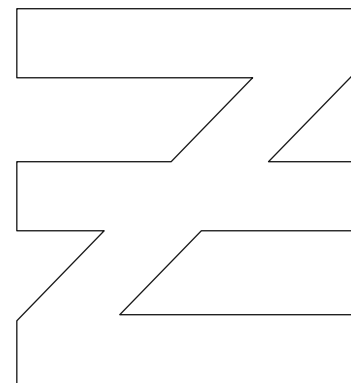


# Ellerston 2050 Fund

Performance Report, October 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	\$0.9082
Net Asset Value	\$0.9048
Redemption Price	\$0.9014
No. of Stocks	40
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>	-4.68%	-7.45%	-3.25%	-6.12%	-6.45%
Benchmark <sup>*</sup>	-7.04%	-13.02%	-9.96%	-6.14%	-7.40%
Alpha	2.36%	5.57%	6.71%	0.02%	0.95%

<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 outperformed the S&P/ASX Small Ordinaries Industrials Accumulation Index by 2.36%, with the market finishing down 7.04%. The selloff was broad based with almost all sectors finishing in the red. Financials and Healthcare fared the worst, down over 10%, whereas Consumer Staples and Materials were the only sectors to finish slightly positive. Once again, the market selloff was driven by macro factors, most noteworthy being the ongoing inflationary concerns and the potential for further rate hikes, along with escalating geopolitical tension in the Middle East.

IMD (IMD AU) finished up 5.8% for October. During the month, the company hosted their AGM, at which they gave a trading update to the market for 1Q24. This was an incrementally positive update, with some underlying year on year comparative figures looking weak, but performing better than the market had anticipated. Inclusive of their Devico acquisition, revenue for the quarter came in at \$126.1m which was up 19% on 1Q23, or up 2% excluding the Devico acquisition. While average sensor numbers on hire was down 9% on the PCP, ARPU had grown 4% on the back of their survey stack upgrade cycle. It should also be noted that sensor numbers on hire was up 8% QoQ, which provides evidence of a turnaround. The business also continues to be driven towards a higher SaaS mix, now comprising nearly two-thirds of total revenues. We continue to hold IMD as a core position and think it remains attractively priced. IMD drive miners into a lower emissions environment as they improve efficiency of drilling and continue to enable movement away from many manual, fuel-intensive processes.

Kelsian Group (KLS AU) is an owner/operator of multi-modal transportation and tourism services. KLS is a strong defensive play in times of economic uncertainty, with 92% of their contracted revenue coming from non-discretionary sources such as long term, government-backed contracts. For the month of October, KLS was up 5.1% as it gave a trading update at their AGM during the period. A significant piece of that update was around the Sydney region bus operations, of which KLS is the largest operator. News of the new contracts within the region being fully staffed, and KPIs being met/exceeded were well received by the market. Additionally, they gave positive news around the integration of AAAHI in the USA as it continues to grow its contract portfolio as well. We continue to hold KLS as a core position in our fund and like the strength of the tender pipeline in the international and domestic markets. As of 30 June 2023, KLS operates 73 Battery Electric Buses and 2 hydrogen fuel cell buses, with plans to have a fleet of 379 zero-emissions buses by the end of 2025.

We continue to progress through AGM season and broker conferences, many of which include trading updates, outlook commentary, or guidance. This is a great opportunity for us to explore new names and check in on our existing portfolio companies. The key themes we will be monitoring closely remain the same, most noteworthy being cost inflation and mitigation measures, discretionary spending, and gearing levels.

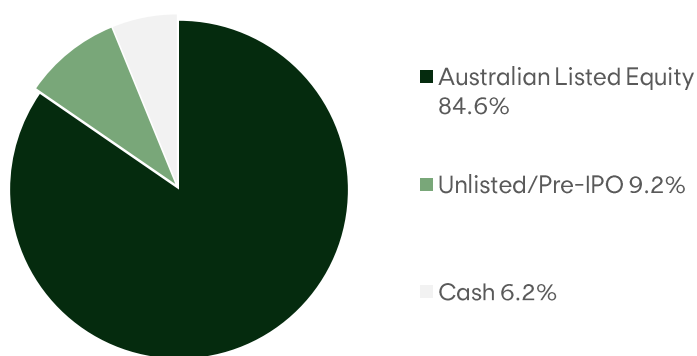
We also take this opportunity to do some travel, meeting with companies, prospects, and unlisted peers ahead of blackout and the holiday period. We stick to our formula, looking for high quality companies with healthy balance sheets and cash flow, pricing power, along with strong and well aligned management teams. We are bottom-up stock pickers and welcome the volatility in our search of companies which offer our targeted risk/reward ratio.

## Holdings Summary

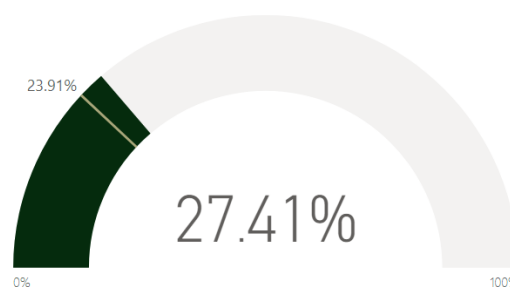
Company	Portfolio Weight
RPMGlobal Holdings Ltd	5.53%
Hansen Technologies Limited	4.82%
Phocas Group Pty Ltd	3.89%
Adrad Holdings Limited	3.86%
Imdex Ltd	3.74%
Other Capital Deployed <sup>^</sup>	71.97%
Cash	6.18%
Total	100.00%

Source: *Ellerston Capital*. <sup>^</sup>Other Capital Deployed includes an additional 35 holdings.

## Portfolio Breakdown

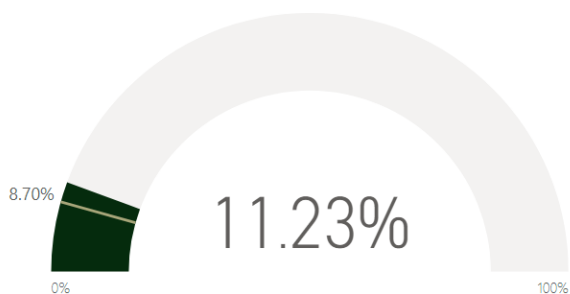


Value of Portfolio Reporting vs. Number of Companies Reporting on Scope 1 and 2\*

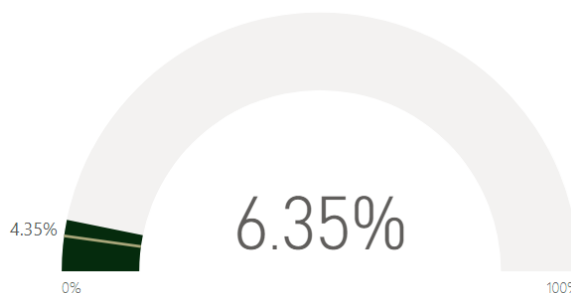


Source: *Ellerston Capital*.

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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## 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 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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