

Ellerston Capital

Monthly Newsletter July 2023



Monthly Returns – Top 3 Performers

Fund	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) *
Ellerston JAADE Australian Private Assets Fund (Retail)	5.3%^	7.2%	14.5%	-	17.9%
Ellerston Asia Growth Fund (Hedge Fund)	3.7%	-	-	-	4.1%**
Ellerston Income KIS Fund	3.5%	8.0%	12.1%	-	9.4%

Performance figures shown are net of fees and expenses. Past performance is not a reliable indication of future performance.

*Please refer to summary of fund performance page for Fund inception dates and APIR codes.

** Cumulative return since inception

^Quarter end performance calculated as at 30 June 2023

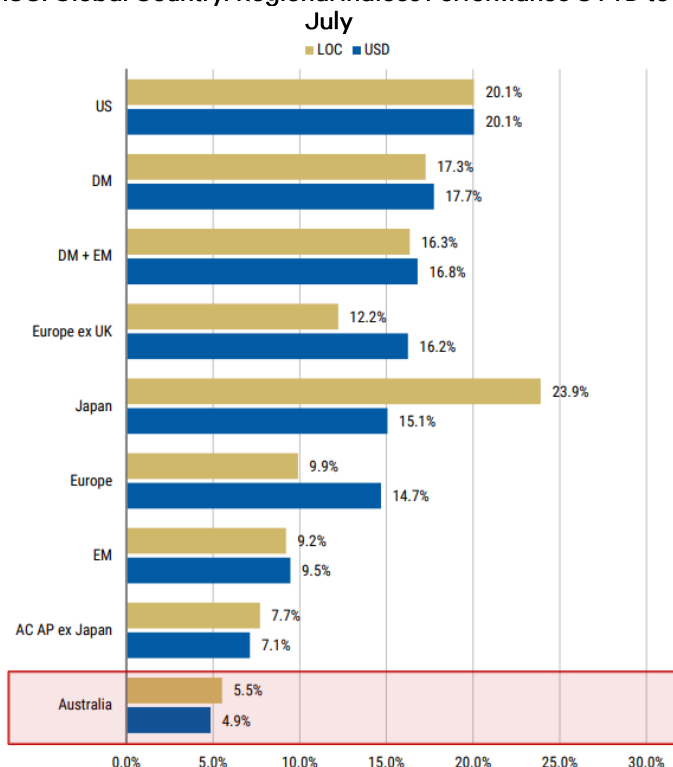
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Monthly Market Update

Market Overview

The MSCI Developed Markets continued to rise, up 2.9% in July and the S&P 500 gained 3.2% in local currency terms. Emerging markets (+5.4%), outperformed their Developed Market counterparts, with Energy, Communication Services and Information Technology being the best performing sectors globally. The domestic market finished at 7,401pts, up 2.88% for July, with both Energy (+8.8%) and Financials (+4.9%) doing the heavy lifting.

MSCI Global Country/Regional Indices Performance CYTD to July



Source: Morgan Stanley.

Australian Update

The A\$ closed the month flat at US\$0.67. The expected pause by the RBA, while the US raised rates another 25bps, offset the benefit of stronger commodity prices.

A friendlier and softer than expected June quarter CPI (with the trimmed mean at +5.9% YoY), lower than the RBA's estimate of 6.0% and a weaker June retail sales print (-0.8% v 0.0% expected), cemented expectations for a pause by the RBA at 4.1%. This was announced at 2.30 on 1st August at the time of writing.

The S&P/ASX 200 Accumulation Index delivered a 2.9% return in July, understating a +5.8% bounce off its intra-month lows, as a pause in Central Bank reaction is having a positive effect on sentiment. Energy, Financials and Information Technology led the performance. The Energy sector (up 8.8%), was the best performer (the biggest contributors were Woodside Energy +10.3%, and Santos +5.9%), followed by Financials (+4.9%) and then Information Technology (+4.5%). The bottom three sectors were Healthcare (-1.5%, pulled down by expensive defensives CSL -3.2% and Sonic Healthcare -1.2%), Consumer Staples (-1.0%) and Materials (+1.4%).

For the month, the top stocks that made a positive contribution to the Index's return were CBA (+43bps), Woodside (+32bps), NAB (+30bps), ANZ (+29bps) and BHP (+24bps). Conversely, the bottom five stocks detracting from the Index's performance were CSL (-22bps), Woolworths (-7bps), IGO (-4bps), Macquarie Group (-4bps) and Allkem (-3bps). The ASX Small Ordinaries was up 3.5%, outperforming the broader benchmark. Within the ASX Small Ordinaries, it was the Small Industrials that ripped, +4.8% versus the Small Resources, which were only up 0.1%.

WEBINAR: Global Equity Update

Registration for the next Ellerston Global Equity Webinar, held on Tue, Sept 19, 2023, 10:00 AM-11:00 AM AEST, is open – [Register Now](#).



USA

The US Federal Reserve (Fed) raised rates by another 25bps to 5.25–5.50% as expected, after June's pause, to their highest level in 22 years. The rhetoric has not changed i.e. the Fed's actions will be data dependent on "the totality of the incoming data", as well as the implications for economic activity and inflation. The next FOMC meeting is on the 19–20 September, so focus by markets on the key macro data will continue to be front of mind.

The NASDAQ Composite Index led the charge again, rising 4.1% for the month and chalking up a whopping +37.7% return for the CYTD. The S&P 500 and Dow Jones Industrial Average lagged, but were not far behind during the month, both finishing up 3.2%.

Europe

The European Central Bank (ECB) raised rates by 25bps to 3.75%, as promised by President Lagarde. This time, the ECB did not share any guidance about its next move but raised the possibility of a potential pause at its September meeting. However, "it will follow a data-dependent approach to determining the appropriate level and duration of restriction".

The Euro STOXX50 Index finished the month up 1.7%. Among the major exchanges, UK's FTSE 100 was 2.3% higher, Germany's DAX was up 1.9% and France's CAC 40 was the laggard, rising 1.4%.

Asia

For some time now, China has been struggling to kick-start its economic momentum, so the Politburo announced a number of stimulatory initiatives after their July meeting, especially with respect to the property sector. Perhaps these measures will be more successful, rather than another false dawn for equity investors who bid up Chinese stocks in July. Hopefully they won't feel like they bought a short-term relief rally, only to discover it's another value trap.

Asian equity markets were mixed. The Hang Seng was the standout at +7.1%, China's SSE rose 5.4% and India's SENSEX was up 2.9%. Korea's KOSPI finished up 2.7% and The Nikkei 225 was flat for the month after a stellar run of 28.3% for the CYTD, spurred by a weak yen driving the export sector.

Commodities

Commodities were generally stronger in July, as expectations of additional stimulus in China kept bulk commodities elevated and drove base metal prices higher. The iron ore market proved resilient and coking coal prices ticked up 2% to US\$110 and US\$237 per tonne respectively. The base metals complex was strong, with the major metals; Nickel rose 8%, with copper and aluminium both up 6%. The Brent oil price rallied 14% to US\$86/barrel, as Saudi Arabia further tightened supply by extending its 1m bpd unilateral production cut to August. Gold edged up 2.4% to US\$1,965 per ounce on a weaker US Dollar. Lithium carbonate prices were weaker, down 8% and spodumene prices were 11% lower after major battery producers asked for lower pricing in China.

Bonds

The US 10-year treasury yield rose 11bps to 3.95% in July, with the Fed raising rates as expected and better economic data implying high rates for longer. On the domestic front, the Australian 10-year bond yield was 4bps higher at 4.06%, as the RBA paused at 4.1% on the official cash rate.



		1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P ASX 50	2.6	1.8	7.4	12.4	12.4	7.7	8.0
	S&P ASX 200	2.9	2.0	7.5	11.7	12.0	7.5	8.3
	S&P ASX 200 Industrial	3.1	1.8	7.8	6.6	10.3	6.0	7.8
	S&P ASX 200 Resources	2.3	2.8	6.8	26.8	17.2	12.6	9.4
	S&P ASX Small Ordinaries	3.5	0.2	4.9	0.8	5.9	3.2	6.2
	S&P ASX Small Industrials	4.8	3.5	8.7	2.6	5.1	2.8	6.5
	S&P ASX Small Resources	0.1	-8.2	-4.7	-3.7	9.1	5.0	4.8
	MSCI Australia Value	4.0	3.8	7.4	20.0	18.5	8.6	7.4
	MSCI Australia Growth	1.5	0.6	8.7	5.9	6.5	5.9	8.7
ASX 200 Sectors	Energy	8.8	11.1	11.8	25.0	24.8	3.9	2.7
	Utilities	4.0	8.2	11.6	21.3	11.5	7.8	10.8
	Financials	4.9	4.6	5.2	8.5	15.9	5.2	6.7
	Materials	1.4	1.5	6.5	25.1	15.8	14.2	11.9
	Industrials	2.4	1.7	13.3	11.1	11.1	5.8	10.3
	Real Estate	4.1	2.5	7.9	-0.4	8.2	2.7	7.8
	Consumer Discretionary	3.4	-1.1	13.2	8.3	9.6	7.1	9.8
	Health Care	-1.5	-8.0	-1.2	-3.4	1.3	7.1	13.5
	Information Technology	4.5	20.6	36.7	25.2	6.0	12.4	12.9
	Consumer Staples	-1.0	-2.8	6.4	0.6	3.4	6.1	6.7
	Communication Services	2.7	0.5	13.9	14.5	12.6	12.3	3.7
Local CCY								
World	MSCI World Index	2.9	8.5	18.5	12.7	12.7	9.6	10.2
	MSCI EM (Emerging Markets)	5.3	7.9	11.1	8.6	3.0	3.7	6.1
	MSCI AC World ex AU	3.2	8.6	17.8	12.2	11.5	8.9	9.7
	MSCI World Mid Cap	3.7	7.3	12.3	8.2	10.9	6.7	8.7
Americas	S&P 500	3.2	10.4	20.3	12.4	13.2	11.6	12.0
	DJ Industrial Average	3.4	4.9	8.5	10.6	12.6	9.3	11.2
	NASDAQ Composite Index	4.1	17.6	37.7	16.8	11.0	14.3	15.9
	Russell 2000	6.1	13.7	14.7	7.9	12.0	5.1	8.2
Asia Pac	Hang Seng Index	7.1	3.1	4.1	3.1	-3.7	-3.9	2.5
	Japan Nikkei 225	0.0	15.1	28.3	21.5	17.0	9.8	10.9
	MSCI AC Asia ex JP	5.4	6.8	9.9	7.2	1.9	3.0	5.9
	MSCI India	3.3	11.7	7.9	12.1	20.8	12.3	13.0



Ellerston Capital Limited
Summary of Fund Performance

31 July 2023

Net Returns		1M (%)	3M (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)	S.I.* (% p.a)	APIR Code / Inception Date
	Ellerston Global Equity Managers Fund - Class C**	1.9	3.2	-5.0	6.9	6.1	10.7	10.2	ECL0006AU 1/12/09^
	Ellerston Australian Absolute Return Fund	-1.5	-3.4	-12.1	0.3	1.8	4.9	5.0	ECL0013AU 3/6/13^^
	RBA Cash Rate	0.3	1.0	3.2	1.2	1.1	1.5	1.6	
	Excess Return	-1.9	-4.3	-15.3	-0.9	0.7	3.4	3.5	
Australian Equity	Ellerston Australian Share Fund	2.6	0.9	11.6	17.2	6.9	7.8	9.0	ECL0005AU 1/4/09
	S&P/ASX 200 Accumulation Index	2.9	2.0	11.7	12.0	7.5	8.3	9.6	
	Excess Return	-0.3	-1.2	-0.0	5.2	-0.6	-0.5	-0.6	
	Ellerston Australian Emerging Leaders Fund	1.8	1.8	-5.9	-	-	-	-12.2	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	3.5	0.2	0.8	-	-	-	-6.8	
	Excess Return	-1.7	1.6	-6.7	-	-	-	-5.4	
	Ellerston Income KIS Fund	3.5	2.5	8.0	12.1	-	-	9.4	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	2.9	2.0	11.7	12.0	-	-	7.8	
	Excess Return	0.6	0.4	-3.7	0.1	-	-	1.6	
	Ellerston Australian Micro Cap Fund	1.7	0.6	-1.3	3.6	9.0	-	12.6	ECL0984AU 1/5/17
	S&P/ASX Small Ordinaries Accumulation Index	3.5	0.2	0.8	5.9	3.2	-	6.0	
	Excess Return	-1.8	0.4	-2.1	-2.3	5.9	-	6.6	
	Ellerston 2050 Fund	0.9	4.5	-2.7	-	-	-	-1.8	ECL5651AU 31/5/22
	S&P/ASX Small Ordinaries Industrial Accumulation Index	4.8	3.5	2.6	-	-	-	2.0	
	Excess Return	-3.9	1.0	-5.3	-	-	-	-3.7	





Ellerston Capital Limited Summary of Fund Performance

31 July 2023

Net Returns		1M (%)	3M (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)	S.I.* (% p.a)	APIR Code / Inception Date
International Equity	Ellerston Global Mid Small Cap Fund - Class A	2.1	9.0	12.0	10.7	10.5	-	11.7	ECL8388AU 1/3/17
	MSCI World Mid Cap Index	3.0	5.0	12.5	11.5	8.0	-	9.8	
	Excess Return	-0.9	4.0	-0.5	-0.9	2.5	-	1.9	
	Ellerston Asia Growth Fund (Hedge Fund)	3.7	-	-	-	-	-	4.1^^^	ECL1411AU 1/6/2023"
	MSCI Asia ex Japan (non-accumulation)	4.4	-	-	-	-	-	3.7	
	Excess Return	-0.7	-	-	-	-	-	0.4	
	Ellerston India Fund	1.8	7.5	10.4	12.4	7.4	-	7.9	ECL0339AU 4/5/17
	MSCI India Net Return Index	1.7	8.8	11.4	19.0	10.2	-	10.2	
	Excess Return	0.1	-1.3	-0.9	-6.6	-2.8	-	-2.4	
Private Assets	Ellerston JAADE Australian Private Assets Fund (Retail)	-	5.3	7.2	14.5	-	-	17.9	ECL2707AU 5/7/19
	Ellerston Pre - IPO Fund	-	0.6	-7.7	3.9	-	-	3.4	ECL0405AU 31/3/20
	Note: The above two (Ellerston Pre-IPO and Ellerston JAADE) fund results are reported quarterly and therefore are updated as at 30 June 2023								

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Disclaimer

The net return figure is calculated after fees and expenses. Past performance is not a reliable indication of future performance.

*Since Inception

** For the period 1 January 2002 to 30 April 2006, the CPH Group GEMS Portfolio was not operated within a separate fund structure. The underlying investment assets of the CPH Group GEMS Portfolio were owned during that time within corporate entities of the CPH Group for which audited accounts were prepared on an annual basis. Accordingly, in order to provide relevant historical performance information for the period 1 January 2002 to 30 April 2006 (Historical Returns) net returns were calculated on the basis of the actual dollar returns of the CPH Group GEMS Portfolio adjusted to reflect a fund structure similar to the Fund and including all fees. The returns of the Fund and the relevant Indices are net of fees, expenses and taxes and assuming distributions are reinvested.

^This represents the date of demerger of the Ellerston GEMS Fund. On 2 November 2009, Investors holding GEMS Class A units were allocated GEMS Class B units. For the period 1 January 2002 to 30 April 2006, please refer to *** above. For the period 1 May 2006 to 2 November 2009, the net return for GEMS A have been used.

^^ The Ellerston Australian Absolute Return Fund was formerly known as the Ellerston Australian Market Neutral Fund which was launched on 3 June 2013.

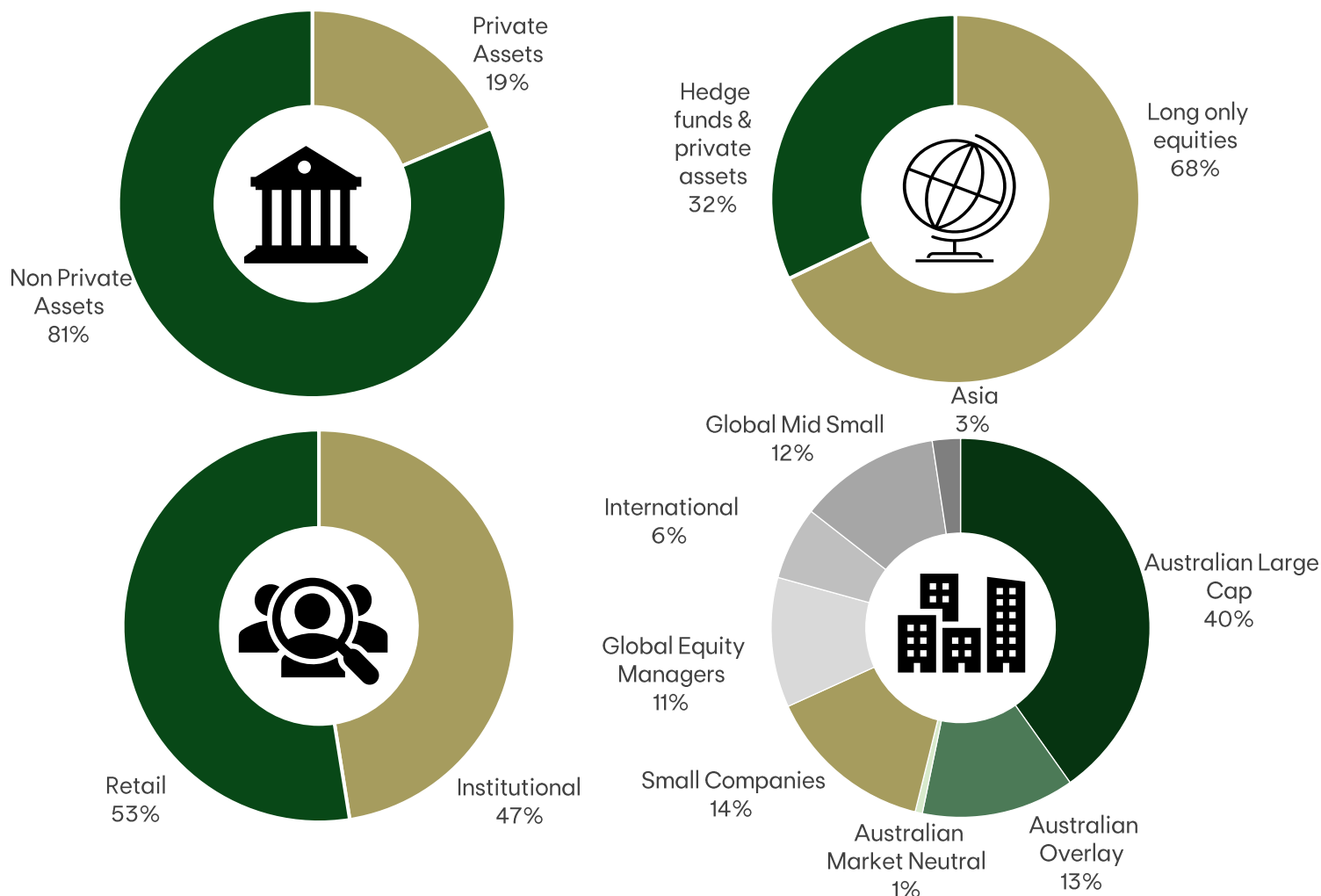
^^^ Cumulative return since inception

""The Ellerston Asia Growth Fund (Hedge Fund) was formerly known as the Ellerston Asia Growth Fund with a strategy inception date of 4 January 2017. The performance was reset following a restructure of the fund into an exchange traded managed fund which took effect on 1 June 2023.

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Funds Under Management

\$3.13 Bn



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

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