

# Ellerston Australian Micro Cap Fund

Monthly Report as at 31 October 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.) <sup>^^</sup>
Net <sup>^</sup>	-1.41%	3.55%	44.53%	-1.81%	10.28%	14.35%
Benchmark <sup>*</sup>	0.80%	3.77%	26.65%	-0.61%	4.65%	6.73%
Alpha	-2.21%	-0.22%	17.88%	-1.20%	5.63%	7.62%

<sup>^</sup> The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance. <sup>\*</sup> S&P/ASX Small Ordinaries Accumulation Index. <sup>^^</sup> 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 <sup>1</sup>	20.00%
Buy/Sell Spread	0.25% / 0.25%

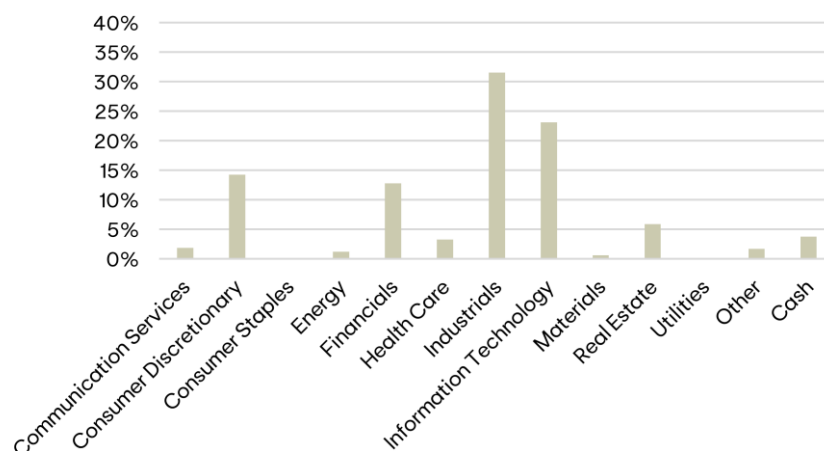
<sup>1</sup>Of the investment return above the benchmark, after recovering any underperformance in past periods.

## Top Holdings\*

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

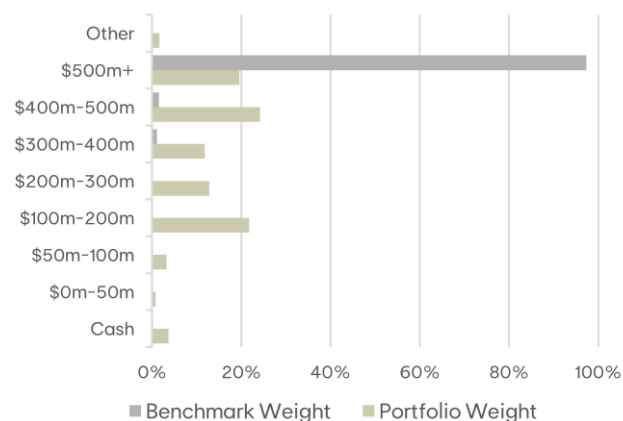
\*In alphabetical order.  
Source: Ellerston Capital.

## Sector Allocation



Source: Ellerston Capital.

## Market Capitalisation Exposure



Source: Ellerstun Capital.

## Key Portfolio Metrics

FY25e	Fund	Benchmark
Price/Earnings	15.38x	20.63x
Dividend Yield	2.83%	3.07%
Net Debt/EBITDA	-0.12x	1.36x

Source: Ellerstun Capital.

## COMMENTARY

The Ellerstun Australian MicroCap Fund delivered -1.4% (net) in October relative to the Benchmark which returned 0.8%. The market was well supported by Small Resources which rallied 5.8% during the month, while Small Industrials fell 1.2%. Gold was the standout commodity, driven by geopolitical tensions and central bank demand. This dynamic has somewhat unwound in early November, following the US election outcome. October saw a plethora of company AGMs and quarterlies which made it feel like a mini-reporting season. Company updates were mixed during October. Travel names had a tough month with both WEB Travel Group (WEB AU) and Flight Centre (FLT AU) providing softer than expected updates. Conversely, retail names such as JB Hi Fi (JBH AU); Adairs (ADH AU) and Universal Store Holdings (UNI AU) all reported solid trading updates.

It was a mixed bag for the zfund this month, while we had some solid updates, we did hit some own goals which detracted from performance. OFX Group (OFX AU) had a tough month, finishing down over 30% after 1H25 Net Operating Income and EBITDA came in below expectations. This reflected a slower rebound in corporate confidence, later than anticipated rate cuts, and stronger USD, all of which weighed on average transaction value in the UK and Canada which fell 22% and 7% respectively. The company indicated conditions had started to improve during October and pleasingly, the early signs of the new corporate client platform are positive - new revenue growth was almost 40% on the prior period, with non-FX revenue for those new clients contributing around half of total revenue. We think this is the key to delivering a sustained uplift in net operating income growth, along with operating leverage over the medium term. OFX is due to report its first half result in mid-November.

Another stock which detracted from performance was Intelligent Monitoring Group (IMB AU), falling 13.9% over the month. Towards the end of the month IMB released to the market its Quarterly Activities Report and 4C, with the cash flows for the quarter coming in below our expectations. While there were a number of one-off costs within the period, primarily associated with acquisition related expenses and redundancies, the underlying operating cash flow implied a lower quarter at the EBITDA line than was given at their FY24 results on a pro forma basis. The lack of company guidance also shook investor's confidence. With a number of large commercial opportunities for the company to work through, as well as its new residential DIY product offering coming online in the near future, there is merit in management's comments around a significant lift expected in 2H FY25. Post month end, IMB undertook a capital raise to participate in a number of acquisitions to continue to consolidate the industry. With the capital raising IMB also provided FY25 guidance of \$38m EBITDA.

Two stocks which did provide positive update for the portfolio this month were Generation Developments (GDG AU) and Fleetwood Limited (FWD AU).

GDG finished the month up over 20% after an exceptional quarterly result, with all core business lines firing simultaneously. The investment bond business accelerated during the period, generating \$209m in sales inflows, despite being a seasonally quieter period. Lonsec demonstrated strong product growth in research, supported by the ongoing expansion of higher margin private market offerings. We think Lonsec Investment Solutions is the jewel in the crown and FUM is nearing the \$12b mark, a reflection of both market performance and healthy inflows. In partnership with Blackrock and AMP, the company finalised a managed account proposition, offering tailored managed solutions at scale, which will accelerate flows in the rapidly growing sub-segment.

FWD shares rallied 11.1% during the month on the back of a solid trading update for its Searipple Village. FWD announced that the Saipem Clough JV has entered into a binding agreement for accommodation, effectively lifting the forecasted contracted room nights to 72% from 65%, "with expectations that this will further uplift earnings in FY25. At the end of the month, FWD updated the market with its 2024 AGM presentation. While nothing of particular note, they did confirm previous targets around ROCE and ERP completion times. We hold FWD as a core position within the portfolio.

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

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