

# Ellerston Australian Micro Cap Fund

Monthly Report as at 31 May 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^	0.88%	7.45%	20.70%	-0.04%	11.43%	13.42%
Benchmark*	-0.05%	1.53%	10.92%	-0.08%	4.18%	6.27%
Alpha	0.93%	5.92%	9.78%	0.04%	7.25%	7.15%

^ 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	53
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.20%
Performance Fee <sup>1</sup>	20.00%
Buy/Sell Spread	0.25% / 0.25%

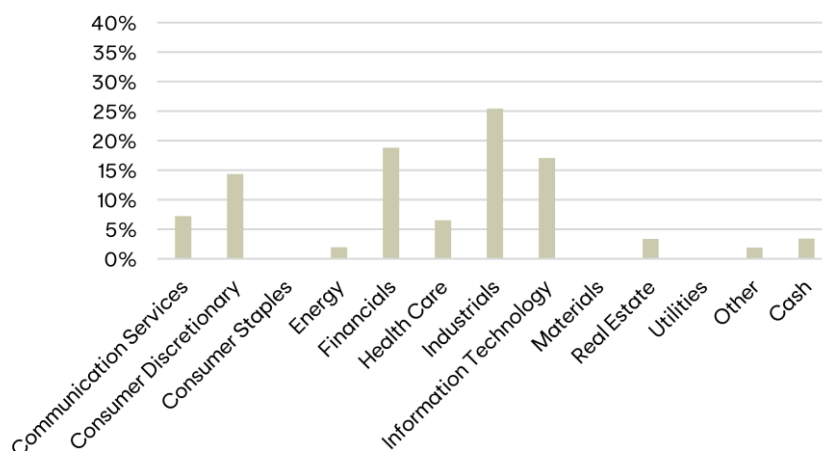
<sup>1</sup>Of the investment return above the benchmark, after recovering any underperformance in past periods.

## Top Holdings\*

Company	Sector
Generation Development Group	Financials
GenusPlus Group Ltd.	Industrials
OFX Group Ltd.	Financials
Goria Limited	Information Technology
RPMGlobal Holdings Ltd	Information Technology

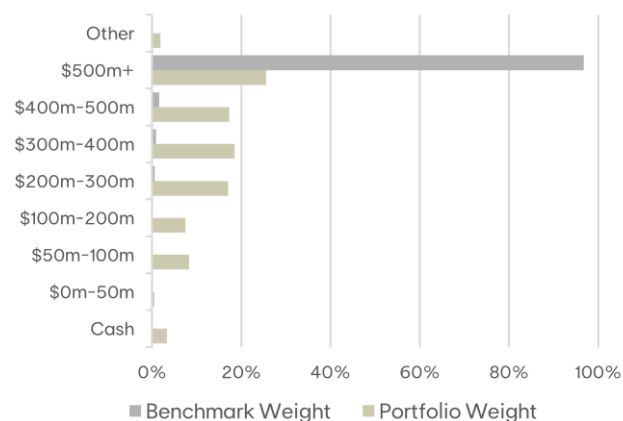
\*In alphabetical order.  
Source: Ellerston Capital.

## Sector Allocation



Source: Ellerston Capital.

## Market Capitalisation Exposure



Source: Ellerston Capital.

## Key Portfolio Metrics

FY24e	Fund	Benchmark
Price/Earnings	15.19x	20.15x
Dividend Yield	2.79%	3.06%
Net Debt/EBITDA	-0.54x	1.50x

Source: Ellerston Capital.

## COMMENTARY

The Ellerston Australian Microcap Fund delivered 0.88% (net) in May relative to the S&P/ASX Small Ordinaries Accumulation Index which returned -0.05%. At the smaller end of the market, volatility was elevated with significant share price moves on limited-to-no news-flow as the market digested moves in fund flow. More broadly, we saw Small Resources outpacing Small Industrials. This positivity led to numerous capital raises being undertaken in the resource space.

Turning to the portfolio, two names which performed well during the month were Catapult (CAT AU) and OFX Group (OFX AU) which both reported full year results.

During May, CAT saw its share price rise by 32% on the back of a strong FY 24 result. Revenue grew 19% YoY to US\$100m from strong growth in both its wearables and video products. CAT demonstrated great control over its cost base, seeing an improvement from a loss of US\$11m EBITDA in FY23 to a US\$9.4m gain in FY24. The big positive surprise to the market was within its cashflow result, with US\$4.6m of free cash flow generated for FY24, well ahead of analyst expectations. During FY24 we saw CAT make significant inroads in new and existing markets, such as college football, NASCAR and several professional women's leagues across a number of sports. We also saw, earlier in May, CAT announce a major deal with the Southeastern Conference (SEC) in the NCAA, representing the first time it has been approved for sideline video solution for live reviews. This is a significant potential market for CAT and is an exciting win for the company. We hold CAT as a core position within our Microcap fund and see further value as the company continues to hit significant commercial and financial milestones over the coming years.

May was also strong month for OFX with its share price rallying 27.7% over the course of the month. OFX released its FY24 results to the market which demonstrated a fantastic 2HFY. While its Net Operating Income (NOI) was broadly in line with what the market was looking for, OFX demonstrated further operating leverage as well as further synergies from its recent Firma acquisition. This led to beats at the EBITDA and NPAT lines. Accompanying this strong result was the issuance of medium-term targets of 10%+ NOI CAGR at 28-30% underlying EBITDA margins, which has seen the market significantly adjust their estimates upwards over the next 3 years. With FY25 shaping up to be a year with a number of political elections and other catalysts for potential periods of increased FX trading, we see now as a good time for OFX to grow and deliver on outlook targets. We continue to hold OFX as one of our key stocks within the Microcap portfolio and see further upside as the management team execute on this medium-to-long term outlook strategy.

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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](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com).

All holding enquiries should be directed to our register, Automic Group on 1300 101 595 or [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au).

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