

Ellerston Australian Emerging Leaders Fund

Monthly Report as at 30 April 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^	-0.95%	9.94%	30.91%	27.60%	-1.22%
Benchmark*	-3.06%	3.33%	19.66%	7.36%	-2.56%
Alpha	2.11%	6.61%	11.25%	20.24%	1.34%

^ 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	44
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%

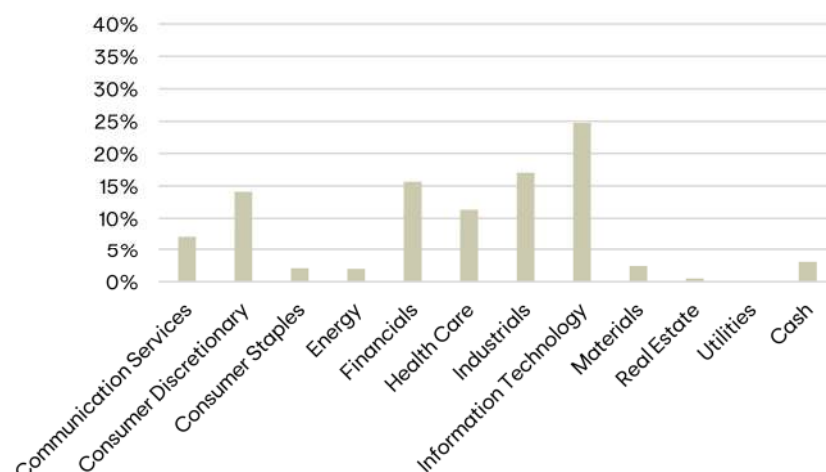
¹ Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Alliance Aviation Services Limited	Industrials
Life360, Inc.	Information Technology
Qoria Limited	Information Technology
RPMGlobal Holdings Ltd	Information Technology
Zip Co Ltd.	Financials

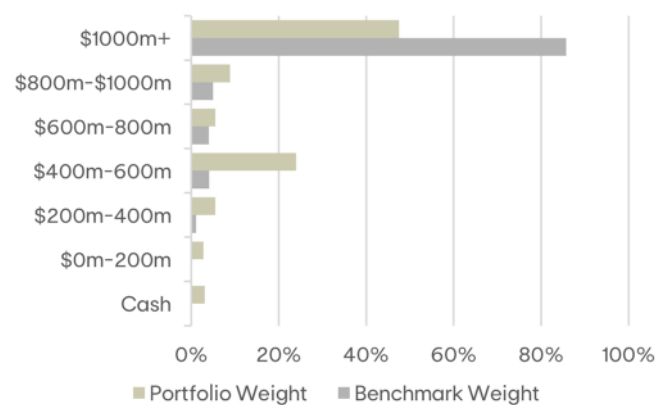
* In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerston Capital.

Key Portfolio Metrics

FY24e	Fund	Benchmark
Price/Earnings	16.88x	19.83x
Dividend Yield	2.68%	3.10%
Net Debt/EBITDA	-0.49x	1.50x

Source: Ellerston Capital.

COMMENTARY

The Ellerston Australian Emerging Leaders Fund delivered -0.95% (net) in April relative to the S&P/ASX Small Ordinaries Accumulation Index which returned -3.06%. Globally, we saw a correction in equities as inflation prints were higher than expectations which reduced the likelihood of interest rate cuts. Turning to Australia, the Small Industrials were hardest hit down 5.02% versus the Small Resources which outperformed, delivering 2.04%. Gold was the best sector, which was not a surprise given the volatility across markets.

Turning to stocks, two names which contributed to the performance during the month included Qoria (QOR AU), and Alliance Aviation (AQZ AU).

QOR which develops child parental control solutions, received an opportunistic takeover offer at \$0.40 per share. This was at a 27% premium to the last close price. This bid was rejected by the Board, who believed that it materially undervalued the business. Also in April, QOR provided a 3Q trading update which included FY24 ARR guidance of between \$117-\$120m which implies a \$5-\$8m uplift in ARR in 4Q24. QOR has been in the portfolio for some time as we have been attracted to its ARR growth and its ability to take market share in a growing and complex global market. We believe that the business is in a transformational position over the next 18 months. We can see a clear pathway to cashflow breakeven and EBITDA; further material contract wins to accelerate ARR growth; and market leading technology. QOR is currently trading above the rejected takeover offer.

AQZ is a unique airline which predominately provides charter services to mining and energy companies to move their workers around the country. The stock has been sold off in recent times as the business transitions its fleet from Fokkers to E190's. This resulted in significant capex as AQZ has opportunistically bought fleet from several different vendors. Consequently, AQZ's balance sheet has become more stretched, and the market become concerned around the group's ability to fund the aircrafts. In April, AQZ announced changes to its debt facilities and a delay in the delivery schedule for its Aercap aircraft purchase. The enhanced debt facility now ensures the group is fully funded for its committed fleet expansion. Clarity around AQZ's balance sheet and contract renewal saw the share price rally 8.62%. We remain attracted to AQZ's revenue profile and believe it is well placed over the medium term to deliver increased flight hours, which will lead to a growing earnings profile.

Find out more:

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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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