

Ellerston Australian Emerging Leaders Fund

Monthly Report as at 30 September 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	1 Year	3 Years (p.a.)	Since Inception (p.a.) ^{^^}
Net [^]	4.10%	7.28%	39.99%	0.85%	2.17%
Benchmark*	5.06%	6.53%	18.79%	-0.57%	-0.71%
Alpha	-0.96%	0.75%	21.20%	1.42%	2.88%

[^]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	42
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.10% (p.a.)
Performance Fee ¹	20.00%
Buy/Sell Spread	0.25% / 0.25%

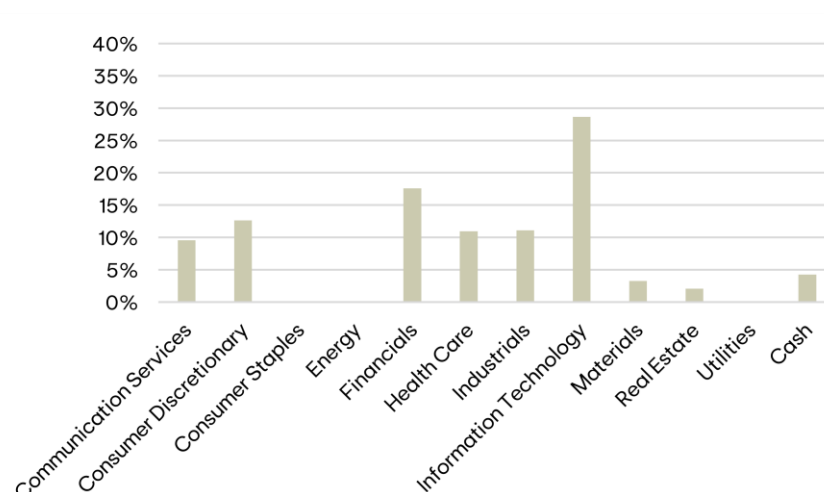
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Codan Limited	Information Technology
Generation Development Group	Financials
Life360, Inc.	Information Technology
Qoria Limited	Information Technology
Zip Co Ltd.	Financials

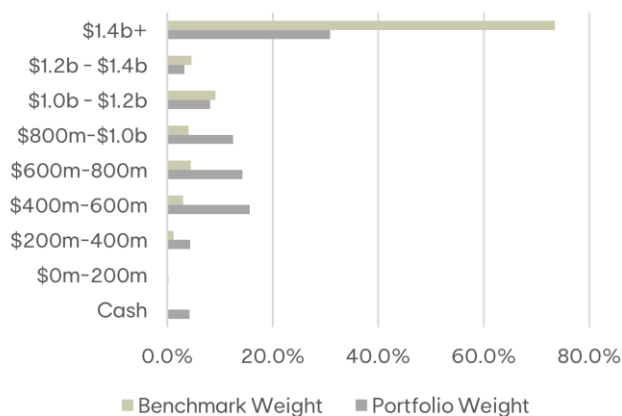
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY25e	Fund	Benchmark
Price/Earnings	18.66x	20.33x
Dividend Yield	2.50%	3.10%
Net Debt/EBITDA	0.04x	1.41x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Emerging Leaders Fund delivered 4.10% (net) in September relative to the S&P/ASX Small Ordinaries Accumulation Index which returned 5.06%. September which is usually one of the weaker months of the year started off in-line with expectations, however, between a US rate cut (50bps) and significant China stimulus the market rallied strongly with energy and materials names some of the key beneficiaries. This saw a divergence between Small Industrials which were up 4.3% and Small Resources which finished up 7.2%.

Two names which performed well in September were Capital Health (CAJ AU) and Tuas Limited (TUA AU).

CAJ is a name that has been in the portfolio for a long period of time and gained 15.6% over the course of the month. It's a leading diagnostic imaging business with a footprint heavily weighted to Victoria and Western Australia. In June 2024, CAJ received an Indicative Proposal from Integral Diagnostics (IDX AU) to acquire 100% of CAJ shares at an implied valuation of \$0.326 at the time of proposal, or a 33% premium to the previous close price. Within September, CAJ had their Scheme Booklet approved by the courts and registered with ASIC, significantly lowering the risk that the merger does not proceed. As a result, we saw the gap between the implied takeover price and the current share price of CAJ narrow. In addition to this, the sector saw more M&A activity with Healius (HLS AU) selling their Lumus Imaging business to Affinity Equity Partners for an enterprise value of \$965m (c17x EBITDA) - supporting CAJ's valuation. We continue to hold CAJ as a core position with the fund and note that Scheme Meeting will take place on 31 October 2024.

TUA, a provider of mobile telecommunications services within Singapore, rallied 24.7% during the month on the back of their FY24 result. EBITDA was a solid beat versus consensus estimates, with strong operating leverage again a highlight. TUA mobile offering, now trading under the Simba brand, is now estimated to be 11% of the Singaporean market with little signs of slowing down. TUA is just at the beginning of its journey to replicate its success in Mobile to Broadband. Currently, there are 4,000 broadband with the ramp up in its 10Gbps offering only having begun recently. Although still very early days, the cross-sell opportunity coupled with competitive pricing and increasing brand awareness should continue to drive meaningful earnings growth. We continue to hold TUA as one of our core positions within the portfolio.

Looking to October, conference season is really warming up with numerous opportunities for companies to once again engage with the investment community and provide both qualitative and quantitative outlooks. As well as conferences, AGM season will start to kick off at the back end of October providing potentially further catalyst for stocks.

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.

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