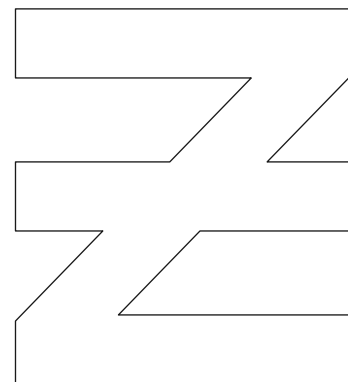


Ellerston Australian Emerging Leaders Fund



Monthly Newsletter, June 2023

Investment Objective

To provide investors with long term capital growth by investing in a portfolio of quality Australian & New Zealand companies. The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

Investment Strategy

The Fund employs an active, research-driven investment approach which seeks to identify a portfolio of smaller company Securities with the aim of delivering superior returns to the Benchmark over time. The Fund will invest in companies that are believed to have the potential to deliver significant upside over the medium term and where there is a reasonable margin of safety to mitigate the downside risk. Positions are actively managed within the Fund.

Key Information

Strategy Inception^^	13-Aug-21
Portfolio Manager	David Keelan & Alexandra Clarke
Application Price	\$0.7593
Net Asset Value	\$0.7574
Redemption Price	\$0.7555
Liquidity	Daily
No Stocks	41
Management Fee	1.10% p.a.
Performance Fee**	20.00%
Buy/Sell Spread	0.25% on application 0.25% on redemption
Minimum Investment	\$10,000
Minimum Additional Investment	\$5,000
Distribution Frequency	Half Yearly (i.e. June & December)

** Of the investment return above the benchmark, after recovering any underperformance in past periods

Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)^^
Net^	3.24%	0.85%	-0.22%	1.99%	-13.49%
Benchmark*	0.03%	-0.54%	1.32%	8.45%	-8.74%
Alpha	3.22%	1.39%	-1.55%	-6.45%	-4.76%

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

COMMENTARY

The Ellerston Australian Emerging Leaders Fund delivered 3.24%, outperforming the Small Ordinaries Accumulation Index which finished flat at 0.03%. This was the second month in a row where large caps outperformed small caps. In June we saw the RBA hike rates by 25bp, May monthly CPI beat expectations, both of which contributed to further consumer weakness. We saw a number of consumer discretionary names continue to drift on the back of negative sentiment and consensus estimate downgrades. M&A activity remained elevated with PointsBet receiving multiple bids for its US business, while Perenti bid for DDH1.

Sigma (SIG AU) was a strong performer, gaining 29% in June. It was announced in early June that Sigma was awarded the supply of FMCG and PBS products for Chemist Warehouse. The contract is expected to be worth \$3 billion, compared to its previous FMCG Chemist Warehouse contract of \$1.1 billion. This is a game-changer for Sigma and allows it to leverage its current distribution footprint and underutilised capacity. As part of the deal, Sigma issued shares to Chemist Warehouse, totalling ~10.7% of its register post issuance and shows strong alignment on a go-forward basis. Sigma continues to be a core position for the Fund.

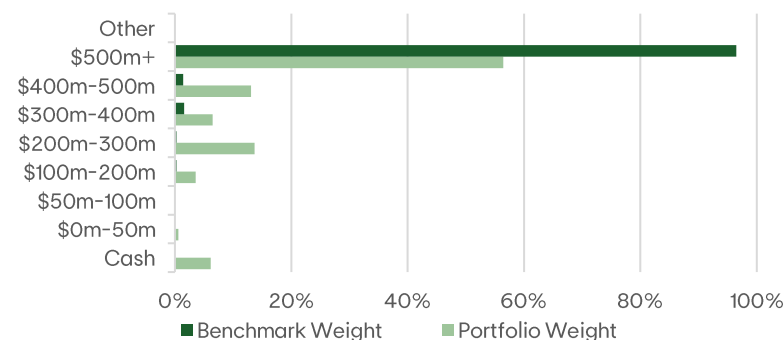
Hot off the heels of changing its name to Macquarie Technology Group (from Macquarie Telecom), MAQ announced a \$160 million capital raising to fund its data centre growth ambitions. This provides the group with balance sheet flexibility on its new data centre IC3 Super West, and other potential opportunities. 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.

June was a busy month for the team as we hit the pavement and assessed our positions before the companies go into blackout ahead of the fiscal 2023 reporting season. We think many companies will update the market in July before officially reporting in August given cost pressures building throughout the halves which we don't think is adequately reflected in consensus earnings. Accordingly, we have minimal exposure to consumer discretionary and have tried to focus on higher quality companies which have pricing power, defensive earnings, and solid balance sheets.

We continue to stress test each of our assumptions and remain vigilant in up weighting the quality of our portfolio and looking for opportunities that present a three-to-one risk reward. As we are all aware, share price volatility does create opportunities and we are well-positioned to take advantage of these opportunities.

PORTFOLIO CHARACTERISTICS

Market Capitalisation



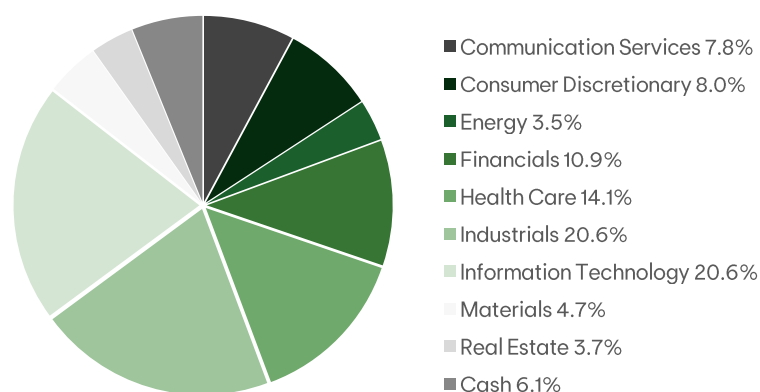
Source: Ellerston Capital.

Key Portfolio Metrics

FY24e	Fund	Benchmark
Price/Earnings	15.79x	18.94x
Dividend Yield	2.05%	3.15%
Net Debt/EBITDA	0.21x	1.17x

Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Contact Us

Sydney

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

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