

# Ellerston Global Equity Managers Fund (GEMS) Class C

## Monthly Newsletter, February 2023

### Investment Objective

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 December 2009
Portfolio Managers	Ashok Jacob & Arik Star
Application Price	\$1.4539
NAV Price	\$1.4503
Redemption Price	\$1.4467
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 (Net)*	FYTD	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)^^
GEMS C	-7.6%	-8.1%	8.8%	5.4%	10.8%	10.3%

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 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%.

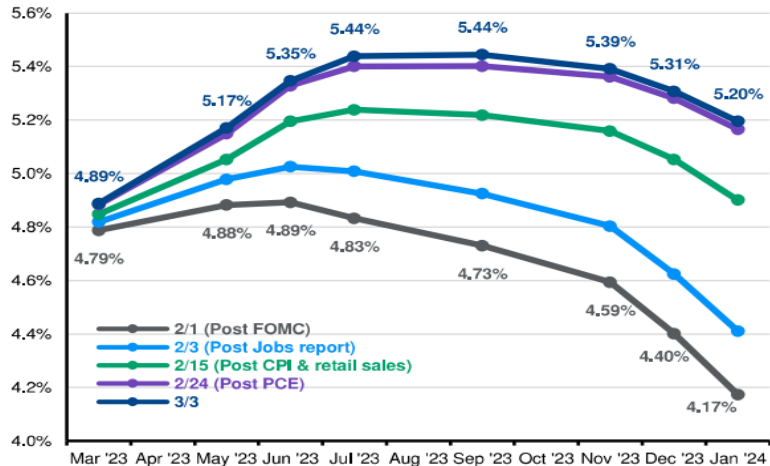
**Your Fund returned -4.3% (after fees).**

### 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.

### U.S. implied policy rates

Federal funds futures



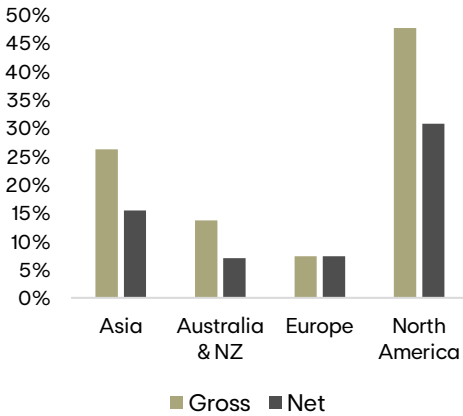
Source: JP Morgan.

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.

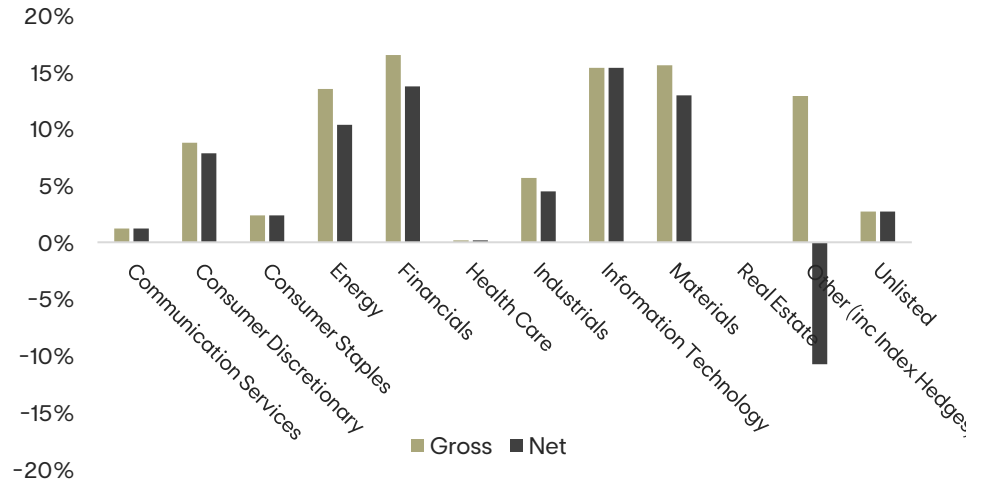
## PORTFOLIO CHARACTERISTICS

### Region Exposure



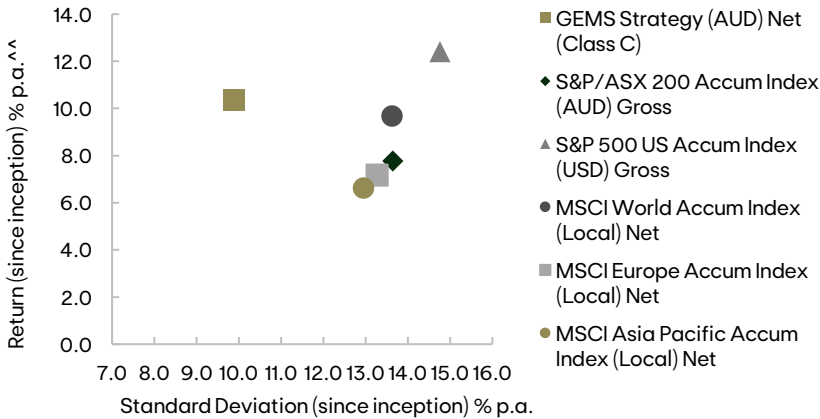
Source: Ellerston Capital.

### 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 December 2009.

### 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.

## Regulatory Guide (RG240) Fund Disclosure Benchmark – Periodic Reporting (monthly)

- **Net Asset Value of the Fund and Redemption Price of Units**

Please refer to details on P1.

- **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 P1.

- **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 P1; there have been no changes to the primary investment personnel responsible for managing the Fund.

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### Contact Us

#### Sydney

Level 11, 179 Elizabeth Street,  
Sydney, NSW 2000  
+612 9021 7701  
[info@ellerstoncapital.com](mailto: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](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com)

All holdings enquiries should be directed to our register, Automic Group on 1300 101 595 or [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au).

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<sup>^</sup> 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.

# 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. The returns and risk of the Fund and the relevant Indices are net of taxes, fees and expenses and assuming distributions are reinvested. The performance figures presented are for the Ellerston Global Equity Managers Fund GEMS C Units. The one month return figure may be an estimate and not the final return. This estimate also impacts other performance information provided. Estimated performance figures are preliminary and subject to change. Returns for other classes may differ slightly. Past performance is not indicative of future performance. This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as the responsible entity of the Ellerston Global Equity Managers Fund ARSN 118 887 095 without taking account the objectives, financial situation or needs of individuals. Before making an investment decision about the Fund persons should read the Fund's Product Disclosure Statement and Target Market Determination (TMD) which can be obtained from the Manager's website [www.ellerstoncapital.com](http://www.ellerstoncapital.com) or by contacting [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) and obtain advice from an appropriate financial adviser. Units in the Fund are issued by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000. This information is current as at the date on the first page. This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance.