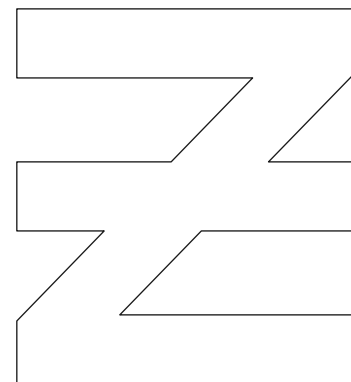


Ellerston 2050 Fund



Monthly Newsletter, May 2023

Investment Objective

The investment objective of the Fund is to outperform the Benchmark over a rolling three-year period.

Investment Strategy

The Fund employs an active, research-driven investment approach which seeks to identify a portfolio of unlisted (pre-IPO and expansion capital) and listed (micro and small capitalisation) companies, with the aim of delivering superior returns to the benchmark over time. Investments will generally be made in companies that have sound business franchises with attractive earnings profiles that operate in growth industries and trade at a discount to valuation. For inclusion in the portfolio, companies must, either directly or indirectly, demonstrate a pathway to aiding the abatement of carbon within Australia and the global economy.

Key Information

| | |
|------------------------|------------------------------------|
| Strategy Inception ^^ | 31 May 2022 |
| Portfolio Manager(s) | David Keelan & Alexandra Clarke |
| Application Price | \$0.9261 |
| Net Asset Value | \$0.9226 |
| Redemption Price | \$0.9191 |
| No Stocks | 38 |
| Management Fee | 1.50% p.a. |
| Performance Fee** | 20% |
| Distribution Frequency | Half Yearly (i.e. June & December) |

** Of the investment return above the Benchmark for each financial year, calculated and accrued monthly

Performance Summary

| Performance | 1 Month | 3 Months | 6 Months | 1 Year | Since Inception (p.a.)^^ |
|-------------|---------|----------|----------|--------|--------------------------|
| Net^ | -1.35% | -0.13% | -3.30% | -7.76% | -7.17% |
| Benchmark* | -1.72% | -1.23% | -0.28% | -2.01% | -2.53% |
| Alpha | 0.37% | 1.11% | -3.02% | -5.75% | -4.63% |

^ The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.
*S&P/ASX Small Ordinaries Industrials Accumulation Index

Market Commentary

The Ellerston 2050 Fund outperformed the benchmark, finishing down 1.35%, versus the Small Ordinaries Index down 3.26%. The market was weighed down by noise around the US debt ceiling and closer to home, fears around higher inflation and rising interest rates. In May we also saw weakness in Small Resources with the index down over 7% with coal, gold and copper names all being hit. On the flip side we saw a strong rally in tech names on the back of the frenzy in AI sparked by NVIDIA's 2Q trading update in the US.

May can be a mini reporting seasons with numerous conferences taking place which can require companies to provide trading updates. We entered May being very cautious around consumer facing names and anticipating a wave of downgrades. Early trading updates in May were a mixed bag with Media exposed names being hit heavily while large cap retailers such as Super Retail Group and JB Hi-Fi weathered the storm slightly better. However as the month progressed, a number of domestic retailers began providing negative trading updates, with consumer conditions markedly tougher post the Easter period.

Turning to the portfolio, three names worth discussing this month are Austin Engineering (ANG AU) Smartgroup (SIQ AU) and Kelsian Group (KLS AU).

ANG is a designer, manufacturer, distributor and maintainer of premium and lightweight truck trays, buckets and other related items for large mining vehicles. For the month of May, ANG was down 25.6% on the back of a trading update which saw work shift from FY23 to FY24. The new guidance range was for \$17-\$19 million NPAT, compared to its previous guidance range of \$24 million. The downgrade was primarily driven by a delay in purchase orders from its largest customer out of Perth. As a result, this see most of the revenue from these orders fall into next financial year, however obviously its fixed cost base impacts FY23. We see this as a temporary timing issue rather than any impact to the underlying business. Given the significant share price move and short-term nature of the earnings slip, we added to the position over the month. Since the downgrade, ANG has announced that 85% of the delayed purchase orders have now come through which bodes well for FY24 revenue and earnings. ANG remains a core position in our 2050 fund given the use of light weight truck trays which lowers the amount of energy needed to transport materials, thus resulting in substantially lower CO2 emissions over the lifetime of each truck.

SIQ is significant player in the novated leases space. What caught our attention more recently was a change in Federal Government policy, where FBT on new electric vehicles (EVs) was abolished on novated leases. We have seen the experience in Europe and New Zealand when supportive government policy is implemented, typically leading to a rapid adoption of EVs. In SIQ's first quarter trading update, EVs as a percentage of total quotes had exceeded 23% (vs 2% in the prior period). It is our view as more EV supply enters the Australian market, demand for SIQ novated leases will increase rapidly given the savings to the consumer. We also note, that while SIQ's Smart Future program has taken longer to implement, it remains on foot and should produce reasonable cost savings to the group and therefore higher earnings over the longer term. We believe these two factors should lead to consensus estimates proving conservative in coming years.

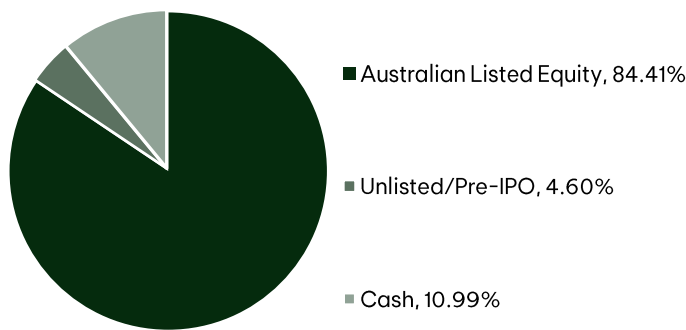
KLS is a provider of multi-modal transport and tourism services both domestically and internationally. KLS had a strong month, rallying over 11%. What attracts us to KLS - particularly in the current inflationary environment - is its long-dated, secure contracts with blue chip and government counterparties. 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.

Holdings Summary

| Security | Portfolio weight |
|------------------------|------------------|
| Kelsian Group Limited | 5.67% |
| Imdex Ltd | 4.99% |
| RPMGlobal Holdings Ltd | 4.89% |
| IPD Group Ltd | 4.89% |
| IPH Ltd. | 4.36% |
| Additional Holdings^ | 64.22% |
| Cash | 10.99% |
| Total | 100.00% |

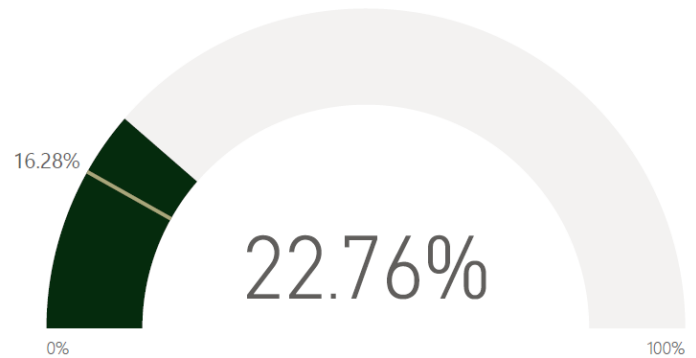
Source: Ellerston Capital. ^Other capital deployed includes additional 33 holdings.

Portfolio Breakdown

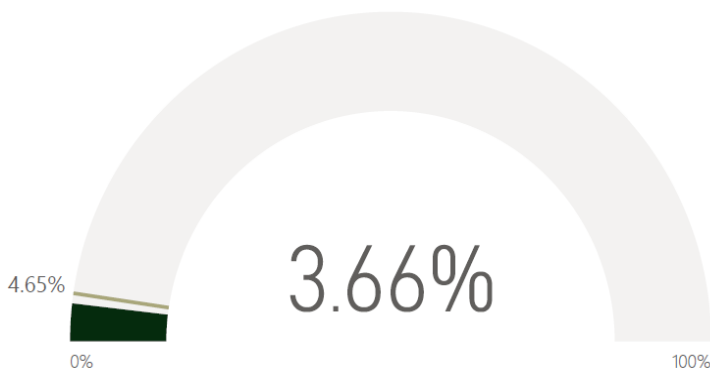


Source: Ellerston Capital.

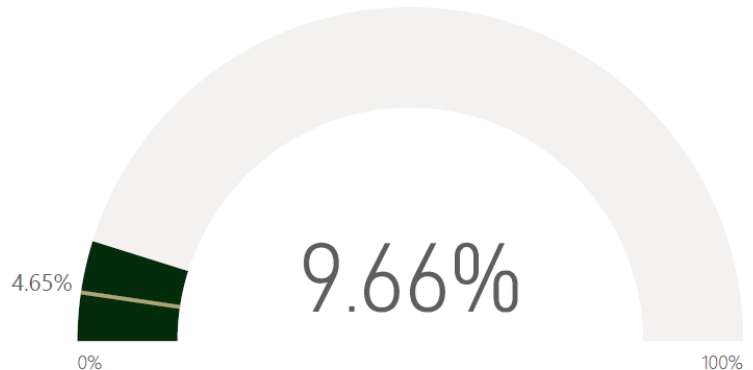
Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2*



Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 3*



Value of Portfolio Reporting vs. Number of Companies Reporting According to TCFD^*



Source: ^Task Force on Climate-Related Financial Disclosure

*Please note the % represented by the line is the number of companies reporting and the shaded area (green) is the total holding value of the portfolio that the companies represent.

Contact Us

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 holding enquiries should be directed to our register, Automic Registry Services on **1300 101 595** or ellerstonfunds@automicgroup.com.au

This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as trustee of the Ellerston 2050 Fund 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 Information Memorandum which can be obtained by contacting 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.