

Ellerston Mid Cap Opportunities Fund

Monthly Report as at 28 February 2025

APIR Code: ECL6330AU | ARSN 683 124 263



Portfolio of 25-40 Mid 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	Since Inception^^
Net^	-0.84%	-0.84%
Benchmark*	-3.72%	-3.72%
Alpha	2.88%	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.

*50% of the S&P/ASX Mid Cap 50 Total Return (TR) Index and 50% of the S&P/ASX Small Ordinaries Total Return (TR) Index. ^^Inception date is 31 January 2025.

Key Information

Portfolio Manager(s)	David Keelan Alexandra Clarke Jack Briggs
Investment Objective	To outperform the Benchmark over a rolling three year period.
Benchmark	50% of the S&P/ASX Mid Cap 50 TR Index & 50% of the S&P/ASX Small Ordinaries TR Index
Liquidity	Daily
Target Number of Holdings	25-40
Number of Holdings at Month End	38
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.00% (p.a.)
Performance Fee ¹	20.00%
Buy/Sell Spread	0.25% / 0.25%

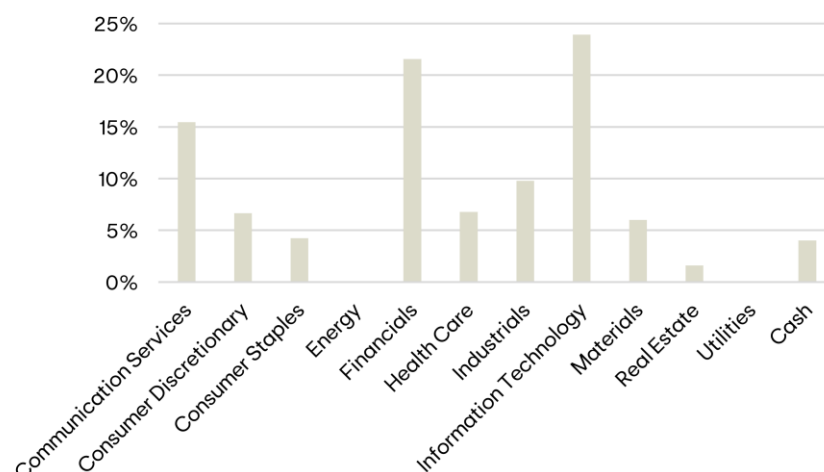
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Generation Development Group	Financials
Index	Materials
Life360	Information Technology
MA Financial Group	Financials
Seek	Communication Services

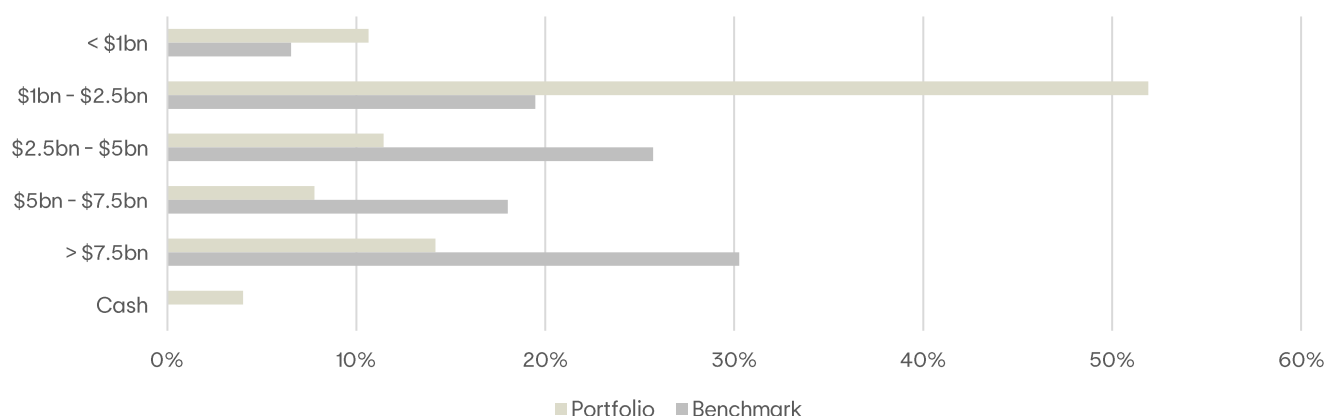
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerston Capital.

COMMENTARY

February was the inaugural month of the Ellerston Mid Cap Opportunities Fund (Fund) delivering -0.84% relative to its Benchmark which was down -3.72%. The Fund applies the Ellerston team's proven investment process to the Mid Cap Universe, defined as stocks with a market capitalisation of \$700m to \$20b. We believe this universe provides a compelling risk-reward profile by blending the downside protection provided by larger, robust and proven business models, with the alpha potential inherent in smaller, higher-growth and under-researched businesses.

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 the 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, while 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 some good wins on our high conviction names, we experienced weakness in some of our smaller core positions which impacted the performance of the Fund. Broadly speaking we saw business momentum decelerate missing the market's expectations and the share prices of these positions were punished heavily. We find it important to take stock of where our failures lay to ensure mistakes can be minimized 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 26% after delivering a strong FY24 result, signaling 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. The team's process is driven by bottom-up fundamental research. It has a particular focus on stock level downside risk management as we believe limiting material drawdowns provides the best compounding of capital over the medium term as well as improving volatility. The Fund capitalises on synergies with the team's established Micro-Cap, Small-Cap and Unlisted strategies, drawing from their deep understanding of corporate histories of market constituents as they grow and "graduate" up the market cap spectrum.

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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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