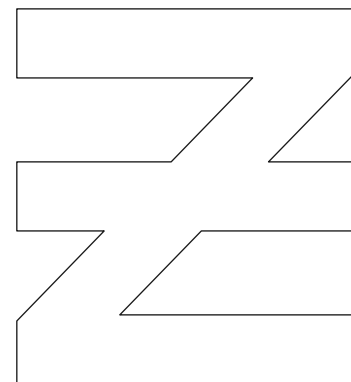


Ellerston 2050 Fund



Performance Report, June 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^^	30/05/2022
Portfolio Manager(s)	David Keelan & Alexandra Clarke
Application Price	\$0.9731
Net Asset Value	\$0.9694
Redemption Price	\$0.9657
No Stocks	39
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^	5.07%	4.71%	4.24%	2.95%	-2.63%
Benchmark*	0.50%	2.35%	3.73%	9.47%	-1.93%
Alpha	4.57%	2.36%	0.51%	-6.52%	-0.70%

^ 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 delivered 5.07%, outperforming the Small Ordinaries Industrials Accumulation Index which was up 0.50% for the month. This was the second month in a row where large caps outperformed small caps. In June we saw the RBA hike rates by 25bp and 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.

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. The stock fits in the portfolio because it helps customers shift from on-premise network infrastructure to cloud-based, allows employees to work from home, and allows employers to reduce physical office footprints.

Goria Limited (QOR AU), formally Family Zone, had a strong month finishing up 40% on the back of two positive announcements. QOR is one of the only global providers of digital safety and student well-being solutions. Its services look after over 13m students; 5m parents and 24k schools globally. QOR's share price was supported by its trading update which reported that its ARR was at +\$95m before entering its seasonal strong quarter while its fixed costs remained stable, producing gross margins of +80%. The group also outlined the 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 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. The company fits in the 2050 portfolio because it enables online education and remote learning, helping to reduce travel related emissions.

We only recently wrote about Fleetwood (FWD AU), 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 that as more projects are launched around the Karratha region, that this asset can once again start printing ~\$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. We believe FWD is a good exposure for the 2050 fund because its modular housing manufacturing requires substantially less energy than traditional construction techniques, while also reducing wastage and transportation costs.

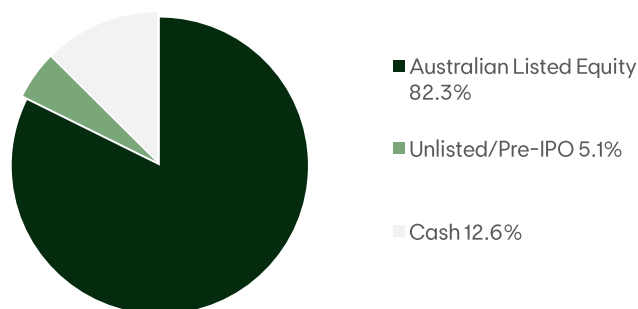
June was a busy month for the team as we hit the pavement and assessed our positions before the companies go into blackout ahead of the fiscal 2023 reporting season. We think many companies will update the market in July before officially reporting in August given cost pressures building throughout the 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 upweighting 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.

Holdings Summary

Company	Portfolio Weight
Kelsian Group Limited	4.67%
RPMGlobal Holdings Ltd	4.61%
IPD Group Ltd	4.57%
Close the Loop Ltd.	4.30%
Macquarie Technology Group Limited	4.14%
Other Capital Deployed^	65.15%
Cash	12.56%
Total	100.00%

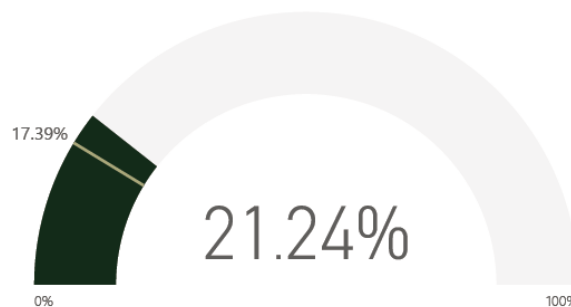
Source: Ellerston Capital. ^Other Capital Deployed includes an additional 34 holdings.

Portfolio Breakdown

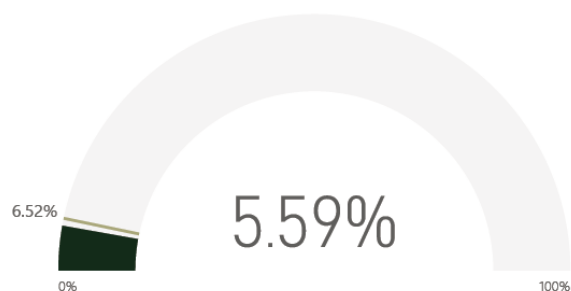


Source: Ellerston Capital.

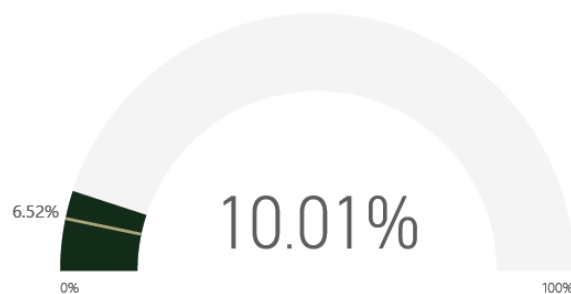
Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2*



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

*Source: Company Data. 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.

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Find out more

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

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