

Ellerston Australian Micro Cap Fund

Monthly Report as at 28 February 2025

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 [^]	0.08%	1.24%	23.67%	4.18%	10.94%	14.09%
Benchmark [*]	-2.80%	-1.46%	7.33%	2.13%	5.57%	6.41%
Alpha	2.88%	2.70%	16.34%	2.05%	5.37%	7.68%

[^] 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	49
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%

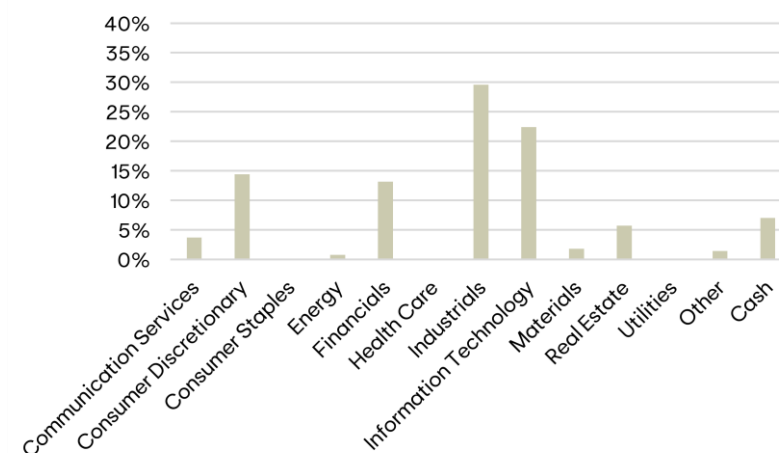
¹Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Fleetwood Limited	Consumer Discretionary
Generation Development Group Limited	Financials
GenusPlus Group Ltd.	Industrials
Goria Limited	Information Technology
Servcorp Limited	Real Estate

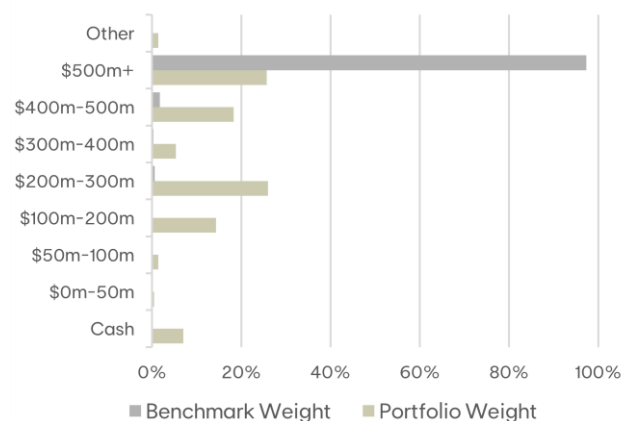
*In alphabetical order.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerstion Capital.

Key Portfolio Metrics

FY25e	Fund	Benchmark
Price/Earnings	14.50	17.83x
Dividend Yield	2.40%	3.54%
Net Debt/EBITDA	-0.31x	1.22x

Source: Ellerstion Capital.

COMMENTARY

The Ellerstion Australian Micro Cap Fund outperformed the market by 2.88% to deliver 0.08% (net) in February relative to the S&P/ASX Small Ordinaries Accumulation Index which returned -2.80%. 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 stocks which outperformed this reporting season were Fleetwood (FWD AU) and IKE Group (IKE AU).

Fleetwood (FWD AU), which has been a long term holding of the fund, had a great result finishing up 27%. While most of our investment thesis and valuation is built around occupancy at Searipple, Building Solutions was the true standout. Over the years, Building Solutions has been problematic asset; however, the February result clearly demonstrated that the hard work that has been put in to drive margins and ROIC is starting to deliver. With over \$50m of cash and a \$225m market cap, we believe FWD is materially undervalued, particularly with the leverage it is about to demonstrate over the coming two years as Searipple begins to generate substantial earnings and free cash flow for the group.

IkeGPS Group (IKE AU), a Kiwi-based company that offers a solution for the collection, analysis and management of distribution assets for communications and electric utilities companies, had a very strong month rallying 29%. IKE disclosed that they had received an unsolicited, non-binding acquisition offer by a large private equity group for NZ\$1.00, or a 62% premium. Without the support of its major shareholders, IKE decided that there was little chance for an agreement and discussions have now ceased. However, IKE also noted that there is increasing levels of M&A activity within the space, driven by the multi-decade tailwinds of significant upgrades to the electrical grid resilience and capability which bodes well for continued valuation support. After February, IKE announced the signing of two major US investor-owned electrical utilities companies, adding circa NZ\$1m of ARR to the group. IKE is also confident in securing additional subscription customers in the short and medium term.

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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