

Ellerston Australian Micro Cap Fund

Monthly Report as at 30 September 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 [^]	4.78%	10.19%	34.71%	-1.30%	11.39%	14.74%
Benchmark [*]	5.06%	6.53%	18.79%	-0.57%	4.38%	6.69%
Alpha	-0.28%	3.66%	15.92%	-0.73%	7.01%	8.05%

[^] 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	54
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%

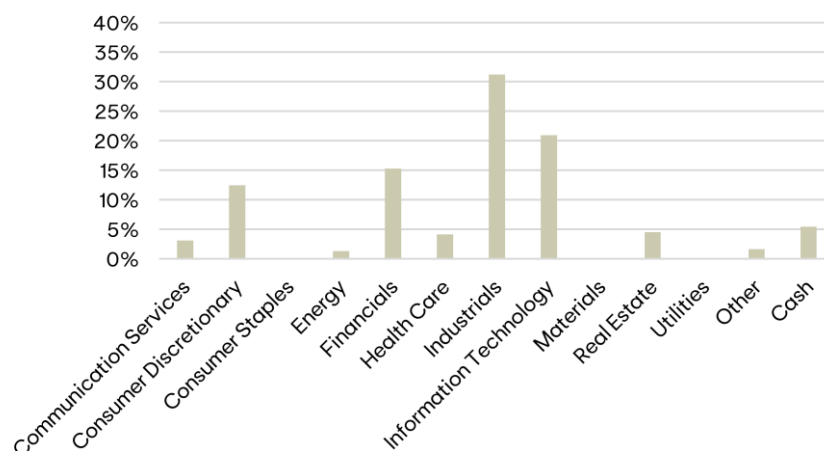
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Catapult Group International Ltd.	Information Technology
Generation Development Group Limited	Financials
GenusPlus Group Ltd.	Industrials
Servcorp Ltd	Real Estate
Universal Store Holdings Ltd.	Consumer Discretionary

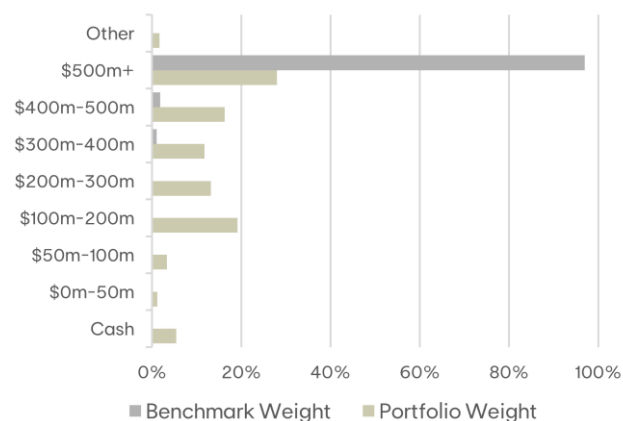
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY25e	Fund	Benchmark
Price/Earnings	15.61x	20.33x
Dividend Yield	2.59%	3.10%
Net Debt/EBITDA	-0.63x	1.41x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Micro Cap Fund delivered 4.78% (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 Qoria Limited (QOR 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.

QOR shares rallied 14% during September. QOR is an internet safety ecosystem designed for K-12 students, offering a comprehensive suite of tools that includes content filtering, classroom management, parental controls, and student wellbeing monitoring. Through strategic acquisitions, QOR has built a robust portfolio of K-12 digital safety solutions across various regions, positioning itself to capitalise on strong industry growth and significant market opportunities. In the past month QOR announced that, through their UK subsidiary Smoothwall, they had signed with the largest managed services provider for K-12 in the UK. Schools Broadband, the aforementioned managed services provider, delivers broadband to over 3,000 schools and Multi Academy Trusts in the UK and represents a significant opportunity for QOR with this 2-year exclusive partnership. On the last day of September, QOR went into a trading halt to raise capital to fund a small but strategic acquisition and to pay down some debt. This capital raise was well supported by the market and in October it is trading above the issue price. Overall, with free cash flow breakeven in the near term and EBITDA margin expansion targets in place to FY26, we see plenty of catalysts for QOR moving forward.

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.

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All holding enquiries should be directed to our registry, Automic Group on 1300 101 595 or ellerstonfunds@automicgroup.com.au.

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