

Ellerston Australian Emerging Leaders Fund

Monthly Report as at 28 February 2025

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 [^]	-3.35%	-1.34%	22.45%	7.65%	3.87%
Benchmark*	-2.80%	-1.46%	7.33%	2.13%	-0.45%
Alpha	-0.55%	0.12%	15.12%	5.52%	4.32%

[^]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%

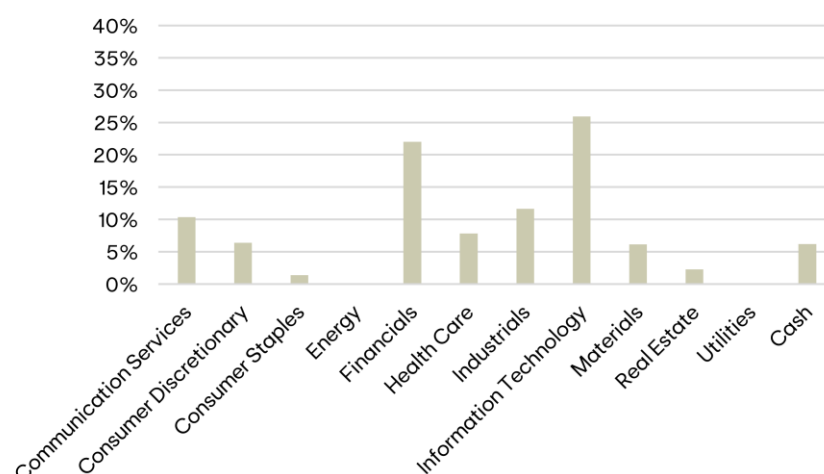
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Generation Development Group Limited	Financials
Index Ltd	Materials
MA Financial Group Limited	Financials
Qoria Limited	Information Technology
Superloop Ltd.	Communication Services

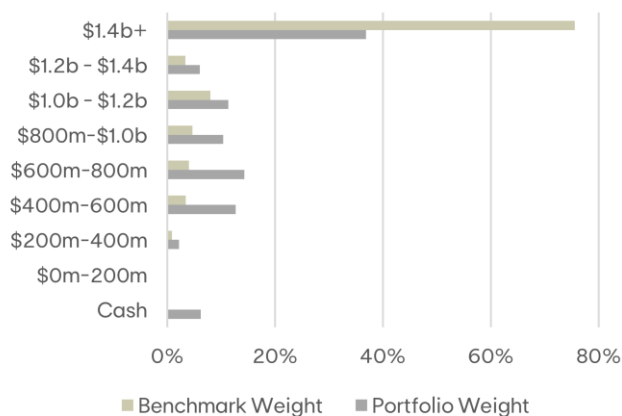
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY25e	Fund	Benchmark
Price/Earnings	17.27x	17.83x
Dividend Yield	2.74%	3.50%
Net Debt/EBITDA	-0.27x	1.22x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Emerging Leaders Fund underperformed the market by 0.55% to deliver -3.35% in February. The S&P/ASX Small Ordinaries Accumulation Index finished down -2.80% for the month. February experienced heightened market volatility due to macroeconomic changes, particularly Trump's tariff proposals and potential retaliatory actions from other countries. Domestically, the RBA cut interest rates by 25bps which was in line with market expectations. Turning to reporting season, it was a mixed bag. Most data suggested that profit beats outnumbered misses by 3:2 and only small EPS downgrades were pushed through. However, share price movements were more pronounced than usual. Corporate activity continued to increase with Insignia (IFL AU) receiving yet another bid; Domain (DHG AU) had a non-binding indicative proposal lobbed from CoStar at \$4.20 which was a significant premium and Mayne Pharma (MYX AU) entered into a scheme deed with Cosette at \$7.40. We expect corporate activity to remain elevated given the devaluation in the Australian dollar and attractive relative valuations of some Australian businesses.

Turning to the portfolio, while we had strong gains in high-conviction names, weakness in some smaller core positions weighed on the fund's performance. If we had to put our underperformance into a broad category, it would come down to expectation management. Some of our positions that were anticipated to upgrade did not, which disappointed the market. While some other positions missed expectations on below the line items which resulted in EPS downgrades. We find it important to take stock of where our failures were to ensure mistakes can be minimised in the future.

Two high conviction stocks which outperformed this reporting season were Generation Development (GDG AU) and MA Financial (MAF AU).

Generation Development (GDG AU) had another strong month finishing up around 15%, after announcing the acquisition of rival managed account provider, Evidentia. This comes less than 12 months after acquiring the remaining half of Lonsec, effectively combining the two largest managed account providers and further increasing their competitive advantage. The deal is estimated to be double-digit accretive prior to any synergies (which we think could be material) and strategically makes sense because of the complimentary product sets. The combined entity will manage over \$25b in managed account FUM and continue to take the lion's share of the rapidly growing category. During the month, the company also delivered a strong 1H25 result, with the investment bond business continuing to outperform. The stock remains a high conviction holding in the portfolio.

MA Financial (MAF AU) had a solid month, finishing up over 25% after delivering a strong FY24 result, signalling improving operating momentum across all divisions into FY25. Private credit continues to drive strong flows into the asset management division, and we believe the FY26 targets are within reach, with potential upside if the US launch is successful. The MA Money loan book growth accelerated and NIM improved materially in the second half, while Finsure continues to grow its share of brokers. We also saw signs of life in corporate advisory and equities which have won some larger deals in the last couple of months and have a healthy pipeline.

With reporting season now behind us we look forward to getting back on the road, chasing down new ideas and catching up with management teams on their own turf.

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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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