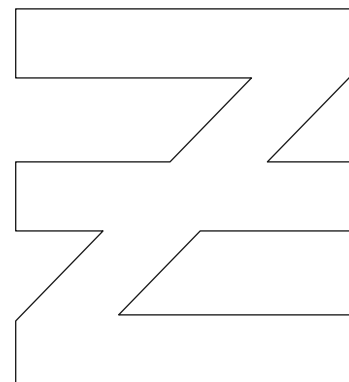


# Ellerston Australian Absolute Return Fund



Monthly Newsletter, May 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	\$1.0453
NAV Price	\$1.0427
Redemption Price	\$1.0401
Liquidity	Daily
Gross Exposure	149.09%
Net Exposure	34.87%
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 <sup>^</sup>	-1.76%	3.52%	0.53%	-10.67%	3.60%	1.77%	5.29%
Benchmark*	0.32%	0.91%	1.68%	2.65%	0.97%	1.03%	1.51%
Alpha	-2.08%	2.62%	-1.15%	-13.32%	2.63%	0.74%	3.78%

<sup>^</sup> 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 -1.76% in May 2023.

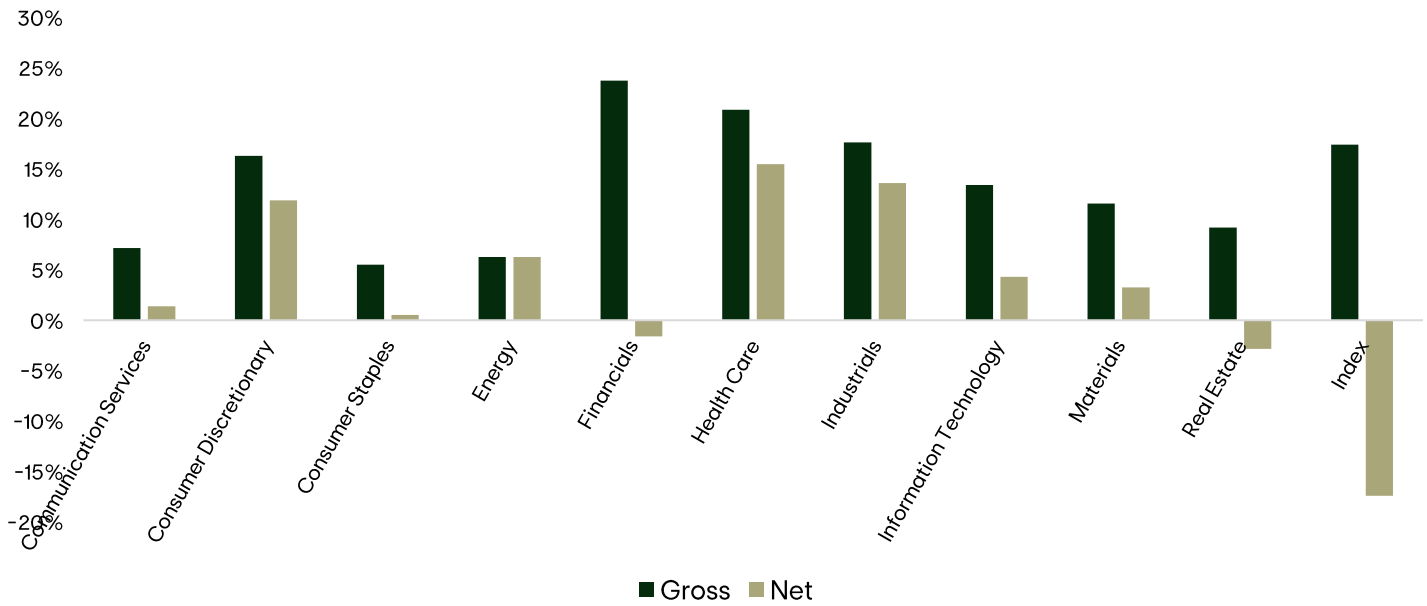
## COMMENTARY

Kelsian Group (KLS AU) is a provider of multi-modal transport and tourism services both domestically and internationally. KLS had a strong month, rallying over 11%. What attracts us to KLS - particularly in the current inflationary environment - is its long-dated, secure contracts with blue chip and government counterparties. In recent months, KLS has announced the acquisition of US based passenger motor-coach company All Aboard America! Holdings. This transformational acquisition should add US\$208m of revenue and US\$51m of EBITDA to the group. This acquisition also represents the first steps into the US market for KLS, which is a huge opportunity for growth given a total addressable market of ~US\$40bn.

SmartPay (SMP AU) is a provider of payment solutions within Australia and New Zealand. It currently operates a fleet of 15,700 transacting terminals across Australia, with an additional 30,000 terminals over in New Zealand. During the month of May, SMP announced its FY23 results, some of which had been pre released as part of its 4Q FY23 trading update in the prior month. While the new terminal numbers, revenue and NZ opportunity had all been previously flagged, the market was surprised by the higher margins driven by the reduction in switching and processing fees, as well as an extremely strong cash flow conversion figure of greater than 100% for the year. More clarity was given around the conversion of its current New Zealand operating model to the acquiring model that is currently in use within Australia, unlocking a significantly great revenue opportunity as it captures more of the value chain. We hold SMP as a high conviction position and look forward to seeing more of the Australian rollout story play out, as well as the beginning of its new strategy in New Zealand.

## PORTFOLIO CHARACTERISTICS

### Sector Exposure

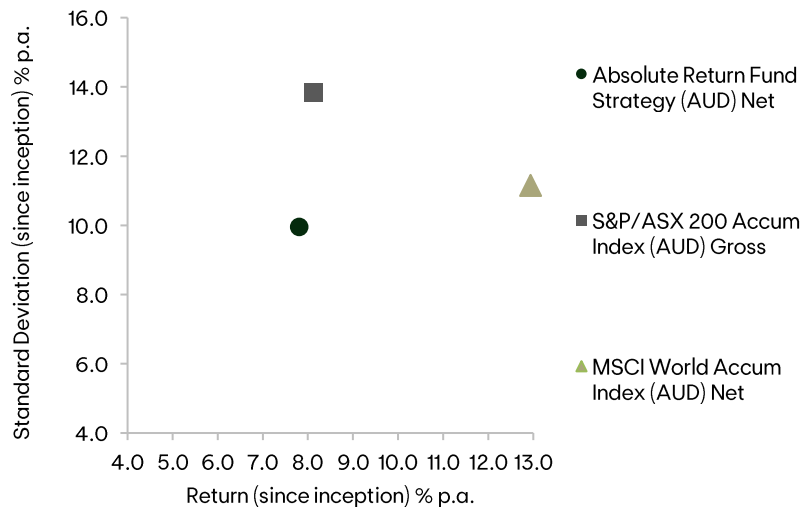


Source: Ellerston Capital.

### Top 10 Holdings (Alphabetical, Long Only)

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

### 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

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### 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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