

Ellerston Australian Emerging Leaders Fund

Monthly Report as at 31 March 2024

APIR Code: ECL6748AU | ARSN 647 979 333



Portfolio of 30-60 smaller 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	6 Months	1 Year	Since Inception (p.a.) ^{^^}
Net [^]	4.31%	15.02%	27.66%	29.97%	-0.90%
Benchmark*	4.79%	7.55%	16.71%	13.83%	-1.50%
Alpha	-0.48%	7.47%	10.95%	16.14%	0.60%

[^]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 13 August 2021.

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	43
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.10%
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.

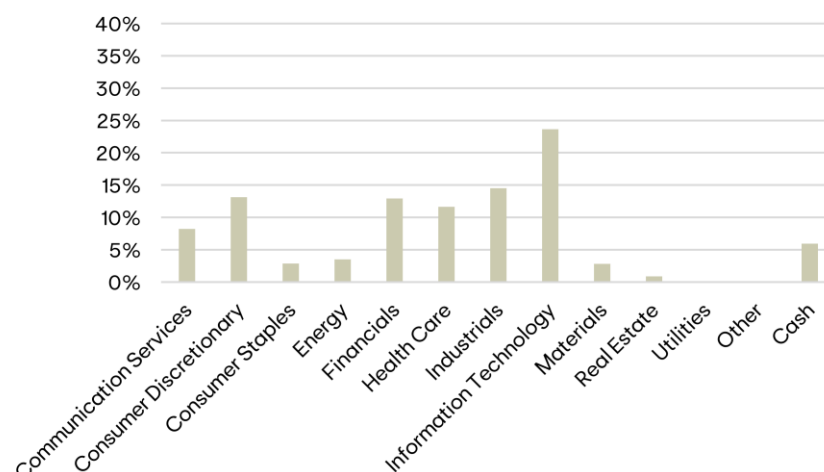
Top Holdings*

Company	Sector
Life360, Inc.	Information Technology
Monash IVF Group Ltd	Health Care
RPMGlobal Holdings Ltd	Information Technology
Tuas Ltd.	Communication Services
Zip Co Ltd.	Financials

*In alphabetical order.

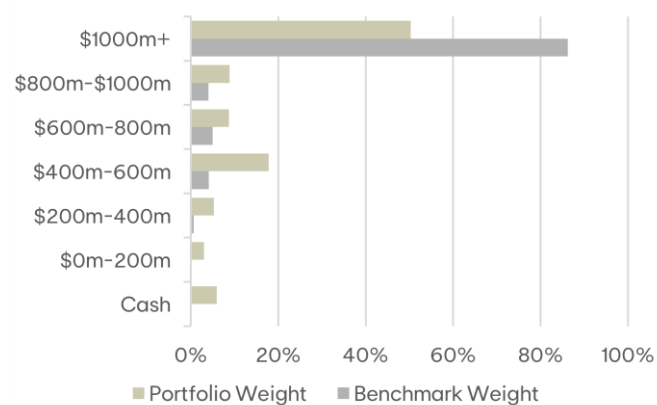
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerston Capital.

Key Portfolio Metrics

FY24e	Fund	Benchmark
Price/Earnings	16.68x	20.13x
Dividend Yield	2.61%	3.50%
Net Debt/EBITDA	-0.20x	1.44x

Source: Ellerston Capital.

COMMENTARY

The Ellerston Australian Emerging Leaders Fund delivered 4.31% (net) in March, relative to the S&P/ASX Small Ordinaries Accumulation Index which returned 4.79%. The Small Ords outpaced the ASX 200 by over 150bps and the Small Industrials by 129bps. The Small Ords were supported by Gold which rallied nearly 9% to an all-time high in March and Energy was up over 7%. Offshore markets were also strong with the S&P500 up 3%, driven by improving earnings and NVDA continuing strength.

Looking at the portfolio, it was a wild month for telcos, as Aussie Broadband (ABB AU) and rival Superloop (SLC AU) continued to trade blows, with Superloop coming out in front in this latest round. Superloop swiftly rejected Aussie's \$0.95 bid, and responded by winning Origin Energy, Aussie's largest customer (in exchange for granting Origin equity and options in SLC). This resulted in a meaningful earnings upgrade for SLC, which put on 30% for the month, and a downgrade for ABB which gave up the 20% it put on in February. The final blow was Superloop forcing ABB to sell their stake down to below 12% to comply with Superloop's constitution. A merger between the two is off the cards for the time being, however, Aussie have plenty of work to do on the Symbio integration (which they previously outbid Superloop for), while continuing to grow its high margin enterprise and government segments. We still believe it makes strategic sense for them both to come together at some point.

During the month, MMA Offshore Limited (MRM AU), which is a provider of offshore vessels, project and subsea services to the offshore energy sector received a binding Scheme Implementation Deed (SID) for \$2.60 a share valuing the business at over \$1bn. While the takeover premium is low at only 11% from the previous close, the bid was at a 20% premium to the 30-day VWAP and 90%+ to NTA. The MRM board voted unanimously in favour of the deal. We have owned MRM for several years now as we thought it was one of the better cyclical turnaround stories listed on the ASX. We have seen the company paydown its over geared balance sheet to now be in a net cash position and increase day rates and utilisation which in turn saw earnings grow substantially over this period of time.

One of our key contributors in March was Life360 (360 AU), finishing the month up 60%. The company reported its CY23 result, with EBITDA ahead of guidance and consensus expectations due to strong operating leverage. However, the key driver of outperformance on result day was 360 announcing a new advertising revenue stream. This allows 360 to monetise the ~55m non-paying users it has via in-app advertising, with little incremental cost to the business. While early days, management noted that the monetisation of its free users could equal subscription revenue over time, at a much quicker payback. This positively positions the group to achieve its five-year aspirational US\$1bn revenue target at 25% EBITDA margins.

Another strong performer in March was Tuas (TUA AU). Tuas is an operator and retailer of a mobile network in Singapore. TUA reported its 1H24 result in March, with revenue +38% to \$55m and EBITDA +56% to \$22.4m. Subscriber numbers continue to grow on the back of TUA's compelling pricing and increased brand awareness. While early days for its broadband product, we think this is a meaningful opportunity for TUA given it is effectively reselling a commoditised NBN product at a material discount to the incumbent Singaporean telcos. We think TUA's strong focus on providing value to customers, coupled with a strong focus on costs, leaves it well placed to grow market share and profitability over coming years.

Heading into the 4Q24, we are about to hit a news flow rich period with a number of quarterlies, trading updates and conferences which should provide a catalyst over the coming months. We do think M&A will remain a key theme with a stabilisation in interest rates and we remain vigilant on assessing our companies' cost base. We are looking forward to getting back on the road and seeking out new ideas which hopefully can become high conviction positions over time.

Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
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 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.

This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as the responsible entity of the Ellerston Australian Emerging Leaders Fund ARSN 647 979 333 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 or by contacting info@ellerstoncapital.com and obtaining 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.