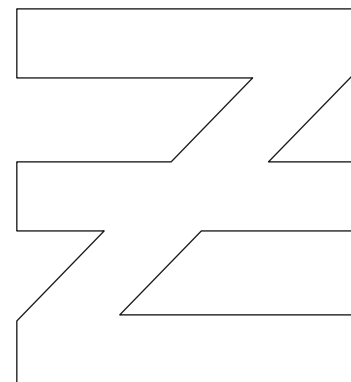


# Ellerston 2050 Fund



Performance Report, August 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 <sup>^^</sup>	30/05/2022
Portfolio Manager(s)	David Keelan & Alexandra Clarke
Application Price	\$0.9733
Net Asset Value	\$0.9696
Redemption Price	\$0.9659
No Stocks	39
Management Fee	1.50% p.a.
Performance Fee <sup>**</sup>	20%
Distribution Frequency	Half Yearly (i.e., June & December)

<sup>\*\*</sup> 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.) <sup>^^</sup>
Net <sup>^</sup>	-0.83%	5.09%	4.96%	-2.95%	-2.29%
Benchmark*	-1.47%	3.78%	2.50%	2.19%	0.70%
Alpha	0.64%	1.31%	2.46%	-5.14%	-2.99%

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

## Market Commentary

The Ellerston 2050 Fund delivered -0.83% outperforming the S&P/ASX Small Ordinaries Industrials Accumulation Index which was down -1.47%. We do note that it was a volatile month with the market swing around before recovering as the market waited for Fed Chair Powell to comment at the annual Jackson Hole summit and digested concerns around the Chinese economy.

Closer to home, August is reporting season and to a large extent it played out as we had anticipated, with inflationary costs impacting margins and higher interest and lease costs dragging on EPS. Overall, cyclicals and consumer facing companies outperformed expectations, while large caps and defensives had a more challenging August. As anticipated not many companies provided guidance but those that did were generally rewarded. While reporting season can see volatility in share prices, we find it also creates numerous opportunities and allows us to reset our expectations with new information at hand setting us up for the 2Q of the financial year.

One stock that did well in August is The Environmental Group (EGL AU) which offers a range of diversified services, primarily within the environmental and industrial services sectors. During the month, EGL's share price rose 28.6%. Announced during the month was a contract win within its Baltec IES division to the amount of \$12m. This takes its secured work on hand for the FY24 year within the segment to well past its \$20.1m revenue for FY23. Management also provided a strong outlook for the business with guidance of 30% EBITDA growth for FY24. We see a solid revenue base with established work in hand, with the potential for some decent contract wins in the pipeline. We continue to hold EGL as a core position in our 2050 portfolio.

Close the Loop Group (CLG AU) is a provider of a range of services within its circular economy model and while the share price didn't outperform in August, we believe it is only a matter of time. CLG are specialists in the repurposing of waste material which would typically be challenging for others to do so safely, creating high barriers to entry for such a service. With over 260,000 collection points globally, the collection of these recyclable goods continues to scale significantly. From this, they are able to break down and separate these products with patented processes such that the raw materials are either able to be recycled, sold off and reused, or utilised to create products unique to CLG, such as its road additive TonerPlas that is able to significantly extend the useful life of the road base. In March 2023, CLG acquired ISP Tek, a US based refurbisher of electronics on behalf of some of the largest OEMs in that geography. On top of being hugely accretive, the acquisition represented an enormous opportunity for synergies as the two companies can leverage its OEM relationships to secure additional work, noting significant capacity to expand within the existing ISP business as it stands.

The combined business looks primed to win work with adjacent products within its existing customer base, expand that customer base as well as leverage those relationships into new geographies, and we see opportunities for synergies well beyond the levels currently priced in by the market. FY23 results demonstrated its ability to scale the business organically and through acquisition, as it beat the EBITDA guidance of \$22m by 10% and came in well ahead of consensus revenue forecasts. The guidance given for FY24 of \$200m revenue and \$43m EBITDA, noting that all synergistic opportunities are excluded from these figures, imply 50% revenue CAGR over the past 2 years, and we see significant upside to this on top. We continue to hold CLG as a core position in our 2050 fund and anticipate upgrades to come throughout the course of FY24.

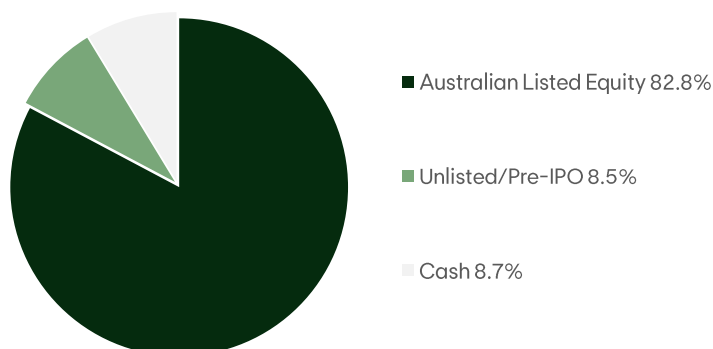
Moving forward, we think many of the cost headwinds we have been talking about for the last 24 months may have peaked and should start to stabilise /moderate. We are pleased earnings expectations have come down to more achievable levels with higher interest and depreciation costs now factored into EPS forecasts. We will continue to stress test our positions and sift through these opportunities, particularly where we can see evidence of pricing power, resilient demand, and healthy balance sheets.

## Holdings Summary

Company	Portfolio Weight
RPM Global Holdings	5.97%
Hansen Technologies	4.76%
IPD Group	4.37%
Smartgroup Corporation	4.14%
Macquarie Technology Group	4.08%
Other Capital Deployed <sup>^</sup>	67.98%
Cash	8.70%
Total	100.00%

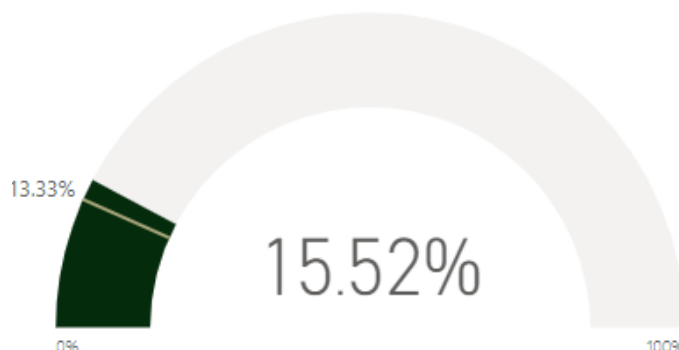
Source: Ellerston Capital. <sup>^</sup>Other Capital Deployed includes an additional 32 holdings.

## Portfolio Breakdown

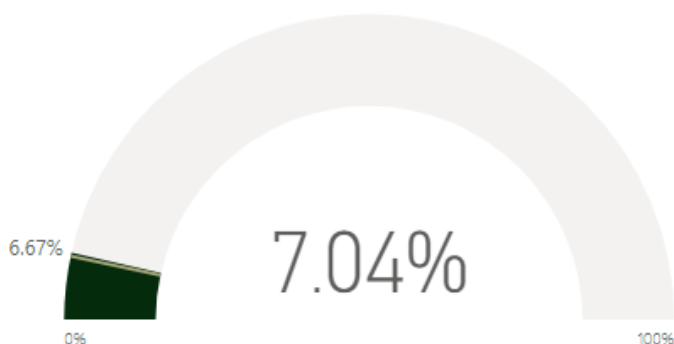


Source: Ellerston Capital.

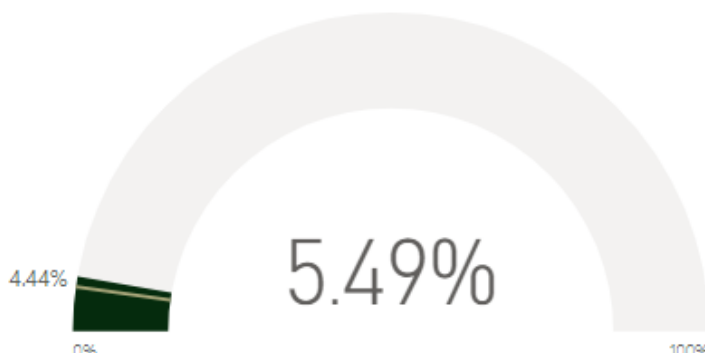
### Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2\*



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



### Value of Portfolio Reporting vs. Number of Companies Reporting According to TCFD<sup>^</sup>\*



Source: <sup>^</sup>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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## Contact Us

Level 11, 179 Elizabeth Street,  
Sydney, NSW 2000  
+612 90217701  
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](mailto:ellerstonfunds@automicgroup.com.au)**

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