

Ellerston Australian Micro Cap Fund

Monthly Report as at 31 July 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 [^]	4.91%	9.12%	25.68%	0.36%	11.61%	14.32%
Benchmark [*]	3.49%	2.00%	9.29%	-0.64%	3.50%	6.42%
Alpha	1.42%	7.12%	16.39%	1.00%	8.11%	7.90%

[^] 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 ¹	20.00%
Buy/Sell Spread	0.25% / 0.25%

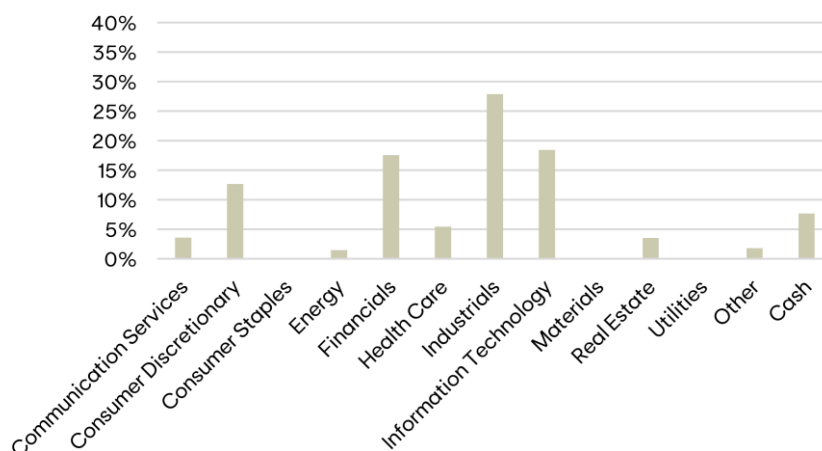
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Catapult Group International Ltd.	Information Technology
Generation Development Group	Financials
GenusPlus Group Ltd.	Industrials
Southern Cross Electrical Engineering	Industrials
Universal Store Holdings Ltd.	Consumer Discretionary

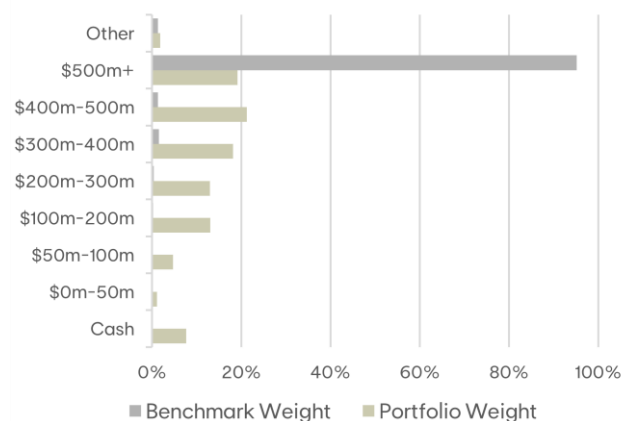
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY25e	Fund	Benchmark
Price/Earnings	16.42x	19.70x
Dividend Yield	2.57%	3.20%
Net Debt/EBITDA	-0.54x	1.53x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Microcap Fund delivered 4.91% (net) in July relative to the S&P/ASX Small Ordinaries Accumulation Index which returned 3.49%. A softer CPI print in Australia helped support the view that the RBA would not hike interest rates further, while in the US expectations around a Fed cut accelerated. Consumer discretionary sector caught a bid during the month as investors started to position for an expectation around improvement in consumer spending. While a fall in bond yields (on the back of expectations around interest rate cuts) supported Gold stocks. However, the Energy sector was hit hard on the back of the negative uranium momentum.

In July the market digested a lot of stock specific news flow with quarterlies in full swing and companies pre releasing their full year results. We saw trading updates from Aussie Broadband (negative); Austin Engineering (positive); Accent Group (positive); Generation Development (positive); Lifestyle Communities (negative); Supply Networks (positive); SiteMinder (mixed); and Zip Co (positive).

Turning to stocks, two names which provided strong trading updates in July were Universal Store Holdings (UNI AU) and Eroad Limited (ERD AU).

Universal Stores (UNI AU) delivered 17% in July. Universal provided a FY24 trading update ahead of market expectations. The 2H24 showed an acceleration in sales, with strong profit margins delivering a beat versus consensus expectations. Pleasingly, sales growth continued to accelerate into July with group sales +15% year on year. Management are executing well in a difficult consumer environment, with inventory remaining clean. We continue to like UNI given strong execution, upside from footprint growth and market share gains, whilst trading at a reasonable valuation.

A strong contributor to our performance in July was ERD AU which saw its share price rise 29.4% over the month. While there were no market sensitive announcements made over the month, ERD announced at the end of June that it had signed a material contract with its largest Australasian customer. This was an existing customer of theirs, so alongside the renewal of their 6,000 units in the New Zealand fleet, ERD announced that they were successful in adding an additional 5,000 units for their Australian fleet. This is a great win for the business as they continue to execute their strategy of expanding share within the existing customer base as well as onboarding new customers. This continues a great period for the Australian side of the business. ERD currently has revenue guidance of \$190m-\$195m for FY25, and we see this as relatively conservative given the wins of such contracts. We hold ERD as a core position within the Micro Cap portfolio and think it remains an attractive option at these prices.

The first week of August has been exceptionally volatile, with some of the largest daily equity moves that we have seen in some time both domestically and globally. As we have said previously, volatility does create opportunities and, in these times, we see a disconnect between fundamentals valuations and short-term market movements. We use these opportunities to increase our exposure to mispriced names or add in new names which had previously not met our valuation criteria. Moving to reporting season we continue to assess our positions and we have tried to focus the portfolio on higher quality companies which have pricing power, solid balance sheets and ability to grow outside the economy. We continue to stress test each of our assumptions and remain vigilant in upweighting the quality of our portfolio and looking for opportunities that present three to one risk reward.

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 registry, 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 (Manager), 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.