

Ellerston Australian Micro Cap Fund

Monthly Report as at 31 December 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 [^]	-0.45%	-0.39%	25.30%	-0.34%	9.65%	14.17%
Benchmark*	-3.07%	-1.01%	8.36%	-1.57%	4.01%	6.32%
Alpha	2.62%	0.62%	16.94%	1.23%	5.64%	7.85%

[^] 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%

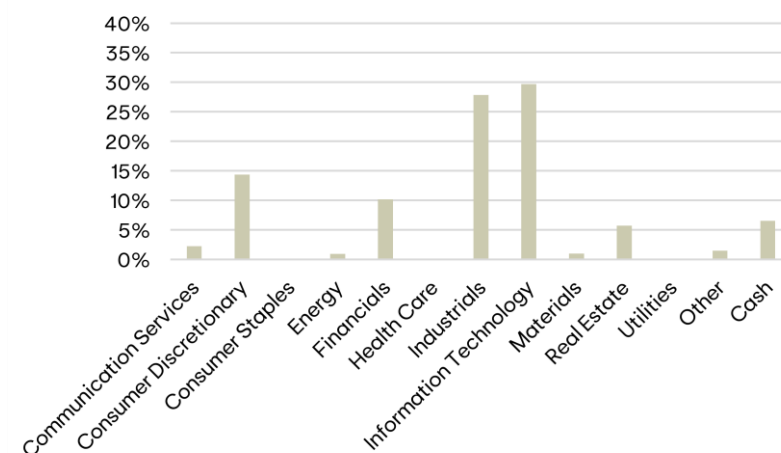
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Catapult Group International	Information Technology
Generation Development Group	Financials
Goria	Information Technology
Servcorp	Real Estate
Universal Store Holdings	Consumer Discretionary

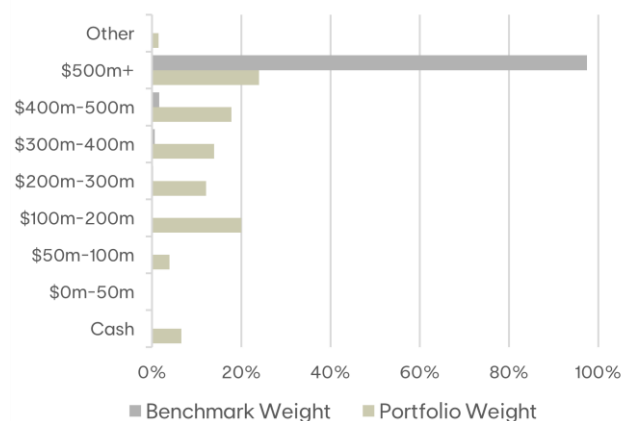
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY25e	Fund	Benchmark
Price/Earnings	14.97x	18.88x
Dividend Yield	2.50%	3.49%
Net Debt/EBITDA	-0.48x	1.19x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Micro Cap Fund outperformed the market by 2.62%, delivering -0.45% (net) in December. The S&P/ASX Small Ordinaries Accumulation Index finished down -3.07% for the month, dragged lower by both the Small Industrials and Small Resources.

Two stocks that performed well in December were Acusensus (ACE AU) and Bhagwan Marine (BWN AU).

Acusensus (ACE AU) closed the month up 23.3%. Within the month, ACE announced that they were the successful applicants for the supply of nation-wide mobile speed camera enforcement in New Zealand. This will be one of ACE's largest contracts, with an estimated value of up to NZ\$92m over the initial 5 year term, with two options of two additional years each following this period. In addition to this contract win, ACE also announced that the Queensland Department of Transport and Main Roads has expanded its contract, effectively doubling the number of trailers for mobile phone and seatbelt enforcement. This contract variation is expected to add around A\$27.4m in revenue over the initial 5 year term, being rolled out over the coming 18 months. Accompanying these contract wins was a capital injection to fund business development, purchasing of fixed assets, new product innovation and working capital.

December was a strong month for Bhagwan Marine (BWN AU) as they closed the period up 12.5%. During the month, BWN announced a trading update, now expecting to record pro-forma EBITDA in the first half of FY25 between \$26m to \$28m, or a 26% to 36% uplift on the prior corresponding period. An important piece to this upgrade was the successful close-out of their largest oil and gas decommissioning project to date, demonstrating their ability to effectively complete these projects in an area that will be in high demand over the coming decade. Outside of this one particular project, activity levels across their other sectors and regions in the core business remained robust. Outlook commentary from the same release stated that tender activity within the half "has been stronger than ever", supporting growth into future periods. BWN sits within the Portfolio as a core position.

Looking more broadly at CY 2024, the market focused on the US Election; as well as potential China stimulus (or not); concerns around inflation and where interest rates were going. Overall, we saw the S&P/ASX Small Ordinaries Accumulation Index finish the year up 8.36%, along with Small Industrials rallying 12.10% and Small Resources falling -1.97%. Over this period, the Ellerstion Australian Micro Cap Fund delivered 25.30% (net). We think the start of 2025 will be very similar to where we ended 2024, waiting for the Trump inauguration and seeing how the anticipated policies will flow through to our domestic market.

We would like to thank you for your support in 2024 and we will continue to focus on bottom-up stock picking and take the macro environment for what it is. We love to find mispriced, quality businesses which can deliver outsized returns. We look forward to the upcoming reporting season in February and getting back out on the road to hunt down new ideas.

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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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