Ellerston Mid Cap Opportunities Fund

Ellerston Capital

Monthly Report as at 31 March 2026

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	3 Month	6 Month	1 Year	Since inception (p.a.)^^
Net^	-12.1%	-19.9%	-27.2%	-5.8%	-11.0%
Benchmark*	-10.6%	-10.1%	-9.3%	12.1%	3.5%
Alpha	-1.5%	-9.8%	-17.9%	-17.9%	-14.5%

^ 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 Jack Briggs James Barker
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
Minimum Investment	Initial - $10,000 Additional - $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%

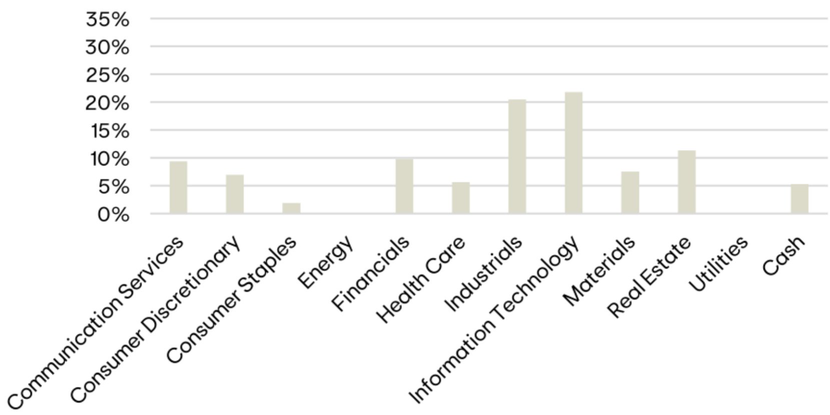
[1]*Of the investment return above the benchmark, after recovering any underperformance in past periods.*

Top Holdings*

Company	Sector
Bravura Solutions	Information Technology
Gemlife Communities Group	Real Estate
GenusPlus Group	Industrials
Macmahon Holdings	Materials
Seek	Communication Services

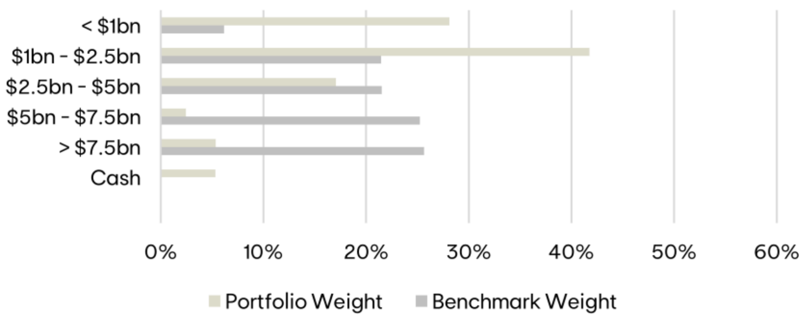
** In alphabetical order.*
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Capitalisation Exposure



Source: Ellerston Capital.

FUND COMMENTARY

The Ellerston Mid Cap Opportunities Fund (the Fund) delivered -12.1% (net) in March, slightly behind the benchmark, which declined by -10.6% during the period. Meanwhile, for the quarter, the Fund declined -19.9% whilst the Benchmark declined -10.1%. March proved to be a challenging month for global financial markets, with volatility driven by a combination of geopolitical tensions and resurging inflationary pressures. Escalating conflict involving Iran, Israel, and the United States contributed to a sharp increase in uncertainty. This was compounded by a spike in oil price which went from ~US$70/bbl to as high as US$110/bbl in just a few short weeks, contributing to a renewed spike in global inflation and supply chain pressures. Domestically, inflation has also reaccelerated in recent months, with CPI prints tracking ahead of expectations. In response, the Reserve Bank of Australia increased the cash rate by 25 basis points during the month, reinforcing a more hawkish policy tilt, which caught out many investors positioned for a continuation of the 2024–25 easing cycle. Bond yields also moved higher during the month, reflecting the higher inflation expectations, further weighing on equity valuations, particularly long duration-growth assets. For the mid-cap part of the market, the impact was disproportionate and swift, compared with the broader S&P/ASX 200 – Total Return Index, which declined by a more modest -7.1%.

KEY CONTRIBUTOR

Macmahon's (MAH AU) was a strong contributor to the portfolio during the quarter, driven by a combination of solid 1H26 results and an expanding tender pipeline that is beginning to attract broader institutional attention. The company reported 1H EBIT of $91m (+17% pcp), revenues of $1.3b (+11%), and underlying EBITDA of $200m. This was broadly in line with expectations and accompanied by a 73% increase in the interim dividend to 0.95cps, signaling management's growing confidence in the cash generation outlook and its continued focus on its expanding ROACE targets. Net debt continued to fall, declining to $144m, while FY26 guidance was reaffirmed at EBITDA of $180–190m. The standout feature of the result, however, was the tender pipeline, which has grown to $25.6bn with $14.4bn expected to be awarded within the next 12 months across the Mining and Civil divisions. This pipeline growth underpins a credible path to management's medium-term targets of $750m+ in Underground revenue and $1b in Civil revenue by FY28. Adding further momentum, MAH was included in the ASX 300 in March, a catalyst that brought index-driven buying and widened the institutional shareholder base, contributing to the re-rating during the period.

KEY DETRACTOR

Megaport (MP1 AU) was a key detractor for the Quarter. In our view the weakness was driven by continued selling following the 1H26 result in February as well as general risk off sentiment in equity markets impacting long duration growth stocks. MP1's February result showed strong topline momentum as we had expected but raised questions about the level of investment in costs and capital required to generate this growth. Whilst we feel aspects of the market's concerns are overblown, the position size has reduced and we have conducted another round of due diligence. We are seeking to build conviction in the business' path of revenue momentum translating to free cash flow momentum.

OUTLOOK

Looking ahead, we believe the recent sharp and indiscriminate sell-off has created a more attractive environment for active stock picking. Like any external shock, these periods create both winners and losers, and the volatility often opens good investment opportunities. In our view, several high-quality businesses have been caught up in the broader market weakness, creating appealing entry points. This period between reporting seasons is particularly valuable, allowing us to get on the road, attend conferences, and actively search for new ideas. We remain active, meeting with existing and prospective companies, while continuing to stress-test our investments at both the stock and portfolio level. Our focus remains on high-quality businesses with strong balance sheets, pricing power, and clear paths to growth. The portfolio is concentrated in high-conviction positions that we believe can grow earnings over time and deliver strong risk-adjusted returns, targeting at least a three-to-one risk reward and around 15% per annum over the medium term.

RESEARCH RATING

Recommended
Lonsec Research

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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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