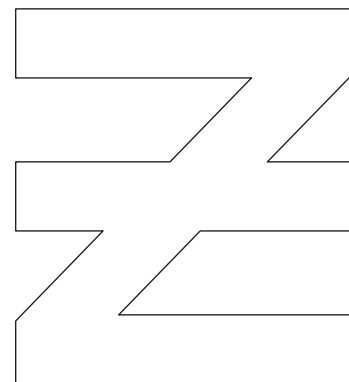


# Ellerston Australian Absolute Return Fund



Monthly Newsletter, January 2024

## Investment Objective

The Fund targets absolute returns with an annualised return objective of 5% above the RBA Cash Rate over rolling five-year periods.

## Investment Strategy

The Fund seeks to provide investors with a return profile that has a low correlation with traditional asset classes. The Fund aims to generate positive returns in all market environments by reducing the majority of market risk and focusing on capital preservation and alpha generation.

## Key Information

Inception Date **	3 June 2013
Portfolio Manager	Ashok Jacob
Application Price	\$1.0482
NAV Price	\$1.0456
Redemption Price	\$1.0430
<b>Current Total NAV</b>	<b>\$7,228,694</b>
Liquidity	Daily
Gross Exposure	105.11%
Net Exposure	30.86%
Management Fee	1.20% p.a.
Performance Fee	20%
Buy/Sell Spread	0.25% on application 0.25% on redemption

## PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception** (p.a.)
<b>Net<sup>^</sup></b>	2.67%	5.24%	1.93%	3.36%	-2.66%	4.22%	4.98%
<b>Benchmark*</b>	0.36%	1.07%	2.10%	3.98%	1.85%	1.39%	1.68%
<b>Alpha</b>	2.31%	4.17%	-0.17%	-0.62%	-4.51%	2.84%	3.30%

<sup>^</sup> Net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance.  
\* RBA Cash Rate

## PERFORMANCE

The Ellerston Absolute Return Fund delivered 2.67% (net) in January 2024.

## COMMENTARY

Propel Funeral Partners (FPF AU) had a solid month with plenty of news flow. The company put out a solid trading update, highlighting almost 20% EBITDA growth in 1H24, tracking well towards the unchanged full year guidance. The company also acquired New Zealand based operator, Southern Funeral Home, consistent with its M&A Strategy. More noteworthy was the company executing a long-awaited capital raise, raising \$90m at a very modest discount. This acquisition was well supported by the market, and the company reduced net leverage to 1.5x down from approximately 3.0x, leaving the company with over \$150m of available funding capacity. With a replenished balance sheet, we think the company is best to consolidate the fragmented funeral operator space. We like the business because it's highly cash generative, with resilient earnings, a healthy pipeline of acquisitions and the potential for ASX 300 inclusion.

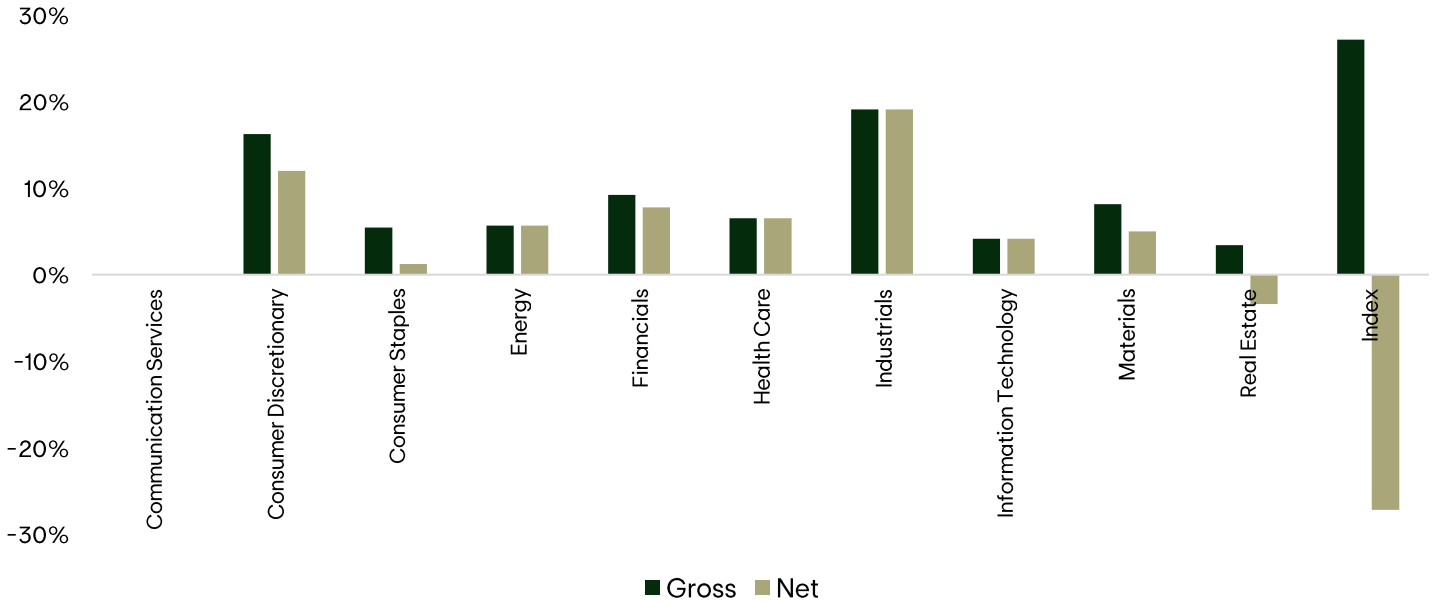
Looking forward to reporting season we think the market is likely to focus on several key factors:

1. **Topline outpacing industry conditions:** We think companies that can demonstrate revenue growth that is higher than expectations are likely to be rewarded particularly in unloved sectors and names.
2. **M&A:** Despite current market conditions, balance sheets are reasonably robust and private equity firms have refilled their war chests and can now price debt. As such we believe M&A activity will remain elevated as companies seek out inorganic growth opportunities.
3. **Earnings outlook commentary/guidance:** While outlook commentary and guidance are always a key focus for the market, we think given the volatility in the market and the nervousness of investors, the companies which provide quantitative outlook will be rewarded.

All reporting seasons are slightly different with what the market wants to focus on and is normally heavily influenced by the prevailing macro conditions at the time. However, as we always do, we will continue to stress-test our positions and our investment 'thesis' and we remain confident of our process and portfolio.

## PORTFOLIO CHARACTERISTICS

### Sector Exposure

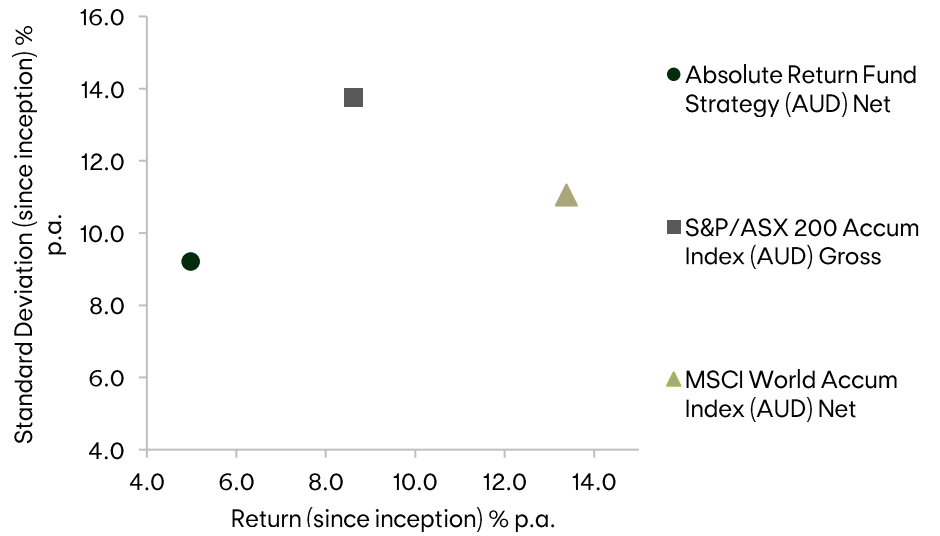


Source: Ellerston Capital.

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

- ALS Ltd.
- BHP Group Ltd
- EQT Holdings Ltd.
- IPH Ltd.
- Kelsian Group Limited
- Propel Funeral Partners Ltd.
- Resmed Inc
- Smartgroup Corporation Ltd
- Step One Clothing Limited
- Strike Energy Limited

### Strategy Performance & Volatility



Source: Ellerston Capital.

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

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

Please refer to the details on page one.

- **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 the details on page one.

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

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### Contact Us

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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** or visit us at **ellerstoncapital.com**

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

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