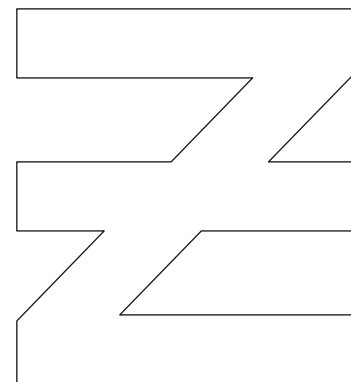


# Ellerston Pre-IPO Fund



## Performance Report, March 2023

### Investment Objective

The investment objective of the Fund is to generate a positive return above a Hurdle Return of 6% p.a. net of fees.

### Investment Strategy

The Manager uses a fundamental, research driven investment strategy to provide returns above the Hurdle Return that are not correlated to listed equity markets. The Manager undertakes fundamental research to selectively identify and invest in quality companies focus on investments in Pre-IPO, IPO, Unlisted Expansion Capital and Listed Microcap Companies, predominantly in Australia but also covering OECD and developed countries.

### Key Information

Inception Date*	31 March 2020
Portfolio Manager(s)	David Keelan & Alexandra Clarke
Application Price	\$0.7368
Net Asset Value	\$0.7368
Redemption Price	\$0.7368
No Stocks	20
Hurdle Return	6% p.a. net of fees
Management Fee	1.50%
Performance Fee	20% of the investment return above the Hurdle Return for each financial year, calculated and accrued quarterly
Distributions	Annually

### Performance Summary

Performance	3 Months	6 Months	1 Year	2 Years (p.a.)	Since Inception (p.a.)*
Ellerston Pre-IPO Fund <sup>^</sup>	-5.90%	-9.19%	-8.03%	-1.74%	3.48%

<sup>^</sup> The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

### Market Commentary

The March quarter saw the Small Ordinaries (XSO) rise 1.9% over the period. January saw the equity markets rally strongly on the back of easing fears around interest rates with the perception that inflation may have peaked. The market gave back some of these gains in February, driven by a reporting season that disappointed the and resulted in net downgrades across the board. March was a volatile month, with the Small Ordinaries down 5% mid-month following the US bank volatility, before recovering to down 0.7%. M&A was a large thematic during the quarter, with a number of notable takeovers bids occurring at large premiums across both Industrials and Resources.

### Fund News

During the March quarter the Ellerston Australian Pre-IPO Fund generated a return of -5.9%. At the end of the quarter, ~12.4% of the book was listed and exposed to market. While ECM conditions remain challenging, takeovers and secondary capital raisings were more prevalent in the March quarter compared to the preceding quarter.

No distributions were paid during the quarter, with cumulative distributions of A\$0.392 paid since inception.

### March Update

Volatility in markets continued over the March quarter, exemplified by the Small Ordinaries up 6.5% in January, then down two months in a row to end the period up 0.9% for the quarter. From the height of the rally in January, to the lows experienced in late March following the SVB bank incident, the Small Ordinaries swung 12% intra quarter. We expect market volatility to continue as the effects of the significant tightening phase flow through to economic data points, and the markets grapple with the outlook for monetary policy and economic conditions. Market liquidity continues to be constrained; however, we are starting to see more attractive valuations flow through to the unlisted environment and we are more positive on quality and price of deal flow coming through looking ahead.

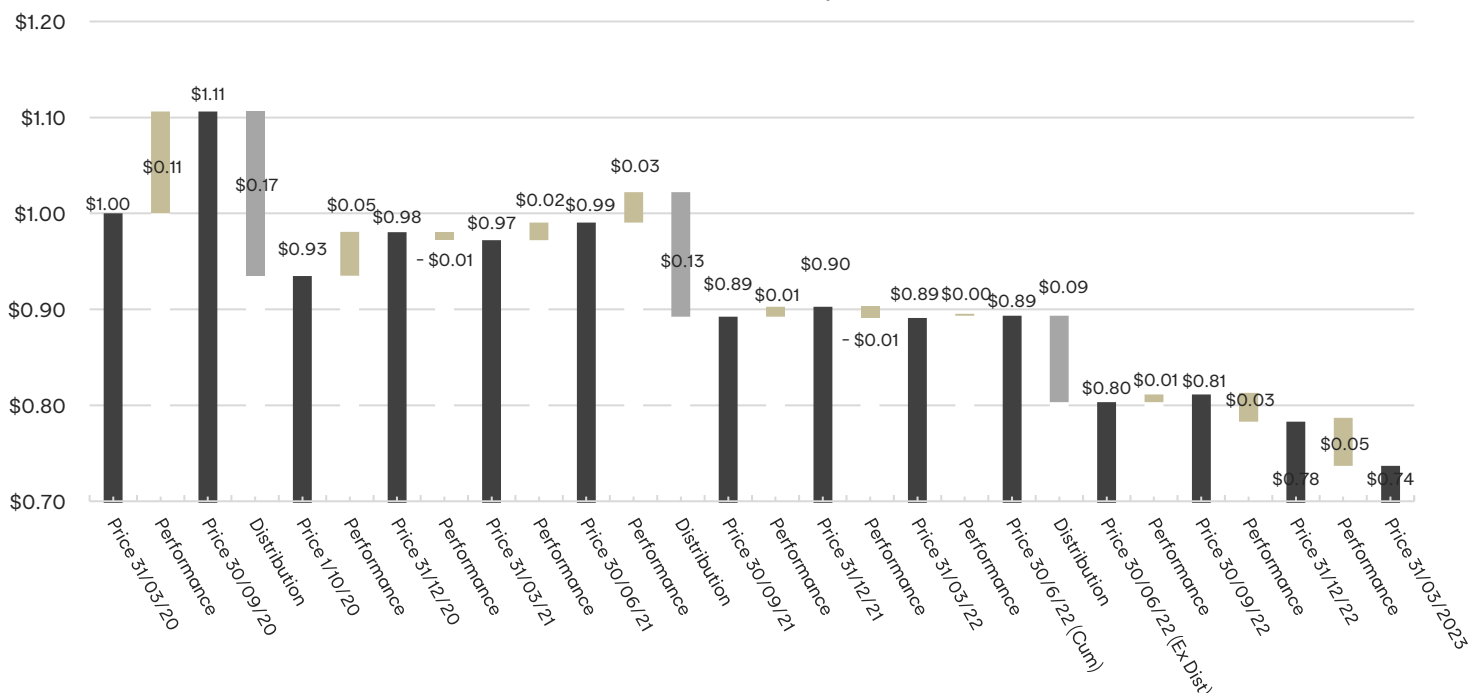
Over the March quarter, two of our unlisted positions listed on the ASX – Acusensus (ACE AU) and Gold Hydrogen (GHY AU). **Acusensus (ACE AU)** is an Intelligent Transport Solutions (ITS) technology company, specialized in AI-enabled road safety applications. The Company has camera enforcement technology that detects, captures and refers motorists using mobile phones illegally whilst driving to enforcement agencies. The artificial intelligence solution detects likely illegal phone use by drivers, and shortlists detections that are subject to human review prior to enforcement. We invested in Acusensus via straight equity at a discount to the IPO price following the award of some larger scale contracts that more than validated the use case for the product.

Since IPO, Acusensus reported its maiden listed half-year result in February, reporting A\$19.8m revenue (+92% YoY) and EBITDA of A\$2.2m (+457% YoY). Revenue was a 5% beat vs prospectus forecasts and EBITDA was 13% ahead. The group also secured new revenue from a QLD transportable speed enforcement contract, which has an estimated contract value of A\$11.7m over the initial 5-year term. On the back of this contract win, ACE upgraded its FY23 revenue forecast from A\$37m to \$40m (+8% upgrade).

**Gold Hydrogen (GHY AU)** is another small position for the Fund. Gold Hydrogen is progressing the exploration of a Natural Hydrogen Prospective Resource in Australia. Gold Hydrogen has a 100% ownership of the flagship Ramsay Project covering 7,820km<sup>2</sup> on the Yorke Peninsula and Kangaroo Island in South Australia. Gold Hydrogen currently has agreements with leading global hydrogen experts, including Schlumberger, CSIRO, Total Seismic and Xcalibur to undertake the work program on the Ramsay Project through to potential production. We invested in Gold Hydrogen via a convertible note at a discount to the IPO price.

We think it is important given the current state of markets to reiterate how assets are held and valued within the portfolio. We know that market conditions have resulted in a slow-down in primary and secondary equity markets and a de-rating of market multiples. While this may have a potential impact on the timing of some of our liquidity events, the majority of our investments are held at cost (or lower) and/or in instruments which float, like convertible notes. This reflects our conservative approach and means the Fund is well placed when our expected liquidity events occur. The Fund also has a process of reviewing the holding valuations of its investments, which is overseen from an external valuation committee.

### Unit Prices Since Inception



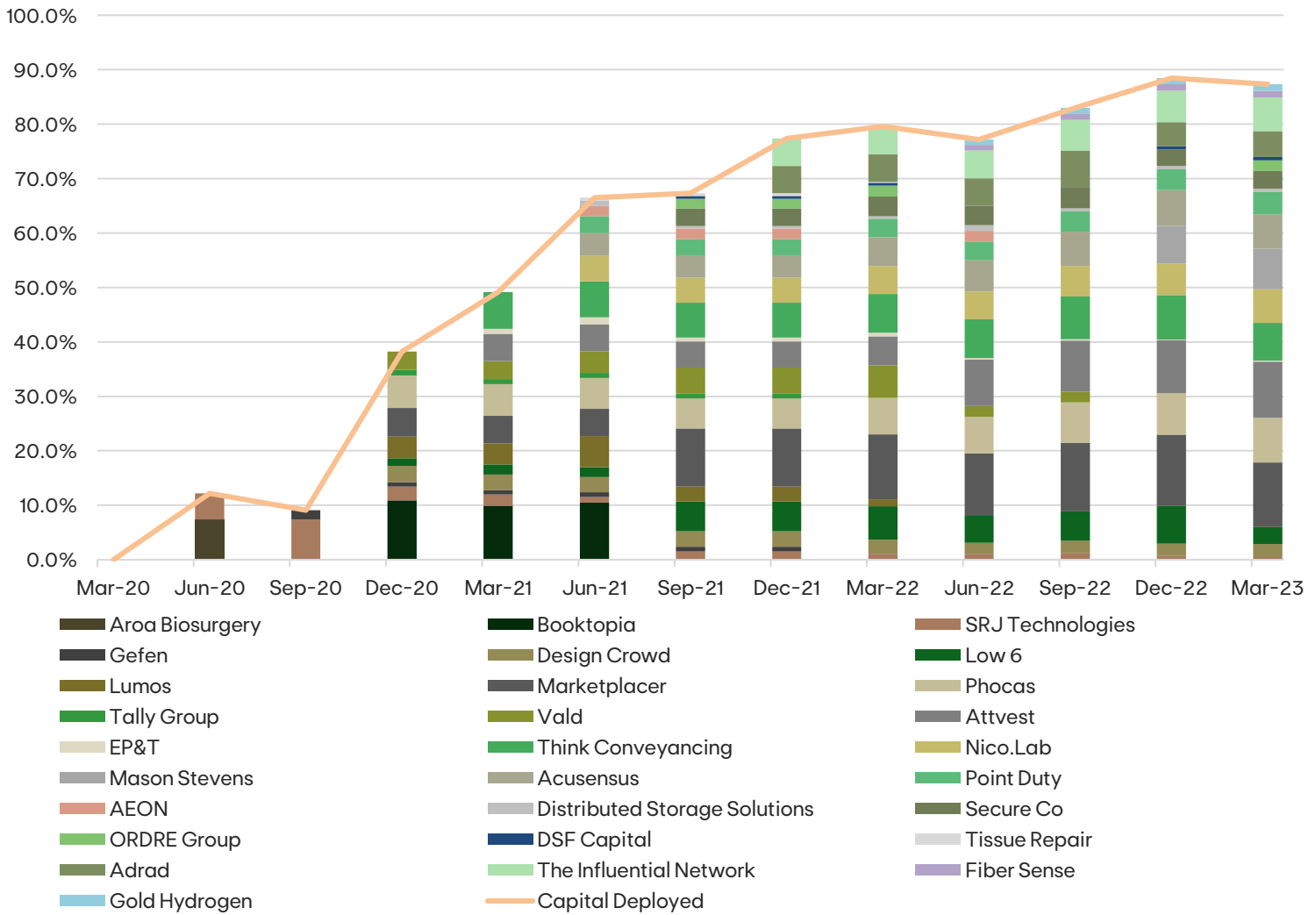
Source: Ellerston Capital.

### Holdings Summary

SECURITY	PORTFOLIO WEIGHT <sup>^</sup>
MARKETPLACER	11.86%
ATTVEST (CAPEVEST)	10.35%
PHOCAS	8.16%
MASON STEVENS	7.42%
DEEP BLUE COMPANY (THINK CONVEYANCING)	6.92%
OTHER CAPITAL DEPLOYED*	45.03%
CASH	10.25%
<b>TOTAL</b>	<b>100.00%</b>

Source: Ellerston Capital. \*Other capital deployed includes additional 15 holdings. ^Portfolio weights are calculated excluding the impact of distribution.

# Capital Deployed



Source: Ellerston Capital.

Our philosophy around pre-IPOs is very simple. We are looking for high quality businesses that have clear pathways to IPO, offering opportunities to achieve superior returns with minimal correlation to the market. We are looking to achieve a 20% IRR and given the current state of the market we believe we are well placed to deliver on this target.

## Contact Us

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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](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com)

All holding 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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