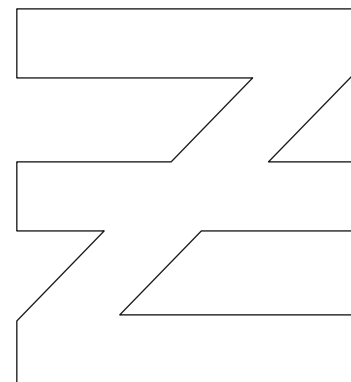


Ellerston 2050 Fund



Performance Report, July 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	\$0.9814
Net Asset Value	\$0.9777
Redemption Price	\$0.9740
No Stocks	37
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 [^]	0.86%	4.54%	3.95%	-2.67%	-1.79%
Benchmark [*]	4.80%	3.52%	2.25%	2.64%	1.95%
Alpha	-3.95%	1.02%	1.69%	-5.30%	-3.74%

[^] 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 0.86%, underperforming S&P/ASX Small Ordinaries Industrials Accumulation Index which was up 4.80%. During the month, the RBA paused interest rates and announced the replacement of RBA Governor Phillip Lowe with Michelle Bullock. Bond yields rose slightly as the market changed its expectations that rates may remain at peak levels for longer. Looking more specifically at stock news, M&A remained elevated with Costa (CGC AU) best known for avocados and berries receiving a non-binding bid at \$3.50 per share while UMG Group (UMG AU) entered a scheme implementation deed at \$5.00 per share. We have also seen capital raises pick up at the smaller end of the market as companies look to bolt on growth to their current base.

In July the market digested a lot of stock specific news flow with quarterlies in full swing and companies pre releasing their full year results. This saw many of the travel names upgrade guidance or provide positive trading updates - Flight Centre (FLT AU) up 23%; Corporate Travel (CTD AU) up 17% and SiteMinder (SDR AU) up 44%. While retailers like KMD Group (KMD AU) and Michael Hill (MHJ AU) cited softer trading is continuing. Resources updates were a mixed bag with the lithium names struggling.

RPM Global (RUL AU) was a strong performer, increasing by 10%. This was on the back of the company providing an update on its FY23 software sales and guidance. RUL reported that it now has A\$126m in pre-contracted, recurring, non-cancellable software revenue which was up 32% on the prior year. Total Annual Recurring Revenue now stands at A\$55m. FY23 operating EBITDA, before once-off management incentives, is now expected to finish at A\$15m, which compared to the company's guidance to A\$13.8m. We continue to see RUL as a high-quality play given its blue-chip customer base, is profitable and is currently undertaking a share buyback. RUL remains a high conviction position for the fund. It fits within the 2050 fund due to its ESG advisory services and software which helps companies reduce their carbon emissions.

SmartGroup (SIQ AU) was a standout performer during the month, increasing by 14%. While there was no company specific news during the period, one of its listed rivals FleetPartners provided a solid 3rd quarter trading update. FPR reported Electric Vehicles at 36% of novated leases delivered in the 3rd quarter which increased to 45% in the month of June. FPR also highlighted the average EV price is 30% higher than the average internal combustion vehicle. These metrics are a positive read for SIQ, which is one of the largest players in the novated leasing space, and is benefiting from the regulatory tailwind, which provides material tax benefits for purchases of electric vehicles. This should continue to payout for at least the next few years, shifting consumers towards the novated channel, while the company also benefits from the higher yield, and operating leverage. The company fits within the 2050 portfolio because it's the government is providing tax relief for customers purchasing EVs via it's novated leasing business, which will incentives consumers to switch from combustion engines.

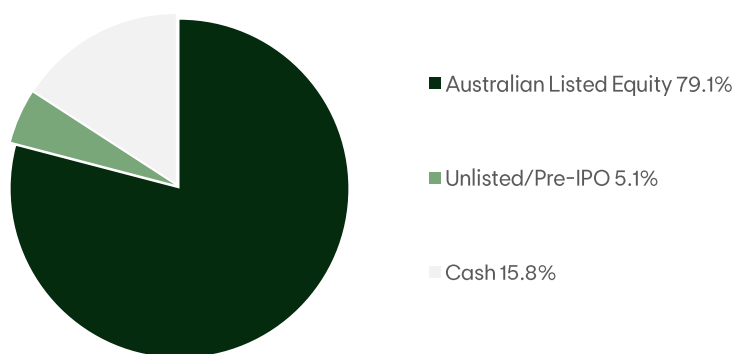
Moving into August, we continue to assess our positions as we head into reporting season, and we have tried to focus the portfolio on higher quality companies which have pricing power, solid balance sheets and ability to grow outside the economy. We continue to stress test each of our assumptions and remain vigilant in upweighting the quality of our portfolio and looking for opportunities that present a three to one risk reward. We think the markets focus will be around inflation and rapid interest rate hikes. As such those companies that can demonstrate EPS growth and provide positive qualitative and quantitative guidance should be rewarded.

Holdings Summary

Company	Portfolio Weight
RPMGlobal Holdings Ltd	5.05%
IPD Group Ltd	4.37%
Smartgroup Corporation Ltd	4.32%
Close the Loop Ltd.	4.13%
Index Ltd	4.13%
Other Capital Deployed^	62.18%
Cash	15.83%
Total	100.00%

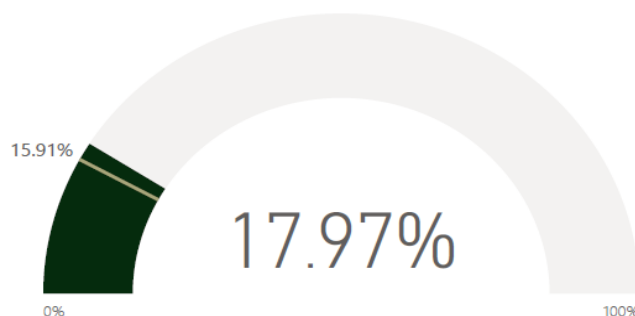
Source: Ellerston Capital. ^Other Capital Deployed includes an additional 32 holdings.

Portfolio Breakdown

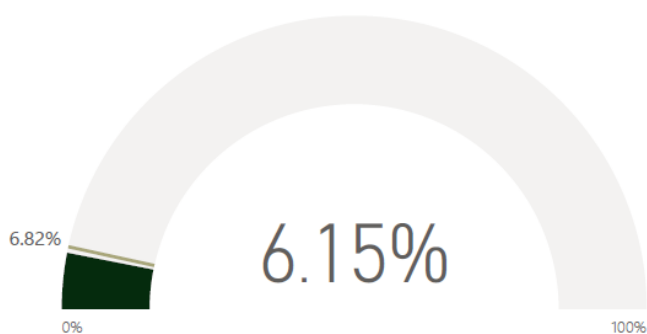


Source: Ellerston Capital.

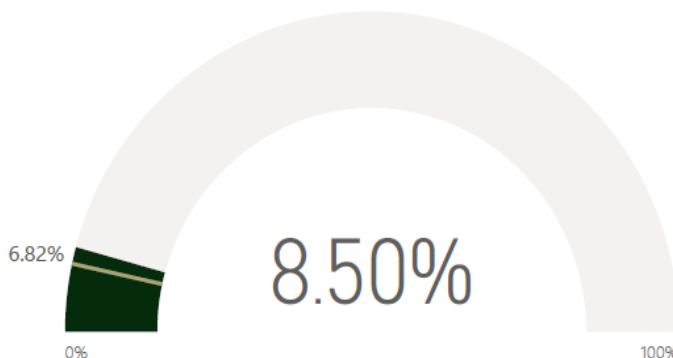
Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2*



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.

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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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