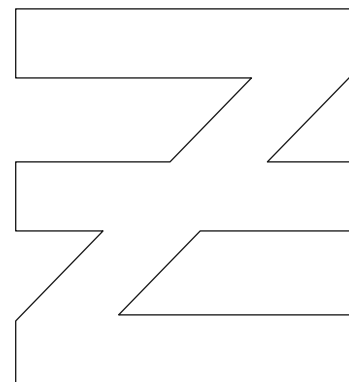


Ellerston Australian Absolute Return Fund



Monthly Newsletter, June 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 | \$1.0444 |
| NAV Price | \$1.0418 |
| Redemption Price | \$1.0392 |
| Liquidity | Daily |
| Gross Exposure | 145.64% |
| Net Exposure | 26.85% |
| 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 [^] | -0.09% | 1.88% | 2.55% | -6.30% | 2.79% | 1.55% | 5.23% |
| Benchmark* | 0.33% | 0.94% | 1.75% | 2.92% | 1.07% | 1.07% | 1.53% |
| Alpha | -0.41% | 0.94% | 0.80% | -9.22% | 1.72% | 0.47% | 3.70% |

[^] 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 -0.09% in June 2023.

COMMENTARY

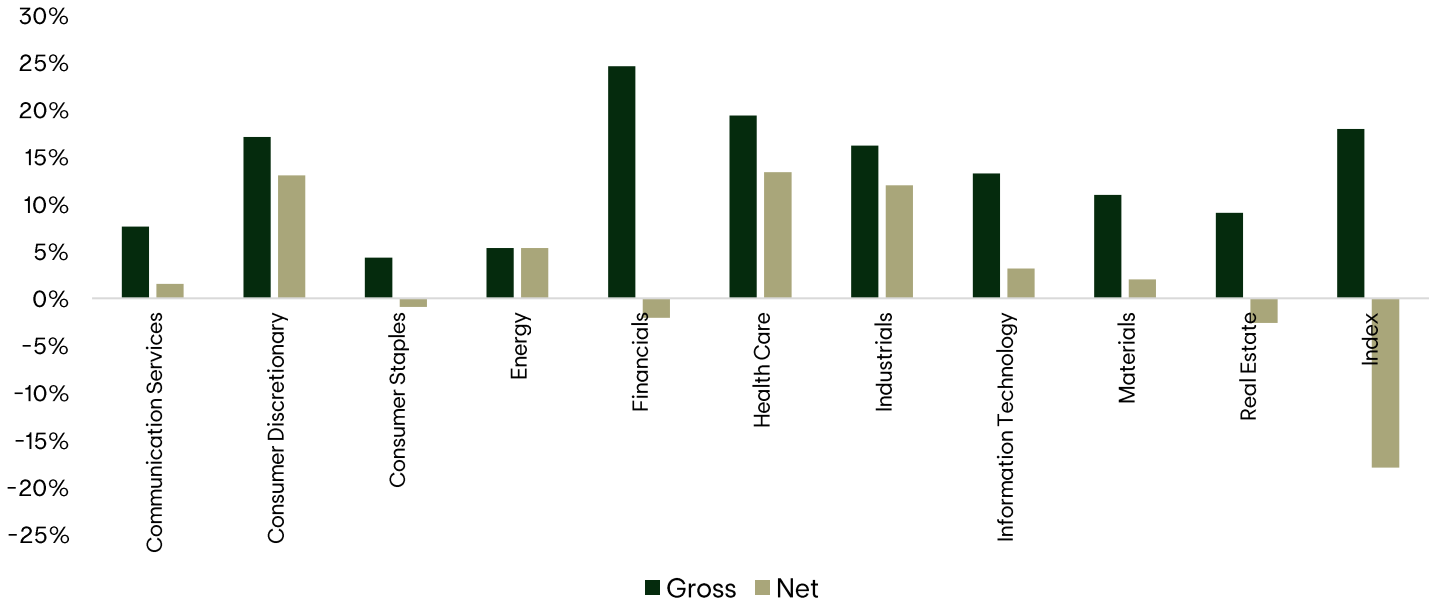
Hot off the heels of changing its name to Macquarie Technology Group (from Macquarie Telecom), MAQ announced a \$160 million capital raising to fund its data centre growth ambitions. This provides the group with balance sheet flexibility on its new data centre IC3 Super West and other potential opportunities. As a consequence of the capital raising, it has significantly increased liquidity and free float of MAQ shares. We expect MAQ to be eligible for index inclusions at the upcoming rebalances. Post the raise, the stock re-rated on the back of improved liquidity and expectations around deploying this growth capital. MAQ also reiterated its expectations for FY23 earnings. We think the stock is coming into a catalyst rich period as its new data centre development application is approved and hyperscaler demand remains robust.

Goria Limited (QOR) formally, Family Zone had a strong month finishing up 40% on the back of two good announcements. QOR in our view is one of the only global providers of digital safety and student wellbeing solutions. Its services look after over 13m students; 5m parents and 24k schools globally. The QOR share price was supported with its trading update which showed that its ARR was at +\$95m before entering its seasonal strong quarter and its fixed costs remained stable producing gross margins of +80%. The group also outlined a roadmap which helped demonstrate to the market its pathway to EBITDA profitability and 20% EBITDA margins over the next 24 months. QOR also announced a new debt facility which should help clean up the group's capital structure and remove the doubt of a further capital raise. We don't have too many stocks in the portfolio which are loss making, however, when we see a business that has the ability to take market share globally and a line of sight to cashflow breakeven we are happy to invest.

We only recently wrote about Fleetwood (FWD) but once again it contributed strongly to this month's performance with the stock rallying 26% on the back of an additional contract with RIO which can generate a further \$100-120m in revenue over a number of years. 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\$30m+ of EBIT which is more than the entire business is generating currently. We believe further contracts on top of its already announced contracts should see a continued re-rating to the FWD share price.

PORTFOLIO CHARACTERISTICS

Sector Exposure

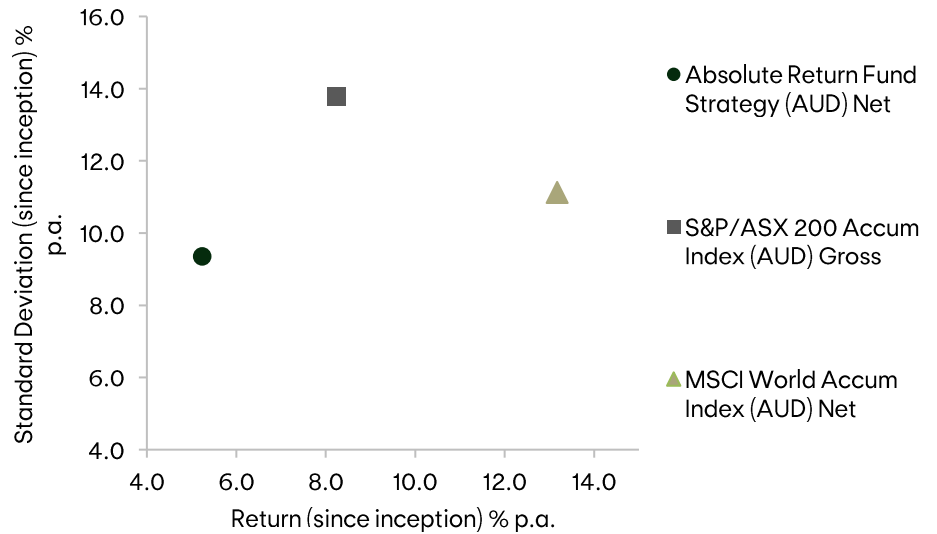


Source: Ellerston Capital.

Top 10 Holdings (Alphabetical, Long Only)

- Capitol Health Limited
- EQT Holdings Ltd.
- Estia Health Ltd.
- Fleetwood Limited
- Generation Development Group
- Helloworld Travel Ltd
- IPH Ltd.
- Kelsian Group Limited
- Regis Healthcare Ltd.
- Servcorp Limited

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 the 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 the 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 the 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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