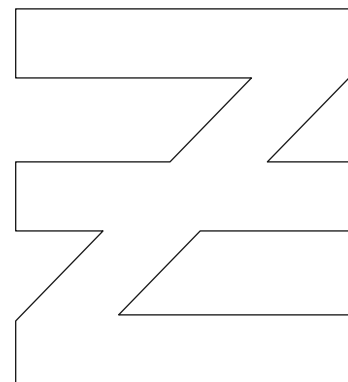


# Ellerston Global Equity Managers Fund (GEMS) Class C



## Monthly Newsletter, September 2023

### Investment Objective

To generate superior returns for unitholders with a focus on risk and capital preservation.

### Investment Strategy

The Fund provides investors with exposure to global markets through a long short equity strategy. The strategy overlays fundamental bottom-up stock selection with global macroeconomic and market outlook.

### Key Information

Inception Date ^^	1 December 2009
Portfolio Manager	Ashok Jacob
Application Price	\$1.5082
NAV Price	\$1.5044
Redemption Price	\$1.5006
Current Total NAV	\$102,313,635
Gross Exposure	95.98%
Net Exposure	46.81%
Unit Pricing	Monthly
Management Fee	1.50%
Performance Fee	16.50%
Buy/Sell Spread	0.25% on application 0.25% on redemption

### PERFORMANCE SUMMARY

Performance (Net)*	1 Year	2 Years (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)^^
GEMSC	1.2%	-9.2%	6.5%	7.2%	10.8%	10.2%

Source: Ellerston Capital.

\* The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.

### PERFORMANCE

For the 3 Year period from September 30, 2020 to September 30, 2023, the compound annual returns for the Australian S&P/ASX 200 Total Return Index was +11.0%, the US S&P 500 Index was +10.2%, the Russell 2000 Index was +7.2% and MSCI World (Local) Index was +9.5%.

**Your Fund returned +6.5% p.a. (after fees).**

For the Month of September 2023, the Australian S&P/ASX 200 Index was -2.8%, the US S&P 500 Index was -4.8%, the Russell 2000 Index was -5.9% and the MSCI World (Local) Index was -3.7%.

**Your Fund returned +0.5% (after fees).**

### PORTFOLIO COMMENTARY

Global stock markets were weak during September, driven by the sell-off in global bond markets. With major equity markets generally down between 2% and 5%, the fund was able to generate a positive return despite being net long throughout the period. Overall, we remain relatively cautious in our outlook for the market as higher bond yields negatively impact valuations. This is leading us to maintain our net exposure between 30% and 50% currently. However, we expect the market can move quite quickly between bearishness and bullishness and we expect to trade around our positioning as the market reaches extreme levels each way.

The main drivers of positive return for the month were our Uranium stocks, including Cameco, Yellow Cake and the Sprott Physical Uranium Trust. In the US, Calumet Specialty and CF Industries both rose despite the broader market falls. In Australia, long-term holding Generation Development and Emerald Resources delivered positive returns as well as our short positions locally. Broader index risk mitigation strategies were positive contributors. On the downside, Light & Wonder gave up most of the previous month gains and this reflects general weakness across the gaming stock sector. Strandline Resources struggled post the recent capital raising and Amazon fell with the market weakness.

## **Australia**

A market we know very well and where we have had a very low exposure for the last couple of years, as post the recovery from the Covid shock the market has traded sideways. Because of this we were finding better opportunities offshore, particularly in the US. However, the relentless grind down in many sectors of the market is seeing us find new opportunities. The smaller end of the mining sector in particular stands out as an area that has been particularly crushed this year as well as financial stocks. We are in our infancy in building positions here as many are still 'falling knives' and being down 20% in one or two weeks is not unusual. The area of critical minerals looks particularly interesting to us due to the significant increase in demand forecast over the next 10 years. Companies that look interesting to us in this space include Meteoric Resources (Rare Earths), Syrah Resources (Graphite) and Pilbara Minerals (Lithium). At the same time, a number of shorting opportunities are present (mainly in the small cap industrial space) to cover our risk as we enter these medium-term investments. Most of these have all added value to the portfolio over the quarter.

## **Asia**

Hong Kong/China is back towards its low in PE and P/Book where it has typically stabilized, and recovered, over the last 10 years. Everyone hates China stocks. Probably not everyone, but it is a pretty universal call. Again, with some caution, we are entering this market where we have had little exposure over the last few years. Consumer related stocks are a broader opportunity, along with SOE's. These are typically stock specific ideas rather than a specific theme. Here we have slowly been building positions in Alibaba and Trip.com.

## **US**

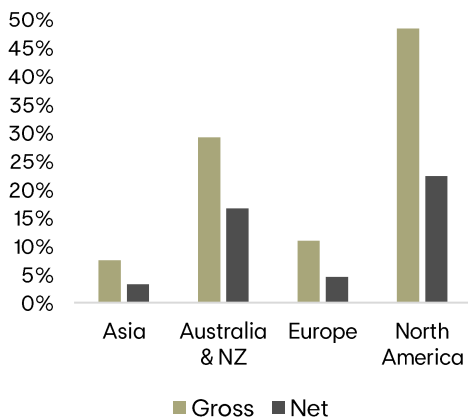
The earnings upgrade momentum remains positive in a number of the Nasdaq stocks, and we retain larger positions in Microsoft, Amazon and Meta. However, most of our positions are in the Small/Mid cap market style stocks where we have typically generated very good returns. Our top positions in this space include Light & Wonder (Gaming), Booking Holding (Online Travel Agent) and Calumet (Speciality Petroleum Products) in these holdings. We continue to expect to retain a reasonably large weighting to North America in the portfolio.

## **Uranium**

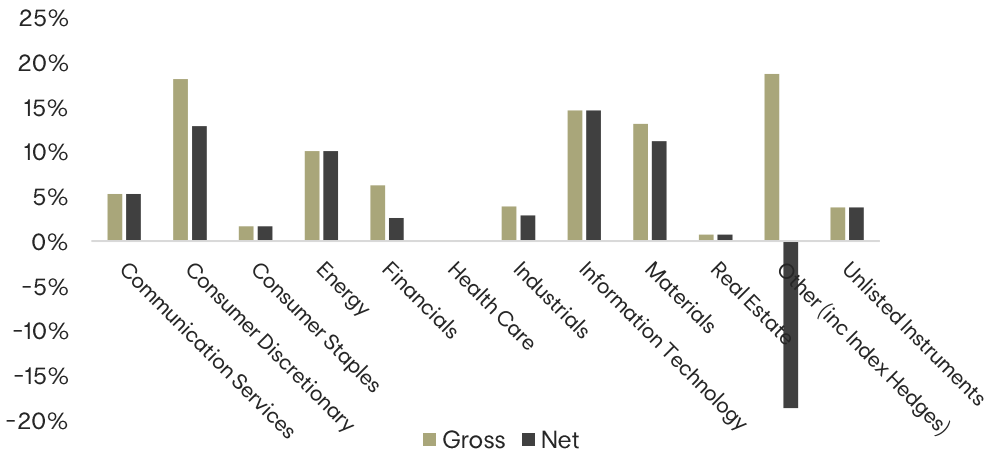
Uranium has built to a large weighting in the fund at the end of September and was a solid contributor to performance over the last quarter. We have discussed previously the rationale for our larger investment in this space and the story is now starting to gain a lot more airtime. It is your typical resource story of years of under development and eventually demand is starting to exceed supply. That combined with the existential threat of climate change, and the attraction of nuclear as a fuel source is gaining western attraction as a zero emissions technology. The separation of the west from Russia is another overlaid theme around supply.

## PORTFOLIO CHARACTERISTICS

### Region Exposure



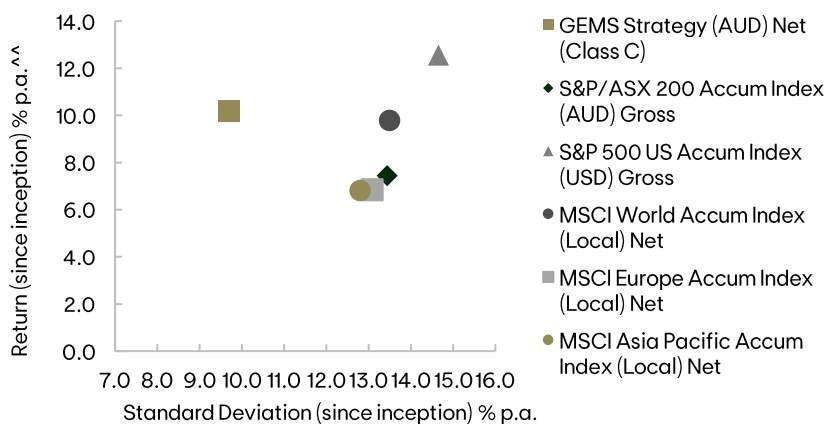
### Sector Exposure



Source: Ellerston Capital.

Source: Ellerston Capital.

### GEMS Strategy Performance & Volatility^^



Source: Ellerston Capital.

Past performance is not a reliable indication of future performance.

^^Inception Date 1 December 2009.

### Top 10 Holdings (Alphabetical, Long Only)

- ALIBABA GROUP HOLDING LTD
- AMAZON.COM INC
- BOOKING HOLDINGS INC
- CALUMET SPECIALTY PRODUCTS PARTNERS
- INTERNATIONAL GAME TECHNOLOGY
- LIGHT AND WONDER INC
- META PLATFORMS INC
- MICROSOFT CORP
- NEXGEN ENERGY LTD
- SANTOS LTD

Source: Ellerston Capital.

### Regulatory Guide (RG240) Fund Disclosure Benchmark – Periodic Reporting (monthly)

- **Net Asset Value of the Fund and Redemption Price of Units**

Please refer to details on P1.

- **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 details on P1.

- **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 details on P1; there have been no changes to the primary investment personnel responsible for managing the Fund.

---

#### Contact Us

Sydney  
Level 11, 179 Elizabeth Street,  
Sydney, NSW 2000  
+612 9021 7701  
[info@ellerstoncapital.com](mailto: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](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com)

All holdings enquiries should be directed to our register, Automic Group on 1300 101 595 or [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au).

---

<sup>^</sup> Actual performance for your account may vary from that set out in this newsletter and will vary for investments made in different classes, or at different times throughout the year. Some performance data is estimated and preliminary and subject to change.

<sup>#</sup> The standard deviation is often used by investors to measure the risk of an asset. The standard deviation is a measure of volatility: the more an asset's returns vary from the average return, the more volatile the asset. A higher standard deviation means a greater potential for deviation of return from the average return of the asset. The returns and risk of the Fund and the relevant Indices are net of taxes, fees and expenses and assuming distributions are reinvested. The performance figures presented are for the Ellerston Global Equity Managers Fund GEMS C Units. The one month return figure may be an estimate and not the final return. This estimate also impacts other performance information provided. Estimated performance figures are preliminary and subject to change. Returns for other classes may differ slightly. Past performance is not indicative of future performance. This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as the responsible entity of the Ellerston Global Equity Managers Fund ARSN 118 887 095 without taking account the objectives, financial situation or needs of individuals. Before making an investment decision about the Fund persons should read the Fund's Product Disclosure Statement and Target Market Determination (TMD) which can be obtained from the Manager's website [www.ellerstoncapital.com](http://www.ellerstoncapital.com) or by contacting [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) and obtain advice from an appropriate financial adviser. Units in the Fund are issued by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000. This information is current as at the date on the first page. This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance.