

Ellerston Australian Micro Cap Fund

Monthly Report as at 30 November 2023

APIR Code: ECL0984AU | ARSN 619 727 356



Portfolio of 30-60 smaller & micro cap companies built through an active, research-driven investment approach.



Focus on companies which have a sound business franchise with an attractive earnings profile, which operate in growth industries and trade at a discount to valuation.



Aims to outperform the Benchmark over a rolling three-year period.

Performance Summary

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^^
Net [^]	6.75%	-4.20%	0.44%	-3.52%	10.36%	11.26
Benchmark [*]	7.04%	-2.88%	-3.19%	-0.48%	4.03%	4.98
Alpha	-0.29%	-1.32%	3.63%	-3.04%	6.33%	6.28

[^] The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance. ^{*} S&P/ASX Small Ordinaries Accumulation Index. ^{^^} Inception date is 28 April 2017.

Key Information

Portfolio Manager(s)	David Keelan & Alexandra Clarke
Investment Objective	To outperform the Benchmark over a rolling three-year period.
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Liquidity	Daily
Target Number of Holdings	30-60
Number of Holdings at Month End	58
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.20% p.a.
Performance Fee ¹	20.00%
Buy/Sell Spread	0.25% / 0.25%

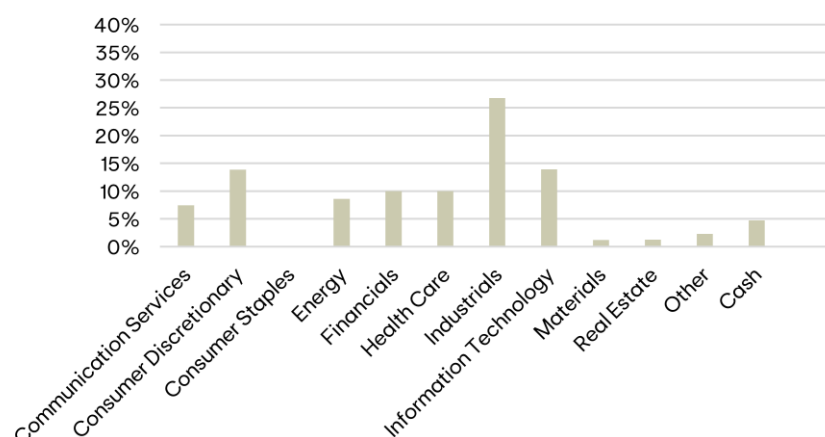
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Aussie Broadband Ltd.	Communication Services
IPD Group Ltd	Industrials
MMA Offshore Limited	Energy
Propel Funeral Partners Ltd.	Consumer Discretionary
RPMGlobal Holdings Ltd	Information Technology

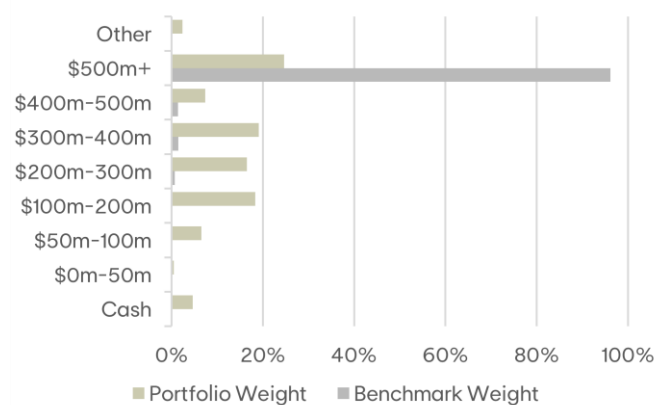
*In alphabetical order. Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY24e	Fund	Benchmark
Price/Earnings	14.96x	18.48x
Dividend Yield	3.06%	3.23%
Net Debt/EBITDA	-0.32x	1.40x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Microcap Fund delivered 6.75% in November, compared to the S&P/ASX Small Ordinaries Accumulation Index which returned 7.04%. The market rebounded strongly in November as we saw bond yields pull back from the October highs and AGM trading updates weren't as bad as feared. From a sector perspective, tech stocks and higher risk biotech's really took off as the risk trade was clearly on. This was evident in Smalls outperforming Large Caps, with the ASX 100 up only 4.3%. During the month, we also saw the RBA raise rates by 25bps, and monthly CPI dropping to 4.9% YoY which was below market expectations.

Turning to the portfolio, it was a catalyst rich month. We had numerous trading updates given AGM season and some selective M&A. One such stock is IPG Group (IPG AU), which is an electrical hardware distributor at its core, differentiated by its expertise in product assembly and customized solutions. Adding to its service offering, IPG provide services around the full life cycle of EV charging as well as complete electrical engineering and service provider specialising in high and low voltage products. IPG closed the month up 28% after providing a solid trading update as well as 1H FY24 guidance. Commentary around the guidance suggests that the positive trading momentum is continuing, and the outlook of the market looks positive, buoyed by the electrification of the economy and a number of significant project commencements in the second half of FY24. To top off this positive trading update, IPG also announced a highly accretive (c.30%) acquisition of CMI Operations for a total consideration of \$101m. CMI Operations is a leading distributor of electrical cables and manufacturer and distributor of plug brands in Australia. This acquisition is significant in that it offers many synergistic opportunities in adjacent verticals to where IPG plays. The company estimates this acquisition to be 30% EPS accretive excluding any potential synergies it may be able to extract. We continue to hold IPG as a high conviction position and see them as a leading facilitator to the electrification of Australia as we look to hit the 2050 emissions milestones laid out.

Another strong contributor to November was MMA Offshore Limited (MRM AU), which is a provider of offshore vessels, project and subsea services to the offshore energy sector. November was full of news flow for MRM which saw the share price rise 25%. Beginning the month, MRM announced that it had acquired a Multi-Purpose Support Vessel (MPSV) for A\$14m. This is a great opportunistic acquisition in an extremely tight supply market for offshore vessels and given the market dynamics we feel this was a good price paid for the asset. A key requirement for management when evaluating possible vessel acquisition is the capability of vessels to operate over all of its segments as it moves to a more integrated service offering, rather than just a vessel provider. Following this announcement, MRM updated the market with guidance for the first half of FY24 of A\$55-60m of EBITDA. Considering consensus at the time of the announcement was at A\$82m for the full year of FY24, we estimate this to be a ~50% upgrade to 1H FY24. We believe that this cycle has plenty yet to play out, a story corroborated by many of the offshore energy peers. MRM has also put itself in a terrific spot to capture as much value as it can from this cycle as it continues to diversify its integrated product offering, as well as diversify its customer base, as seen in the recent department of defense contract win. Rounding out the month we also got news that MRM had secured a contract for decommissioning work to commence in Q1 CY24, shoring up the orderbook for 2H24. We continue to hold MRM as one of our high conviction positions and see further growth to come.

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

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