

Ellerston Australian Micro Cap Fund

Monthly Report as at 30 April 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 [^]	0.57%	9.08%	15.91%	-0.41%	11.90%	13.45%
Benchmark*	-3.06%	3.33%	7.36%	0.02%	3.93%	6.36%
Alpha	3.63%	5.75%	8.55%	-0.43%	7.97%	7.09%

[^] 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	55
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%

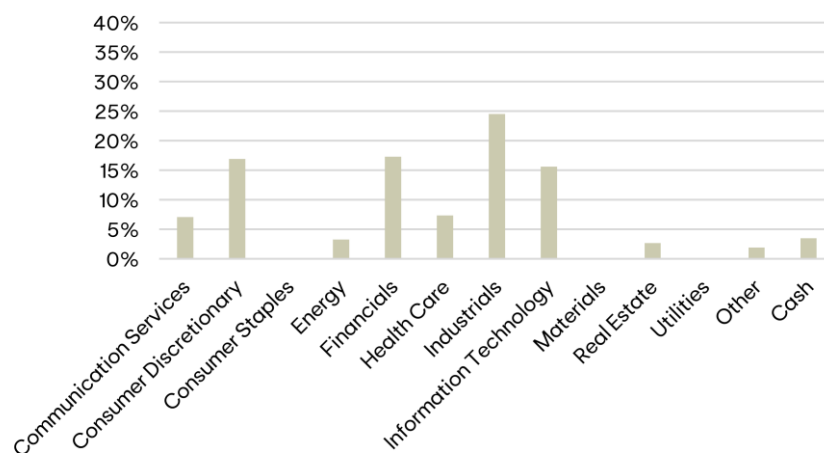
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Generation Development Group	Financials
GenusPlus Group	Industrials
Helloworld Travel	Consumer Discretionary
Qoria	Information Technology
Universal Store Holdings	Consumer Discretionary

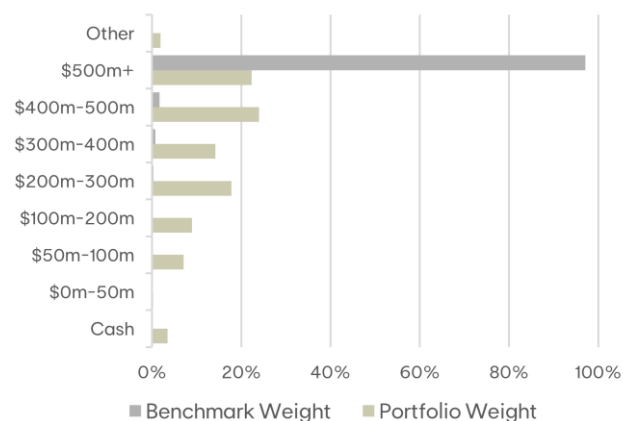
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY24e	Fund	Benchmark
Price/Earnings	15.58x	19.83x
Dividend Yield	2.73%	3.07%
Net Debt/EBITDA	-0.67x	1.50x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Microcap Fund delivered 0.6% (net) in April relative to the S&P/ASX Small Ordinaries Accumulation Index which returned -3.1%. 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 S&P/ASX Small Accumulation Industrials Index was hardest hit, down -5.0% versus the the S&P/ASX Small Resources Accumulation Index which outperformed delivering 2.0%. Gold was the best sector, which was not a surprise given the volatility across markets.

Turning to stocks, during the month three names which contributed to the performance included Qoria (QOR AU), Southern Cross Electrical (SXE AU) and Veem Ltd (VEE 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 believing 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 the business over the next 18 months is in a transformational position. 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.

April was a pivotal month for VEE, with shares rising 9% on the Sharrow by Veem propeller results readout. While the details of the results were not explicitly stated, the company confirmed that it would be going ahead with the rollout as planned. Management stated it had recorded results in line or better than expected in terms of noise and vibration reduction, fuel efficiency, improved handling and reverse thrust. Due to the variability of results between different sized propellers and different shapes and sizes of boats, potential customers will be given a bespoke set of expectations regarding their fuel savings and the like upon enquiry. We see this as a significant derisking event for VEE as it now has the data to ensure it can demonstrate that its disruptive technology will return a high ROIC for customers. We continue to hold VEE as a core position within our fund.

SXE saw its share price rise 19% over the month. SXE updated the market with \$50m of new contracts secured, primarily for its Heyday division. This sees SXE continue to leverage its expertise in the data centre space, where the group is viewed as one of the market leaders. We continue to see SXE transition from a company that was highly exposed to cyclicality from the mining cycle on the West Coast, to a much more diversified company servicing numerous high growth markets on both coasts, with a much more resilient profile of work. Post the end of the month, SXE announced a significant win in the renewable energy space with the award of a \$160m contract on the Collie battery project. This win, the largest in the company's history, further validates the company as a market leader in the renewable energy space. We hold SXE as a core position in the fund and see further upside for significant contract.

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 Micro Cap Fund ARSN 619 727 356 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.
