Ellerston Australian Micro Cap Fund – Class A Units

Ellerston Capital

Monthly Report as at 31 March 2026

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^	-9.9%	-9.6%	20.7%	18.2%	7.3%	14.4%
Benchmark*	-11.0%	-10.9%	13.7%	8.5%	4.0%	6.7%
Alpha	1.1%	1.3%	7.0%	9.7%	3.3%	7.7%

^ 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 James Barker Jack Briggs
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
Servcorp	Real Estate
Shape Australia Corporation	Industrials
SKS Technologies Group	Industrials
Wagners Holding	Materials

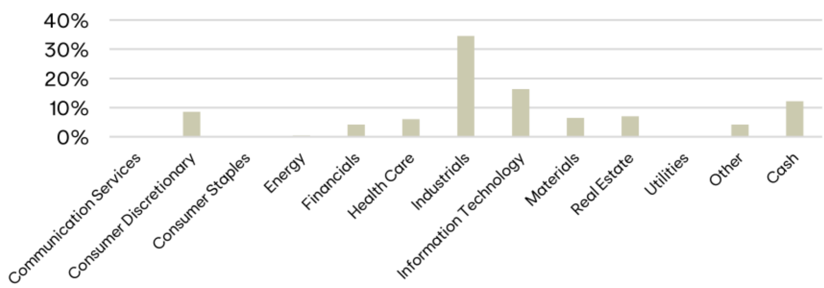
**In alphabetical order.*
Source: Ellerston Capital.

Key Portfolio Metrics

FY26(e)	Fund	Benchmark
Price/Earnings	15.31x	15.63x
Dividend Yield	3.41%	3.17%
Net Debt/EBITDA	-0.05x	1.29x

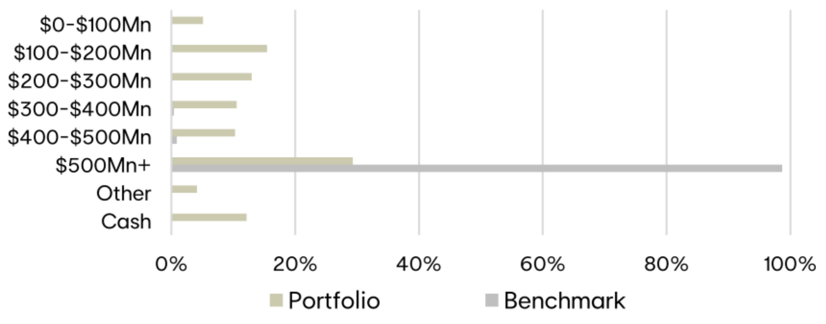
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Market Cap Exposure



Source: Ellerston Capital.

FUND COMMENTARY

The Ellerston Australian Micro Cap Fund – Class A Units (the Fund) delivered -9.9% (net) in March, slightly ahead of the S&P/ASX Small Ordinaries Index (the Benchmark), which declined by -11.0% during the period. Meanwhile, for the quarter, the Fund delivered -9.6% (net) compared to the Benchmark which declined -10.9%. 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 small and micro-cap end 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

Duratec (DUR AU) +33.5% was one of the Fund's top contributors for the March quarter, with the share price re-rating materially as the market gained confidence that the group is entering a sustained period of contract momentum across its key verticals. The 1H26 result was broadly in line with expectations and served to validate the underlying earnings trajectory rather than drive the move itself; more important were the forward-looking catalysts, including the award of an approximately $45 million PNG services contract with Newmont and the commencement of early procurement works at HMAS Stirling, which provided tangible evidence that the company's exposure to the multi-billion-dollar naval infrastructure build is beginning to convert into revenue. Broader strength across companies with defence exposure provided a supportive thematic backdrop, but the strength of the share price reflected DUR's diversified pipeline spanning defence, energy, mining, and marine infrastructure is approaching a period of accelerating awards that should meaningfully improve order book visibility. We continue to hold DUR as a high conviction position within the portfolio and look forward to news of the outcomes of several key contract awards over the coming quarter.

KEY DETRACTOR

Baby Bunting (BBN AU) was the Fund's largest detractor over the March quarter, with the share price falling approximately -45.3% despite delivering a 1H FY26 result that was broadly in line with expectations. Management narrowed full-year NPAT guidance to $17.5–19.5 million, implying a material second-half skew, while early 2H trading showed continued momentum with comparable sales growth accelerating to 6.7%. The severity of the de-rating, therefore, had little to do with the reported numbers and far more to do with the market's unwillingness to pay for discretionary retail earnings in a deteriorating consumer environment, with investor sentiment toward the sector souring materially through the quarter. BBN's structural self-help levers including store refurbishments, network expansion, and an improving New Zealand business were largely disregarded as the market applied a sharply lower multiple to near-term earnings, notwithstanding broker upgrades and upward revisions to outer-year forecasts. The magnitude of the sell-off appeared disproportionate to any change in the company's underlying trajectory, reflecting the kind of indiscriminate de-rating that can affect smaller-capitalisation consumer names when macro anxiety intensifies. We currently hold BBN as a core position within the fund.

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.

Find out more:

Should investors have any questions or queries regarding the Fund, please contact our Investor Relations team on 02 9021 7701 or info@ellerstoncapital.com or visit us at ellerstoncapital.com.

All holding enquiries should be directed to our registry, Automic Group on 1300 101 595 or ellerstonfunds@automicgroup.com.au.

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