

# Ellerston Australian Share Fund

Monthly Report as at 31 March 2024

APIR Code: ECL0005AU | ARSN 135 591 534



Concentrated portfolio of 10-25 Australian securities with a minimum market capitalisation of \$300 million and a bias away from the ASX Top 20.



Seeks companies which can sustain high returns or improve their return on capital, and that trade at a market value below the Portfolio Manager's perceived valuation.



Aims to outperform the Benchmark over rolling five-year periods.

## Performance Summary

Net (%)	1 Month	3 Months	FYTD24	3 Years (p.a.)	4 Years	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.) ^^
ASF	3.35%	2.28%	6.16%	10.94%	17.27%	9.03%	7.44%	8.82%
Benchmark*	3.27%	5.33%	13.30%	9.62%	16.00%	9.15%	8.27%	9.84%
Alpha	0.08%	-3.04%	-7.14%	1.32%	1.27%	-0.13%	-0.83%	-1.02%

<sup>^</sup>The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.

<sup>\*</sup>S&P/ASX 200 Accumulation Index. <sup>^^</sup>Inception date is 31 March 2009.

## Key Information

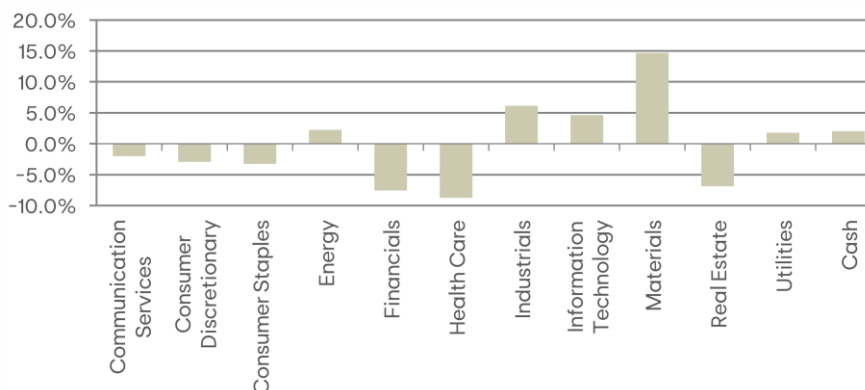
## Top 10 Holdings\*\*

Portfolio Manager	Chris Kourtis
Investment Objective	To outperform the Benchmark over rolling five-year periods.
Benchmark	S&P/ASX 200 Accumulation Index
Liquidity	Daily
Target Number of Holdings	10-25
Number of Holdings at Month End	20
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	0.90% p.a.
Performance Fee <sup>1</sup>	20.00%
Buy/Sell Spread	0.25% / 0.25%

Ampol	Atlas Arteria	BHP Group	Challenger	IGO Limited
Iluka Resources	Insignia Financial	IRESS	Lynas Rare Earths	South32

\*\*In alphabetical order.  
Source: Ellerston Capital.

## Active Sector Exposures\*\*\*



Source: Ellerston Capital.

\*\*\*Active sector exposures are determined by subtracting Fund sector weights from benchmark weights. Positive percentages represent over-weight sector exposures relative to Benchmark and negative percentages represent under-weight sector exposures relative to the Benchmark.

## The Team

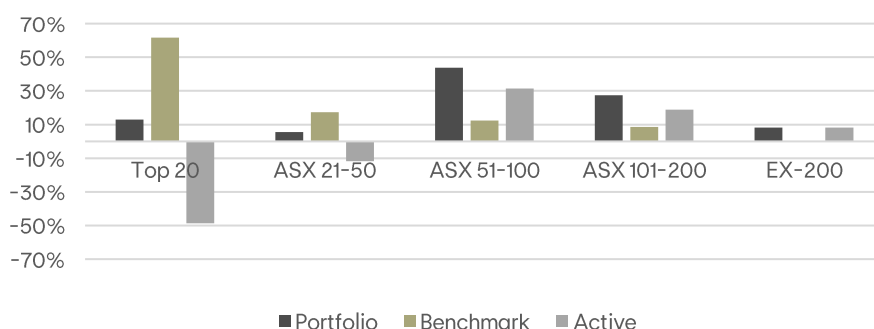


**Chris Kourtis**  
Director & Portfolio Manager  
39 years of industry experience.



**Stephen Giubin**  
Senior Investment Analyst  
36 years of industry experience.

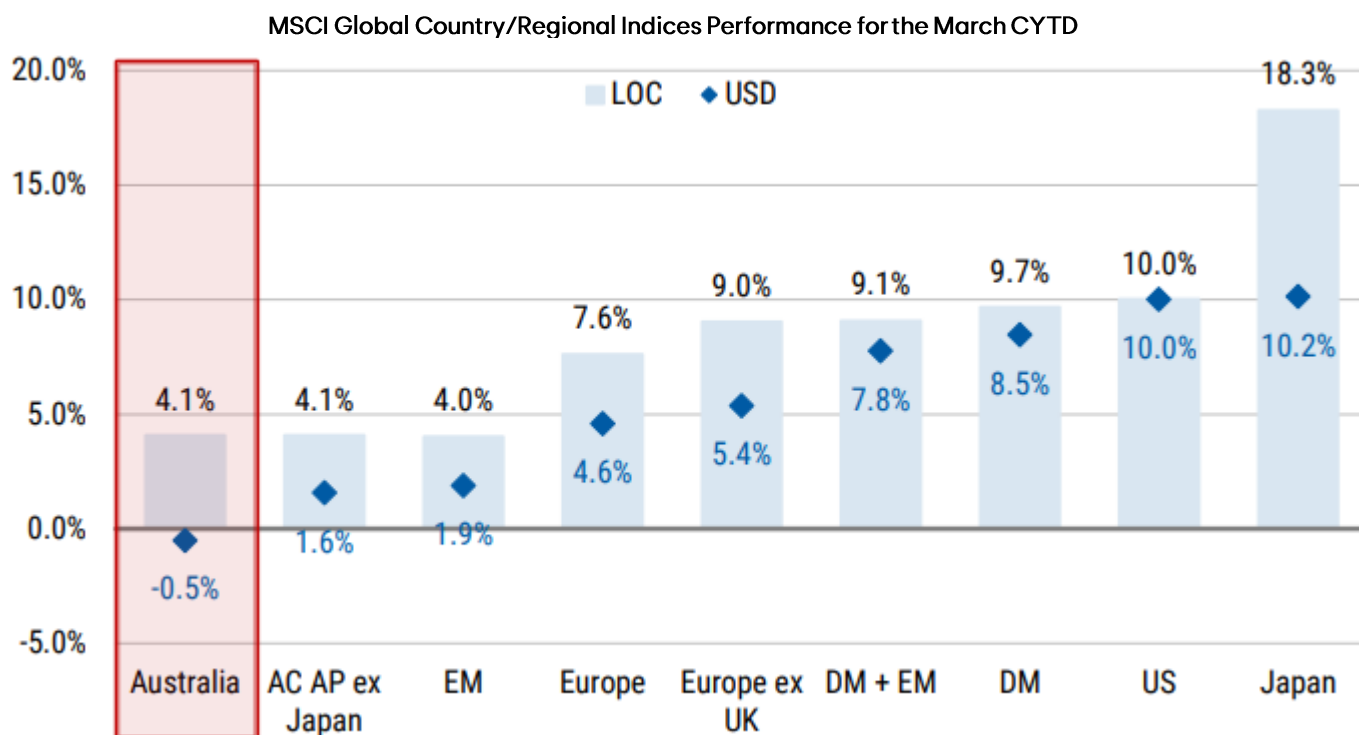
## Size comparison Chart vs ASX 200



Source: Factset, Ellerston Capital

## MARKET OVERVIEW

The strong run in global equity markets continued unabated in the month of March, with the MSCI World Index returning +3.4% in local currency terms and Emerging Markets marginally underperforming, up 2.7%, as the likelihood of a soft-landing increased. The S&P500 rose 3.2%, with the largest tech companies continuing to have an outsized influence on market returns - NVDA and META were the largest, whilst AAPL and Tesla were the biggest detractors. The ASX 200 traded from mid-month lows to extend its streak to five consecutive months of positive prints, returning +3.3% for the month and posting a new high at 7897pts. Globally, Energy and Materials were the two best performing sectors in March and locally, Real Estate (+9.3%) and Energy (+5.3%) outperformed.



Source: Morgan Stanley

### USA

The Federal Reserve met in March, with the accompanying FOMC statement re-enforcing its January message that rates will be on hold until there is greater confidence that inflation was moving sustainably toward 2.0%. Stronger key economic data of higher than expected nonfarm payrolls (yet again), an upwardly revised 4Q GDP print of 3.4% and the US ISM Manufacturing PMI which unexpectedly moved into expansion territory at 50.3 (the highest since September 2022), marked down any chances investors previously had of an imminent rate cut.

The small cap Russell 2000 Index came in first place at 3.6%, followed by the S&P 500 and the Dow Jones Industrial Average which finished up 3.2% and 2.2% respectively, driven by improving earnings and PE multiple expansion. The NASDAQ Composite, which returned +1.8% for the month, proved the laggard.

### Europe

As expected, the ECB left rates on hold at their March meeting. However just like the US Fed, amid a dovish tone, were not quite ready to pull the trigger, albeit that European economic growth has diverged significantly from the US.

The Euro STOXX50 Index finished the month up 4.3%. Among the major exchanges, UK's FTSE was up 4.8%, followed by Germany's DAX which was up 4.6% and France's CAC 40 the laggard, rising 3.6%.

### Asia

The Chinese economy showed a few green shoots of recovery, with corporate profits up 10.2% in the first two months of 2024 compared to a 2.3% decline for all of 2023, demonstrating a stronger footing on the back of rebounding foreign demand and policy stimulus by Beijing. Also, the Manufacturing PMI for March improved by 1.7 to 50.8, recording the first 50+ reading after 5 months of contraction.

During the month Japan's excessive monetary policy finally came to an end as the Bank of Japan exited both negative interest rate policy (NIRP) and yield curve controls (YCC). While this came as no surprise, it was still historic as the increase to +0.1% was the first-rate hike in over 17 years.

Asian markets generally kept pace, with the exception being China's SSE flat (0.0%) and the Hang Seng only up 0.6%. China equities saw a pullback from February's strong performance as US-China tensions escalated due to various congressional actions that would reduce US investment into China. India's SENSEX rose 1.6%, followed by the Nikkei which closed 3.6% higher and Korea's KOSPI was the best performer, up 3.9%, lifted by AI optimism. The tech driven Nikkei, also helped by a weak yen, remained the best CYTD performer across world markets, rising 21.4%.

## Commodities

Iron ore prices continued to slide, falling 12% to US\$103/tonne as a result of inventory build in China and coking coal prices fell sharply by 22% to US\$245 per tonne. The base metals complex improved, with aluminium up 5%, copper up 4% and nickel lagging, down 6%. Crude prices squeezed higher as Brent rose 4% to US\$87/barrel due to Middle East tensions remaining on high alert after Iranian-backed militias in Iraq claimed credit for further attacks on Israel, followed by Israel's retaliatory bombing of an Iranian Embassy building in Syria. Gold made an all-time in March and finished up 9% at US\$2230/oz (equivalent to A\$3420/oz).

Lithium products seem to have hit an inflection point during the month, with lithium carbonate and spodumene rising by 7% and 32%, respectively, as higher demand for spodumene, at much higher prices, signalled that the inventory de-stocking by processors had come to an end.

## Bonds

The US 10-year bond yield edged lower by 5bps last month to 4.25%, despite stronger economic data points, as the likelihood of less rate hikes was taken as a positive for the longer end of the yield curve. The Australian 10-year bond yield was also down in sympathy, falling 17bps to close at 3.97%.

## Australia

On the domestic economic front, not surprisingly, the RBA held the cash rate at 4.35%. However, officials moved to a balanced bias in March, with the economy performing in line with expectations. Uncertainty and data dependency were the key messages from the press conference. The strong February jobs numbers and sticky inflation highlighted that early rate cuts were unlikely and certainly not on the next RBA meeting's agenda, which is scheduled for May 6-7. The A\$ closed the month flat at US\$0.65 despite weaker iron ore and coal prices.

The S&P/ASX 200 Accumulation Index rose for a fifth consecutive month and performed strongly in March, rallying 3.3%. BHP, Goodman Group and 3 of the big 4 retail banks did most of the heavy lifting and from a sector perspective, Real Estate, Energy and Utilities led the charge. The Real Estate sector (up 9.3%) performed best, spurred on by Goodman Group + 13.1% on the AI thematic, followed by Energy +5.3%, driven by Santos +9.5% on higher oil prices and Utilities (Origin Energy +5.6%). The bottom three sectors were Communication Services (-0.6%), dragged down by Seek (-3.8%, as their CFO Kate Koch suddenly resigned), Consumer Discretionary (+0.9%), impacted by the 7.8% fall in Aristocrat Leisure on concerns over market share losses to Light and Wonder and finally Health Care (Cochlear -3.0%).

For the month, the top stocks that made a positive contribution to the Index's return were BHP (+33bps), Goodman Group (+30bps), CBA(+29bps), ANZ Group (+13bps) and NAB (+11bps). Conversely, the bottom five stocks detracting from the Index's performance were Aristocrat Leisure (-10bps), Pilbara Minerals (-5bps), Westpac (-4bps), Cochlear (-3bps) and Transurban (-3bps). The ASX Small Ordinaries closed up 4.8%, ahead of the broader benchmark at 3.3%. Within the ASX Small Ordinaries, the Small Resources fared particularly well, up 8.5% versus the Small Industrials, which returned +3.5%.

## COMPANY SPECIFIC NEWS

### The Market Hits

#### Life360, Inc. (360 +60.4%)

360 is an information technology company providing location-based services to consumers globally. Its main service called Life360, is a family social networking app released some 15 years ago. 360 announced its FY23 results, largely in line with forecasts for Users, Paying Circles and Revenue, but 29% ahead at the Operating EBITDA line, due to tight cost control in 4Q'23. Revenue rose 33% to US\$305m, driven mainly by subscriptions (+44% to US\$221m), with a ~50% price hike in for the full year for its iOS base (75%) and in 2H'23 for its Android base. Operating EBITDA moved into the black at \$21m and was 46% above the mid-point of the guidance range. What really got the market excited was the strategic decision to open the platform to advertising. The mix of a very large and engaged Users base coupled with its location tracking got investors and advertisers drooling.

#### West African Resources Ltd (WAF +36.4%) / Ramelius Resources (RMS +28.7%) / Perseus Mining (PRU +23.2%) / Bellevue Gold (BGL +23.2%) / Evolution Mining (EVN +21.4%)

The gold sector took off by 17% in response to the +9% move in the physical gold price above the US\$2200/oz barrier, finishing at a near all-time high of US\$2230/oz. WAF reported a strong CY23 operating result and maintained its CY24 production guidance of 190-120koz of gold at an AISC of less than US\$1300/oz and RMS announced a 10-year mine plan which proved more positive than previously expected. BGL updated the market on its production ramp up, with February production annualising at 160koz, on track to hit its name plate capacity

of 200koz, which was well received by the market. PRU and EVN also outperformed its peers in the month of March but in their case, it was all about investors rotating back into the recent under-performers.

### **Virgin Money UK Plc (VUK +35.2%)**

UK's Nationwide Building Society and VUK announced that an agreement was reached on the cash acquisition of VUK for 220p per share (218p per share + a 2p dividend), or £2.9bn. This would be funded from existing Nationwide cash resources and represented a 38% premium to the closing price on 6 March. VUK recommended the deal to shareholders, with Virgin Group (a 14.5% shareholder) granting support. The acquisition was not subject to the passing of a resolution by Nationwide's members and while the deal will be reviewed by UK CMA, it is likely to close under the existing terms and then de-list.

### **Alumina Limited (AWC +34.6%)**

After many years of market hopes, Alcoa finally bid to acquire AWC late in February via a scheme of arrangement, for a scrip consideration of 0.02854 shares of Alcoa common stock for each Alumina share. It represented a 13.1% premium to the share price on the day of the announcement and a 19.5% premium based on the average exchange ratio over the last 12 months. This month, AWC entered into a binding Scheme Implementation Deed (SID) with Board support and also that of its major shareholders. AWC's price performance during March was driven by the improved aluminium price (+5%) and the US market's reversion back to cyclical tilts, which pushed Alcoa up 24%, as well as the narrowing of AWC's acquisition discount, given the SID.

### **Webjet (WEB +26.9%)**

WEB held a strategy day and guided to stronger than expected FY25-30 TTV targets, partially offset by revenue margins. Guidance of 17% TTV CAGR for FY24-30 pleased the market, with +25% growth in FY25 coming from robust market CAGR of 8%, market share gains from new customers and conversion improvement with tech investments. Investor confidence lifted, hoping WEB might achieve its strategy objectives with earnings upgrades across the time spectrum, albeit mostly in the outer years. However, the largest impact was on the sell-side's upgraded DCF valuations.

### **Magellan' Financial Group (MFG +21.9%)**

MFG announced its February FuM update of \$37.2bn, up \$0.9bn, with \$0.2bn in net outflows offset by a \$1.1bn increase from markets. Market movements contributed 3.0% to FuM growth, with a weaker AUD also providing some benefits. Global equities FuM continued to grow, up \$0.9bn or 5.8%. Infrastructure FuM continued to decline, but only slightly (\$0.1bn) and Australian equities FuM increased slightly A\$0.1bn in February. Whilst early days in MFG's turnaround prospects by the new CEO, it looked like outflows were basing out, which was enough to squeeze the short sellers. Given the 87% decline in MFG's share price from its 2020 high, it's not surprising that the shorts were jumping at shadows and covering.

## **The Market Misses**

### **Core Lithium (CXO -26.2%) / Arcadium Lithium Plc (LTM -12.6%) / IGO (IGO -9.7%) / Pilbara Minerals (PLS -8.8%)**

Lithium stocks were under pressure this month, paradoxically despite the 7% rise in lithium carbonate prices and more importantly, the 32% increase in the spodumene benchmark price, which is the lithium product that the above local producers mostly sell. As lithium prices rallied, the sell-side narrative was that pricing had peaked, spurring new short positions. However very late in the month, a digital platform sale of spodumene by major US lithium company Albemarle, at around 10% above the benchmark price, saw the short-sellers covering, which helped to arrest the slide in stock prices. The sale highlighted strong demand for spodumene by processors which had finished inventory de-stocking.

### **Weebit Nano (WBT -22.8%)**

WBT is a developer of advanced semiconductor memory technology, which from its 1H24 accounts, appears to have finally raised its first IP revenue, totalling just \$153k! Amazing for a company that has a \$631m market capitalisation. Ironically, WBT had an investor presentation on 18 March, which as usual, delivered little financial information. It was also the day WBT was being bumped out of the ASX200, only 6 months after it made it into the benchmark. It seems 18 was not WBT's lucky number and even the global AI megatrend couldn't save it.

### **Audinate Group (AD8 -9.7%)**

AD8 provides professional audio and more recently, visual digital networking technologies globally. The company's core technology, Dante, distributes digital audio over an existing computer network and is the dominant provider. AD8 announced a record 1H24 result the previous month, which was ahead of consensus expectations, albeit FY24 guidance was unchanged and was a candidate for ASX200 inclusion, which saw the stock rally 40% in the month of February. The large move seemed totally out of kilter with the single digit earnings upgrades by sell-side analysts and after passive buying ahead of its ASX200 debut, the stock drifted lower.

### **Smartgroup Corporation (SIQ -8.6%)**

SIQ took a breather after its in-line February 1H24 result. The shares gave back some performance to its peer group, the likes of McMillan Shakespeare and SG Fleet in the EV thematic novated lease market. Regulatory changes introduced back on 1st July 2023 made allowable

EV's avoid the FBT impost if funded via a novated lease. Despite this month's fall in its share price I, SIQ is still up an impressive 51% in the last 12 months.

### Collins Foods (CKF -7.8%)

There was little news from CKF since its 1H24 earnings report which was very positive. The shares drifted lower, particularly after the CEO took a 3 month leave of absence for personal reasons. At the start of this month, a major global sell-side investment bank put a sell recommendation on the stock, citing several datapoints, suggesting softer trading in Australia (representing ~78% of FY23 sales), driven by higher cost-of-living pressures, impacting demand and cost pressures remaining elevated. Given CKF was trading at a 20% premium to its historic PE, it was an easy sell for investors.

### Aristocrat Leisure (ALL -7.8%)

Post ALL's AGM on the 22 February, which basically reiterated its previous guidance, ALL shares fell after news that it was suing Light & Wonder (LNW), alleging its smaller rival used confidential trade secrets to rip off one of its most popular games, Dragon Link. In defence documents filed on March 12 in Nevada, LNW attempted to have the process to expedite discovery thrown out of court, alleging Aristocrat's lawsuit was part of a concerted effort to undermine the release of its new games. Given the huge success of Dragon Link, which has taken share from ALL, it's not surprising that matters have ended in a legal imbroglio, with investors backing LNW given its share price was up 6% in March.

### Coronado Global Resources Inc. (CRN -7.5%)

In February, coking coal producer CRN provided lower than expected FY24 guidance for saleable production at 16.4-17.2mt vs. consensus sitting at 17.5mt. Its share price weakened further by 7.5% due to benchmark coking coal prices falling 22% during March. This was significantly less than the coking coal price dive, but most would argue that the stock overreacted to the downside in the previous month, where CRN slumped 17%, on a relatively modest production downgrade.

## FUND PERFORMANCE

Against the backdrop of conducive offshore markets, domestic equities continued to rally, up 3.3% for the month, setting a new all-time high along the way. The Real Estate and Energy sectors were the best performers, whilst Communication Services fared the worst and the only sector in the red (led down by Seek, -3.8%). The Real Estate sector locally enjoyed out-sized returns of +9.3%, driven by Goodman Group (+13.1%), given its strategy to grow data centres - the market branding it as a hybrid AI stock.

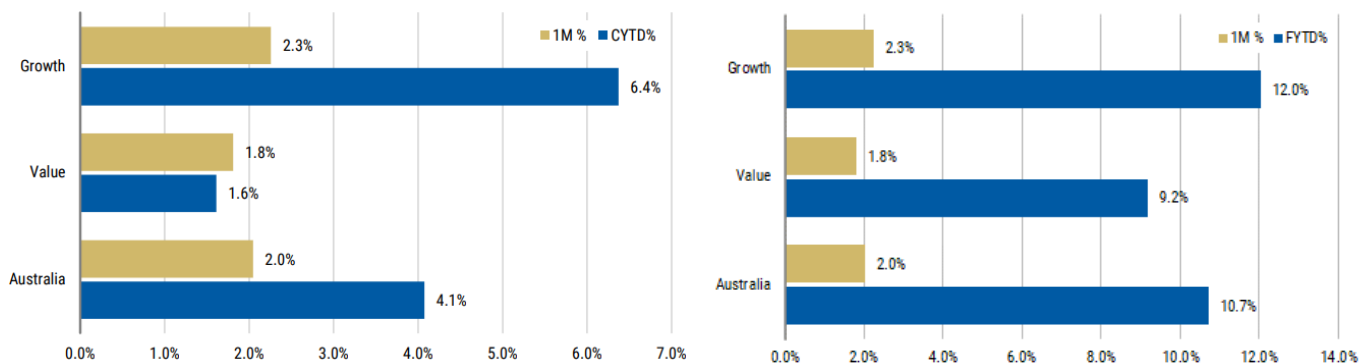
**Despite our zero weighting to REIT's, pleasingly for the month of March, the Fund return of +3.45% did better than the benchmark return of +3.27%.**

The 3-year return of 12.15% p.a. remains credible and is 2.5% p.a. above the benchmark, however our FYTD24 numbers remain unsatisfactory given our selectively contrarian Value and Ex-Top 20 size bias, which to date, has remained out of favour in a market chasing, Tech, Growth, FOMO and Momentum. We have stayed disciplined and true to label and it cuts against our grain to chase pockets of overvaluation. As we stated last month, this tech rally, in an interest rate environment of higher for longer, cannot go on forever in Australia, as we just don't have the same quality Tech stocks to match the US bellwethers. So many Australian IT stocks have simply gone up in sympathy and are behaving the same way.

We think we are closer to an inflection point where the market will start to rotate back into cheaply priced quality cyclicals (read Value).

**Value again underperformed Growth during March and has significantly lagged by 4.8% for the CYTD and 2.8% for the FYTD.**

MSCI Australia Growth vs Value



Source: Morgan Stanley

Financials, which rallied 3.1%, posted the largest contribution (+95bps) to the market's return during the month of March, driven by the likes of QBE, Insignia and Challenger (with CBA +3.4%), followed by the Materials (BHP +3.3%) and Real Estate (Goodman Group +13.1%) sectors.

Conversely, Communication Services, Consumer Discretionary (Aristocrat Leisure -7.8%) and Health Care (Cochlear -3.0%) were a drag on the broader market.

Returns" (%)	Gross	Benchmark*	Excess	Net
<b>1 Month</b>	3.45%	3.27%	0.17%	3.35%
<b>3 Months</b>	2.56%	5.33%	-2.76%	2.28%
<b>12 Months Rolling</b>	6.56%	14.45%	-7.89%	5.40%
<b>3 Years (p.a.)</b>	12.15%	9.62%	2.54%	10.94%
<b>4 Years (p.a.)</b>	18.56%	16.00%	2.56%	17.27%
<b>5 Years (p.a.)</b>	10.22%	9.15%	1.07%	9.03%
<b>10 Years (p.a.)</b>	8.60%	8.27%	0.33%	7.44%
<b>Since Inception (p.a.)</b>	10.00%	9.84%	0.16%	8.82%

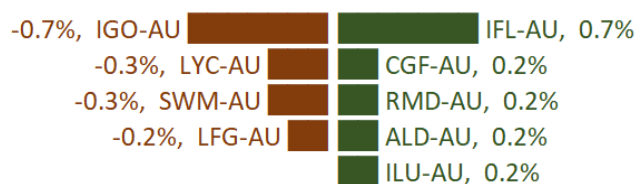
Past performance is not a reliable indicator of future performance

\*The return figures are calculated using the redemption price for Class A Units and on the basis that distributions are reinvested. The Gross and Excess return figures are before fees and expenses whereas the Net Return figures are net of fees and expenses for the Class A Units. Returns of the Fund may include audited and un-audited results. Past performance is not a reliable indicator of future performance.

\* The benchmark was changed from the S&P/ASX 200 Accumulation Ex REITS Index to the S&P/ASX 200 Accumulation Index on 1 July 2012.

## Month of March Attribution

### Securities Held



### Securities Not Held



Source: Ellerston Capital

In the month of March, the main positive contributors to the Fund's performance were its overweight positions in Insignia Financial (IFL+10.4%) that kept rising after its strong 1H24 result last month, Challenger (CGF +5.6%), Resmed (RMD +13.1%), Ampol (ALD +5.8%), Iluka (ILU +5.9%) and not owning Westpac (-0.9%).

The detractors during the month were overweight positions in resources stocks IGO Ltd (IGO -9.7%) and Lynas Rare Earths (LYC -2.6%), coupled with Seven West Media (SWM -9.5%), Liberty Financial (LFG -0.3%) and not holding any Goodman Group (GMG +13.1%).

## FUND ACTIVITY

March was a relatively quiet month for the Fund in terms of activity. We used the weakness in share prices to strengthen existing positions in IGO, MAC and Lynas, took profits in Ampol, which has performed very strongly since going ex-dividend, and sold out of the remnant position in Cleanaway.

### NEW STOCKS ADDED

- None

### STOCKS EXITED

- Cleanaway Waste Management

### INCREASED

- IGO
- Lynas Rare Earths
- Metals Acquisition

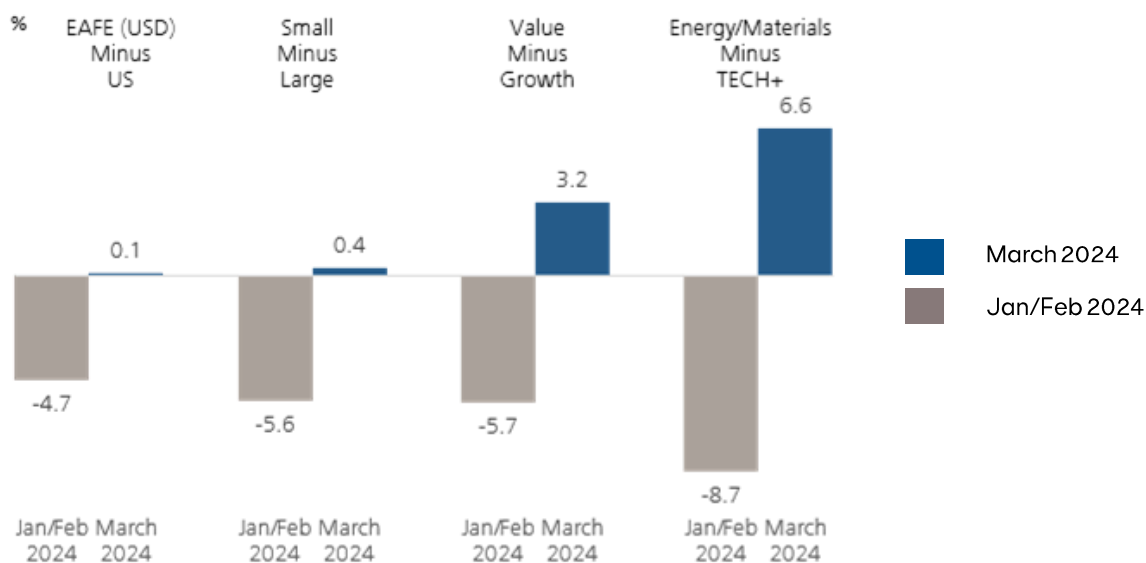
### DECREASED

- Ampol

## FUND STRATEGY AND OUTLOOK

The drivers of sector performance that dominated US and global equity markets last calendar year have continued into 2024, with Tech in the US the standout winner. However, in the month of March, within the S&P 500, for the first time in a long while, there was a shift toward Energy and Materials and away from Tech. The former outperformed the latter by 6.6%, versus -8.7% throughout Jan/Feb.

From a style perspective, globally Value led Growth by 3.2% in March, compared to lagging -5.7% during Jan/Feb and importantly, it was greater multiple expansion for Value that drove the rotation. Europe, Australasia and the Far East (EAFE) did marginally better than US stocks after previously underperforming in the first two months, as did Small Caps. It might be too early to start talking about thematic rotation, but market behaviour and performance in March is encouraging and certainly suits our book.

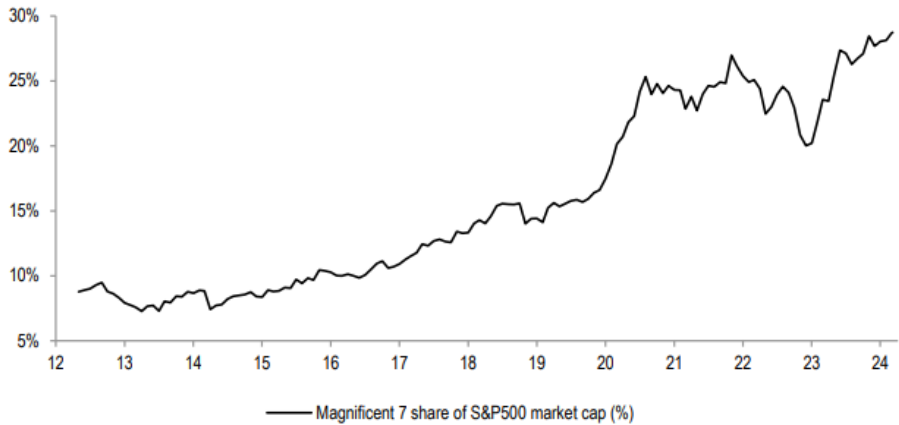


Source: UBS

For well over a decade, US equities in particular have been supercharged by a select group of technology behemoths, many of which have delivered hypergrowth. Household names, the likes of Google parent Alphabet, Amazon.com, Apple, Facebook parent Meta, Microsoft and Tesla have transformed the investment landscape. A newcomer joined those ranks in early 2023: Nvidia Corp. the leading chipmaker for artificial intelligence technology. Nvidia shares have risen a staggering and impressive sixfold plus since January 2023 and investors have embraced a strategy built around this new grouping, the so called "Magnificent Seven".

However, in CYTD 2024, the "Magnificent Seven" have behaved more akin to the Magnificent Duo, the Mediocre Two and the Meandering Three. As the market acknowledged the importance of AI, Nvidia and Meta have continued to power ahead, Microsoft and Amazon have fared relatively well, but the likes of Tesla have significantly underperformed the S&P 500. If it doesn't have an AI component, it seems it's not going to attract investors' attention, but for how long???????

### Magnificent 7 share of S&P500 market cap

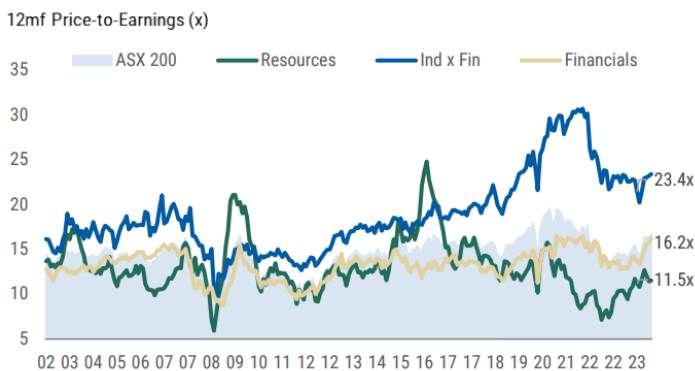


Source: JP Morgan

In terms of Valuations, the domestic market 12MF P/E currently stands at 16.7x. Outer year earnings growth forecasts remain fairly anchored in very low-single-digit territory.

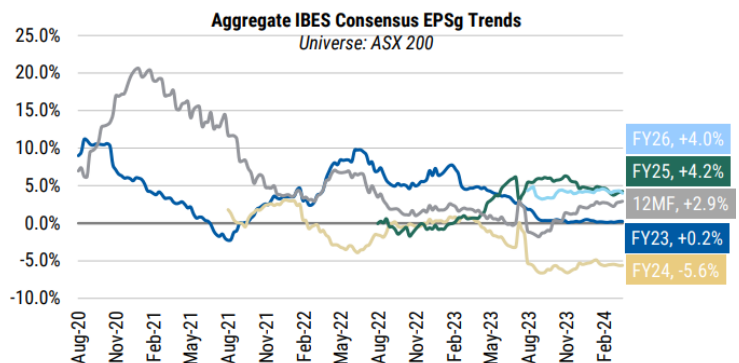
### The 12M forward PE of the Industrials ex- Financials

Has Fallen from 30.2x to 23.4x



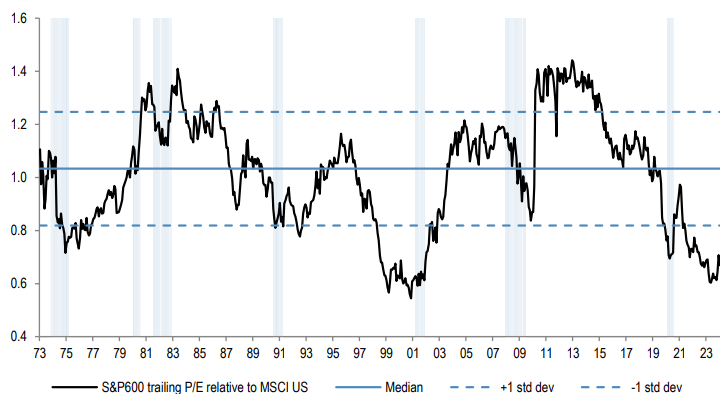
Source: Morgan Stanley

### Annual Consensus EPS Growth Trends FY23-26



Just like the US, Mid and Small caps, especially quality cyclicals, are representing the best value that we have seen for a long while and this is an area where we still think we are very well placed to capture medium term alpha going forward.

### US small caps vs large caps P/E relative



Source: JP Morgan



The S&P500 index has now risen 23.5% in the last 6 months, fuelled mainly by the Fed pivot which triggered a short covering rally and PER expansion. Furthermore, the FOMO was spurred by the prospect of a Goldilocks macro scenario, with reasonable economic growth in the US and improved earnings.

The Fed pivot is now a distant memory given the recent shift in investor psyche to a higher for longer rate cycle, thus we would expect the domestic market to consolidate its recent gains and definitely take a breather. But we would also not rule out a sharp short-term pull back as stickier inflation and surprisingly strong economic data points unsettle the bond market.

Fed Chair Powell emphasised at the March meeting that rates will be on hold until there is greater confidence that inflation was moving sustainably toward its target rate of 2.0%. Some commentators are now calling for zero or only one cut this year given the recent stronger economic data (this scenario is not priced in). When combined with many of the geo-political risk factors which are impossible to price in and the prospect of any further escalation of tensions in the Middle East, this should keep markets on tender hooks.

Expect heightened volatility from here on. Perhaps we are just climbing the wall of worry and the bull market continues?

To summarise your portfolio's positioning:

### 1. Quality Franchises, Growth at Reasonable, Attractive Valuations

Solid companies with strong/leading market positions and credible management with good balance sheets.

Amcor, Ampol, Atlas Arteria, IPH, Liberty Group and Resmed

### 2. Businesses that are highly cyclical or seasonal in nature, that have faced headwinds

Heavily discounted companies with strong market positions and strategic assets, but very sensitive to economic conditions/seasonality/weather.

Bega Cheese and Challenger

### 3. Turnarounds

Sound businesses that have historically generated poor returns, have been badly managed, resulting in poor execution of strategy and have under-earned versus their potential. These stocks are in a transition phase, and we think earnings/returns will improve over the medium term. Out of favour with the market, somewhat contrarian positions.

Bapcor, Insignia Financial, IRESS and Seven West Media

### 4. Deep Value Resource Plays

Stocks trading at discounts to NPVs, where much of the heavy lifting has been done (cost out, self-help deleveraging). Despite the recent correction in commodity prices, the cycle is still positive, paving the way for healthy dividends.

BHP Group, IGO, Iluka Resources, Lynas Rare Earths, Metals Acquisition and South 32

We are truly grateful for, and always appreciate your continued support.

Warmest Regards,



Chris Kourtis

Portfolio Manager

## About the Ellerston Australian Share Fund

The Fund aims to achieve its performance objectives by adopting a fundamental "bottom-up" investment approach to stock selection which is focused on identifying and then constructing a portfolio of the highest conviction ideas.

Investment opportunities for the Fund are identified by analysing and understanding the factors affecting (amongst other things): business model, industry structure, management team and overall valuation. Ellerston Capital typically favours businesses that can sustain high returns or improve their return on capital and looks to invest in businesses with a market value below the value we attribute to them.

Benchmark weightings do not drive our stock decisions, our approach is totally benchmark independent.

Due to the high conviction nature of the portfolio and the resulting deviation in portfolio composition relative to benchmark weighting, it is expected that the returns from the Fund will differ significantly from the broader market indices.

STRATEGY FUNDS UNDER MANAGEMENT	\$729,538,097.70
FUNDS UNDER MANAGEMENT – ASF UNIT TRUST	\$19,920,970.85
APPLICATION PRICE	\$0.9608
REDEMPTION PRICE	\$0.9560
NUMBER OF STOCKS	20
INCEPTION DATE	1-Apr-09

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### Contact Us

#### Sydney

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

Find out more:

For new or additional applications into the Fund, please click [here](#).

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 Group on 1300 101 595 or [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au).

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