

Ellerston Australian Micro Cap Fund

Monthly Report as at 31 March 2024

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 [^]	5.91%	9.14%	19.55%	0.94%	12.85%	13.53%
Benchmark*	4.79%	7.55%	13.83%	2.72%	5.43%	6.92%
Alpha	1.12%	1.59%	5.72%	-1.78%	7.42%	6.61%

[^] 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	56
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.20%
Performance Fee ¹	20.00%
Buy/Sell Spread	0.25% / 0.25%

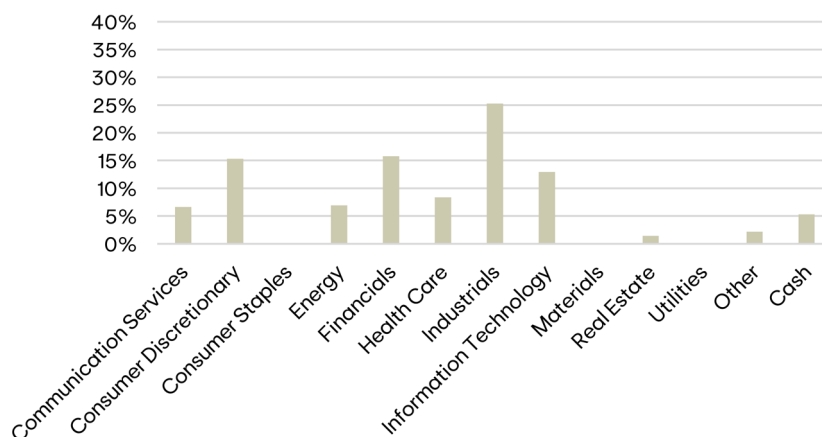
¹ Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Generation Development Group Limited	Financials
GenusPlus Group Ltd.	Industrials
Helloworld Travel Ltd	Consumer Discretionary
IPD Group Ltd	Industrials
RPMGlobal Holdings Ltd	Information Technology

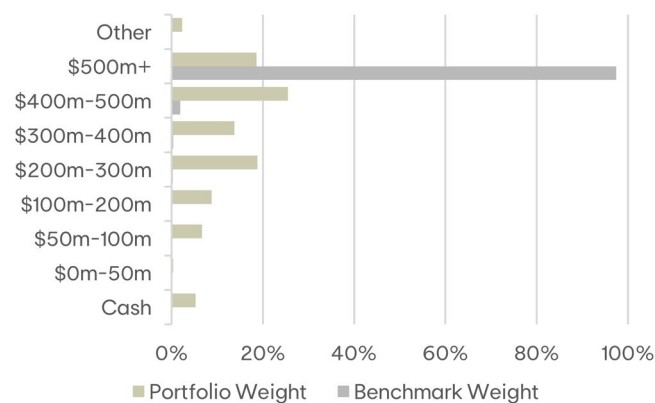
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerston Capital.

Key Portfolio Metrics

FY24e	Fund	Benchmark
Price/Earnings	14.80x	20.13x
Dividend Yield	2.72%	3.51%
Net Debt/EBITDA	-0.61x	1.44x

Source: Ellerston Capital.

COMMENTARY

The Ellerston Australian Microcap Fund delivered 5.91% (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 favor 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; increase day rates and utilisation which in turn saw earnings grow substantially over this period of time.

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.

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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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