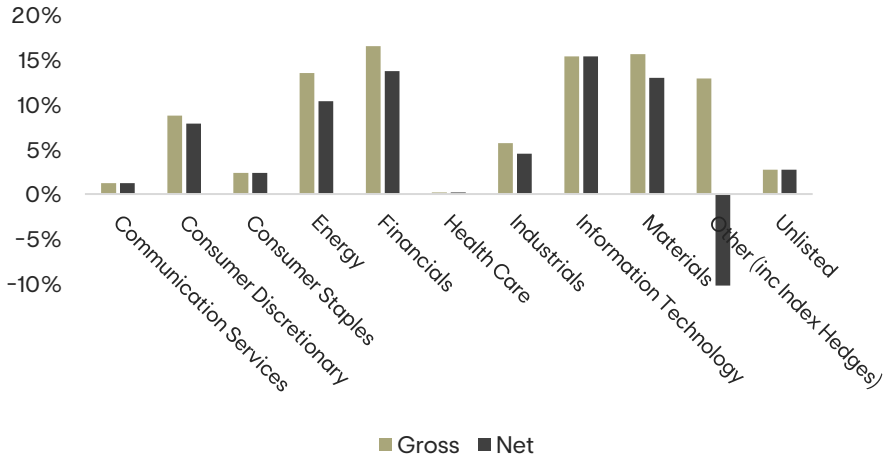
PORTFOLIO CHARACTERISTICS

Region Exposure



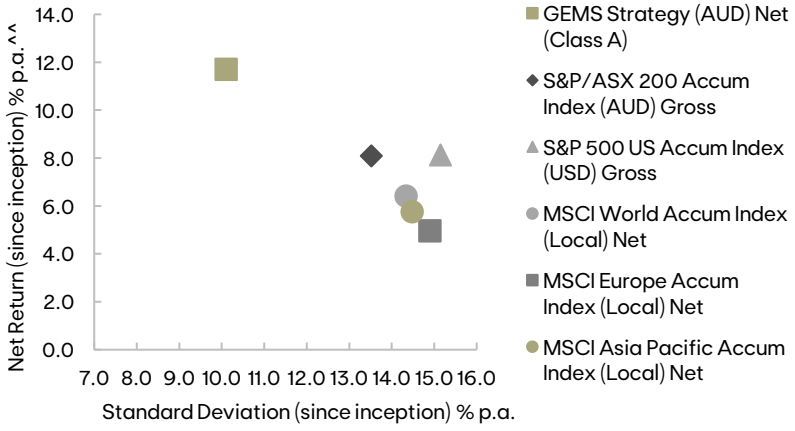
Source: Ellerston Capital.

Sector Exposure



Source: Ellerston Capital.

GEMS Strategy Performance & Volatility^^



Source: Ellerston Capital.
Past performance is not a reliable indication of future performance.
^^Inception Date 1 January 2002

Top 10 Holdings (Alphabetical, Long Only)

- BOOKING HOLDINGS INC
- CALUMET SPECIALTY PRODUCTS PARTNERS
- FLUTTER ENTERTAINMENT
- GOLAR LNG
- LIGHT AND WONDER
- LYNAS RARE EARTHS
- MICROSOFT
- SOITEC
- SOLVAR
- WILLSCOT

Source: Ellerston Capital.

- **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

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701

info@ellerstoncapital.com

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

^ Actual performance for your account may vary from that set out in this newsletter and will vary for investments made in different classes, or at different times throughout the year. Some performance data is estimated and preliminary and subject to change.

^^For the period 1 January 2002 to 30 April 2006, the CPH Group GEMS Portfolio was not operated within a separate fund structure. The underlying investment assets of the CPH Group GEMS Portfolio were owned during that time within corporate entities of the CPH Group for which audited accounts were prepared on an annual basis. Accordingly, in order to provide relevant historical performance information for the period 1 January 2002 to 30 April 2006 (Historical Returns) net returns were calculated on the basis of the actual dollar returns of the CPH Group GEMS Portfolio adjusted to reflect a fund structure similar to the Fund and including all fees. For GEMS B, GEMS A returns have been used between 1 May 2006 and 2 November 2009. The returns of the Fund and the relevant Indices are net of fees, expenses and taxes and assuming distributions are reinvested.

The standard deviation is often used by investors to measure the risk of an asset. The standard deviation is a measure of volatility: the more an asset's returns vary from the average return, the more volatile the asset. A higher standard deviation means a greater potential for deviation of return from the average return of the asset.

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