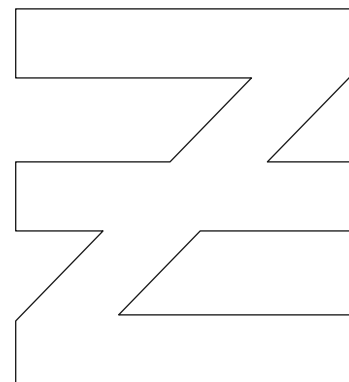


Ellerston Australian Absolute Return Fund



Monthly Newsletter, April 2023

Investment Objective

The Fund targets absolute returns with an annualised return objective of 5% above the RBA Cash Rate over rolling five year periods.

Investment Strategy

The Fund seeks to provide investors with a return profile that has a low correlation with traditional asset classes. The Fund aims to generate positive returns in all market environments by reducing the majority of market risk and focusing on capital preservation and alpha generation.

Key Information

Inception Date **	3 June 2013
Portfolio Manager	Ashok Jacob
Application Price	\$1.0641
NAV Price	\$1.0614
Redemption Price	\$1.0587
Liquidity	Daily
Gross Exposure	149.27%
Net Exposure	38.31%
Management Fee	1.20% p.a.
Performance Fee	20%
Buy/Sell Spread	0.25% on application 0.25% on redemption

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)**
Net [^]	3.79%	4.92%	-3.59%	-13.95%	6.20%	2.08%	5.52%
Benchmark*	0.29%	0.84%	1.59%	2.35%	0.87%	0.99%	1.49%
Alpha	3.50%	4.09%	-5.18%	-16.29%	5.33%	1.09%	4.03%

[^] Net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

* RBA Cash Rate

PERFORMANCE

The Ellerston Absolute Return Fund delivered 3.79% in April 2023.

COMMENTARY

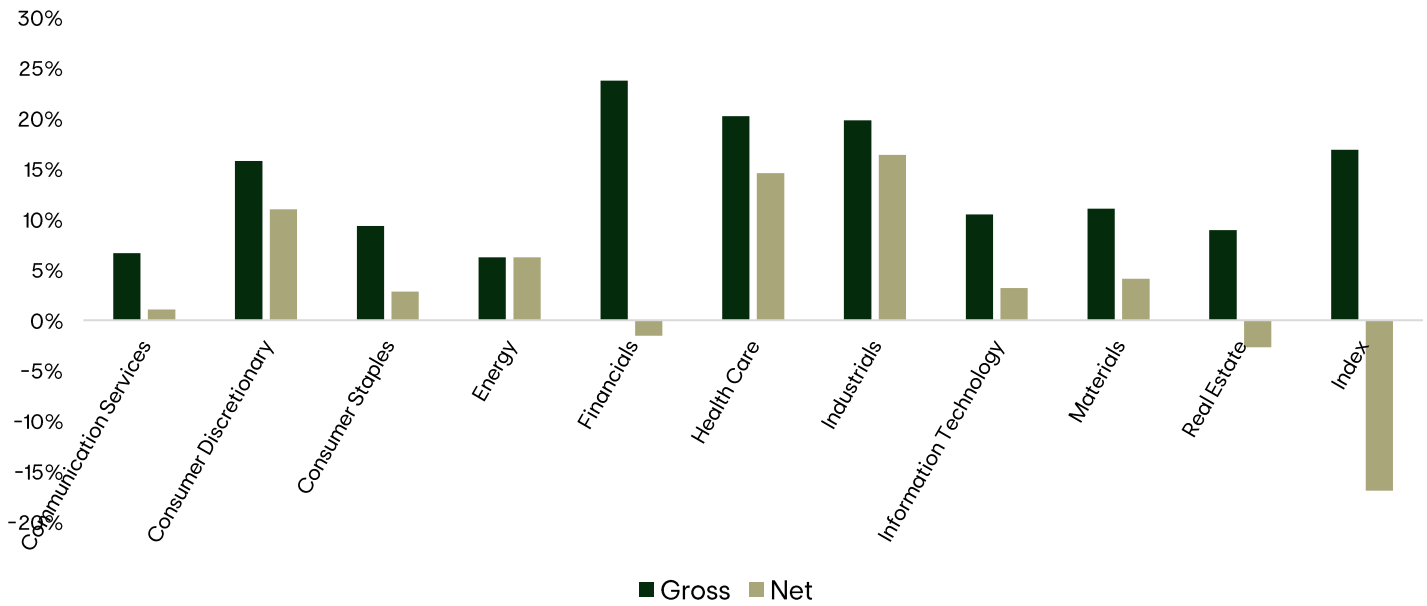
We first bought into HLO in 2021 when it sold its corporate travel division to Corporate Travel Management (CTD AU) for \$175m (\$100m cash + \$75m in CTD scrip). While the transaction removed an earnings stream for HLO, it fundamentally changed the balance sheet of the business. HLO has benefited from the opening of borders and the recovery of leisure. This was clearly demonstrated in April when the Group provided a 3Q trading update, materially upgrading EBITDA guidance (+31-36%) to \$38-42m (from \$28-32m). This is the second upgrade that HLO has pushed through this year and there is further scope as guidance implies a weaker 4Q, despite this being a seasonally stronger period. With Management being major shareholders and a balance sheet, which is ready to undertake M&A we believe HLO remains materially undervalued.

SMP is a provider of payment solutions within Australia and New Zealand. They currently operate a fleet of 15,700 transacting terminals across Australia, with an additional 30,000 terminals over in New Zealand. In late April, SMP announced its results for the 4Q23 trading period in which it was able to demonstrate strong continuation of its terminal rollout strategy. While the result was muted by the seasonally weak fourth quarter, SMP announced that they have entered into a non-binding letter of intent with its Australian processing partner to hopefully move over all of its New Zealand fleet of terminals to an acquiring model; in line with its Australian business. This has unlocked significant value within the business and has significantly increased its growth potential beyond its rollout in Australia.

FWD share price has been under pressure over the last few months due to several different reasons. Some issues have been internally generated while other have been out of FWD's control. We have seen the conclusion of FWD's problem contracts and, pleasingly, we are starting to see a rebasing of its Building Solutions business. More importantly though is the announcement around a potential key client in Karratha receiving an offtake agreement. This has been the catalyst the market has been waiting on. Our attraction to FWD has always been around the operating leverage that the Searipple village can deliver to earnings. This asset over the last 10 years has been heavily written off on FWD's balance sheet given the historic downturn in accommodation requirements around Karratha. However, over the last few years even though occupancy had remained low compared to historical averages it has been a solid cash producing asset. We believe as more projects are launched around the Karratha region that this asset can once again start printing c\$25m+ of EBIT which is more than the entire business is generating currently. We believe further contracts on top of its already announced RIO contract should see a continue rating to the FWD share price.

PORTFOLIO CHARACTERISTICS

Sector Exposure

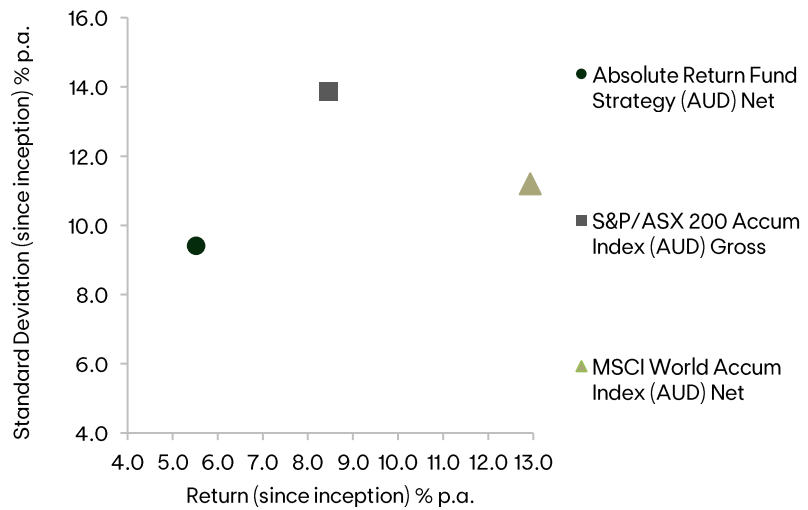


Source: Ellerston Capital.

Top 10 Holdings (Alphabetical, Long Only)

- Capitol Health
- EQT Holdings.
- Estia Health.
- Generation Development Group
- Helloworld Travel
- IPH
- Kelsian Group
- Regis Healthcare
- SmartPay Holdings
- Strike Energy

Strategy Performance & Volatility



Source: Ellerston Capital.

RG240 Fund Disclosure Benchmark – Periodic Reporting (monthly)

- **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

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

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