

Ellerston Australian Micro Cap Fund – Class A Units

Monthly Report as at 31 December 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 [^]	-1.3%	-2.8%	33.0%	23.3%	9.9%	16.2%
Benchmark [*]	1.4%	1.8%	25.0%	13.4%	6.9%	8.3%
Alpha	-2.7%	-4.6%	8.0%	9.9%	3.0%	7.9%

[^] 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 James Barker
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
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%

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

Top Holdings*

Company	Sector
IPD Group	Industrials
Mayfield Group	Industrials
Servcorp	Real Estate
Shape Australia	Industrials
Wagners	Materials

^{*} In alphabetical order.

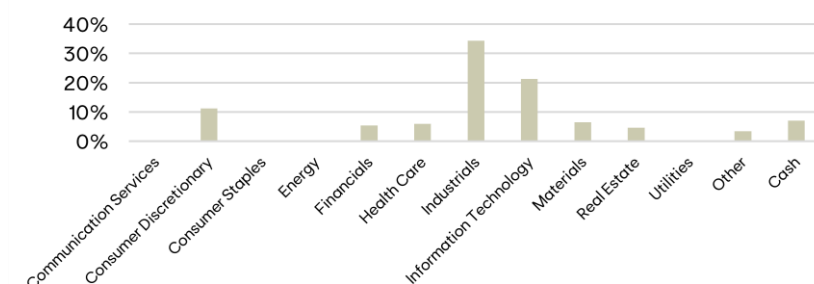
Source: Ellerston Capital.

Key Portfolio Metrics

FY26(e)	Fund	Benchmark
Price/Earnings	15.19x	18.32x
Dividend Yield	2.82%	2.82%
Net Debt/EBITDA	-0.03x	1.23x

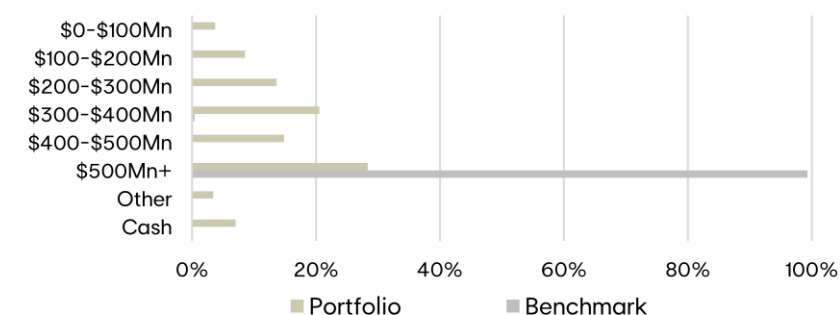
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Cap Exposure



Source: Ellerston Capital.

FUND COMMENTARY

The Ellerston Australian Micro Cap Fund - Class A Units (Fund) declined 1.3% (net) in December, compared with the S&P/ASX Small Ordinaries Accumulation Index (Benchmark), which rose 1.4%. For the December quarter, the Fund was down 2.8%, while the Benchmark rose 1.8%. We never like making excuses, and there were some stock-specific outcomes over the period that did not play out as expected. As part of our normal process, these "own goals" have been carefully reviewed and lessons taken to help minimise future mistakes.

That said, the majority of the Fund's relative underperformance was driven by the continued strength of the Materials sector, which rose 18.2% for the quarter and 9.2% in December alone. Resources have materially re-rated and Materials now comprise meaningful portion of the Benchmark. We do not own resources, and our effectively nil exposure to the sector proved a headwind to performance. We remain comfortable sticking to our knitting, preferring to invest in businesses with lower levels of cyclicality and therefore increased predictability of earnings. We continue to see multiple identifiable catalysts across our holdings that we believe can drive meaningful re-ratings.

Looking back at 2025, the market was shaped by a range of macroeconomic and thematic influences, including rising trade tensions and tariffs, the ongoing effects of inflation, global interest rate movements, shifts in consumer confidence, and increasing optimism around the potential impact of artificial intelligence on productivity and economic growth. These forces contributed to heightened volatility throughout the year, which in turn created numerous opportunities for active stock pickers to acquire high-quality businesses at attractive valuations. For the calendar year, the Small Ordinaries Index finished up 25%, with Small Industrials rising 8.8% and Small Resources delivering strong gains, reinforcing the increasingly divergent performance across sectors. Over the same period, we are pleased to report the Ellerston Australian Microcap Fund – Class A Units delivered a return of 33% (net) outperforming its Benchmark by 8%.

KEY CONTRIBUTOR

The top contributor for the quarter was Mayfield Group Holdings (MYG AU), which delivered a 111% return over the December quarter, extending its strong momentum with the stock now up 204% financial year to-date. Early in the quarter, MYG was awarded a \$20m contract for the Brigalow Gas Peaking Plant in Queensland. Additional packages secured during the period included switchrooms, protection and control panels for battery energy storage systems, and substation-related work, highlighting the breadth of MYG's capabilities and its exposure to structurally strong end markets. In November, the company successfully raised \$33.5m to capitalise on its expanding growth runway, supporting both organic expansion and acquisition opportunities. We continue to hold MYG as a high-conviction position within the portfolio, reflecting our confidence in the quality of the business and its medium-term growth outlook.

KEY DETRACTOR

ERoads (ERD AU) underperformed over the December quarter as a softer backdrop for listed technology stocks continued to influence investor positioning, particularly across smaller-capitalisation names. Against this environment, the market remained cautious following the earlier FY26 guidance reset and took a more conservative view on the near-term timing of the eRUC rollout. As a result, the share price has become increasingly anchored to the existing core New Zealand business, with limited recognition of the longer-term upside from eRUC. In our view, the recent weakness reflects broader sector sentiment and timing considerations rather than any deterioration in underlying fundamentals.

OUTLOOK

Looking into 2026, we are increasingly positive on the outlook for the portfolio and the opportunity set ahead. Our focus remains firmly on opportunities that offer asymmetric outcomes, targeting at least three-to-one risk-reward with the target of deliver ~15% per annum returns over the medium term. The work undertaken over the past year has allowed us to further concentrate the portfolio in our highest-conviction ideas, where downside risk is well understood and underpinned by balance sheet strength and cash generation, while upside is supported by multiple, clearly identifiable catalysts. We are particularly looking forward to the February reporting season, which we see as a catalyst-rich period where fundamentals should reassert themselves. With expectations reset across parts of the market, we believe reporting season will provide an opportunity for several holdings to demonstrate earnings momentum and outperform.

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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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