



Ellerston Capital

Monthly Newsletter November 2023

Founded on Discovery

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Ellerston Capital

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Monthly Returns – Top 3 Performers

Fund	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception* (p.a.)
Ellerston Australian Share Fund	8.1%	4.5%	10.2%	8.8	8.5%
Ellerston Australian Micro Cap Fund	6.8%	0.4%	-3.5%	10.4	11.3%
Ellerston Australian Emerging Leaders Fund	6.6%	0.3%	-	-	-9.7%

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

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

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Chris Kourtis showcases his table thumping best stock pick at this year's Sohn Hearts & Minds Investment Leaders Conference at the Opera House.



The JAADE Private Assets Application Window opens on 8 December 2023. See [here](#) the latest update from the team and how to apply.



Monthly Market Update

Market Overview

Global equity markets took off in November, led by the US, which rallied 9.2%. Lower inflation expectations, with growing optimism that central banks may have peaked in terms of the tightening cycle, saw the US 10-year Treasury yield experience its largest monthly fall (-55bps) since 2008. This was responsible for most of the equity moves and against this positive backdrop, the ASX 200 posted its largest monthly gain since the start of the year with a solid +5.0% total return, closing at 7,087. In USD terms, the domestic market climbed as high as 9.2%, thanks to an AUD tailwind. MSCI Emerging Markets lagged the Developed Markets by 2.1% in local currency terms over the month. Info Tech and Real Estate were the best performing sectors globally, whilst locally, Healthcare (+11.7%) and Real Estate (+10.8%) were the stand out performers.

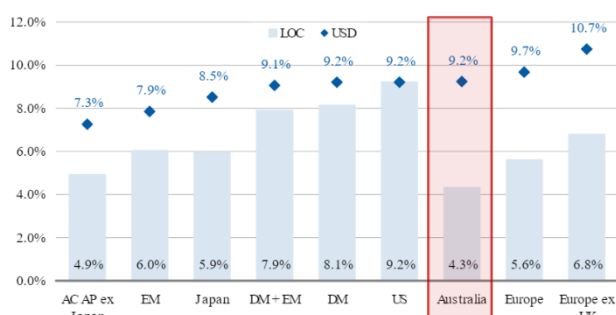
Australia

The RBA raised the cash rate on 7 November, Melbourne Cup Day by 25bps, to 4.35%, after four consecutive pauses. This outcome was widely expected, so the market took it in its stride, similar to Without a Fight's win in the cup. The RBA signalled an increase to its data dependency in November, as it upgraded its forecasts for activity, labour market and inflation, consistent with the economy showing resilience. The changed forecasts have increased the hurdle to another hike but reduced the RBA's tolerance to upside surprises. During the month, a rise in the unemployment rate, decline in retail trade and sharp slowing of monthly inflation has materially reduced the risk of another late interest cycle hike. The A\$ closed the month up 3% to US\$0.66, a beneficiary of the rate hike and higher iron ore prices, but mainly the weaker greenback which was down 3% on a trade weighted basis.

The S&P/ASX 200 Accumulation Index was up 5.0% in November. Healthcare, Real Estate and Information Technology led the performance charts. The Healthcare sector (up 11.7%), was the best performer, spurred on by CSL (+12.9%), followed by Real Estate (+10.8%) driven by Charter Hall Group (+20.0%) with Goodman Group (+9.7%) and Information Technology (+7.3%). The bottom three sectors were Energy (-7.4%) dragged down by Woodside Energy (-9.5%), Utilities (-6.0%) and Consumer Staples (-0.76%).

For the month, the top stocks that made a positive contribution to the Index's return were CSL (+71bps), CBA (+67bps), BHP (+45bps), Westpac (+26bps) and Fortescue (+23bps). Conversely, the bottom five stocks detracting from the Index's performance were Woodside Energy (-30bps), Santos (-12bps), Origin Energy (-8bps), South32 (-5bps) and Treasury Wine Estates (-5bps).

MSCI Global Country/Regional Indices Performance for November



Source: Morgan Stanley.

Australia (cont.)

The ASX Small Ordinaries rebounded very strongly in November and closed up 7.0%, outperforming the broader benchmark. Within the ASX Small Ordinaries, the Small Industrials did much better at +8.6% (with Healthcare leading the charge, +16.6%), versus the Small Resources, which rose 3.1%, dragged down by the lithium flu and Energy.

USA

The Federal Reserve's next FOMC meeting is to be held on 12 December. This follows its October FOMC meeting, where the fed funds target rate was left unchanged at 5.25 to 5.5%. The FOMC Minutes enunciated a "watch the data and evaluate" approach to policy before deciding on any next steps. Ahead of the December meeting, we have seen the Fed's preferred inflation measure, the Core CPE Deflator, print in line with expectations at 3.5% YoY. This was below 3.7% the previous month and better than the FOMC's September full year projections, which stood at 3.7%, pointing to another pause in December. Further, the stronger GDP figure of 5.2% versus consensus at 5.0%, mixed with the weaker PCE data point, adds to investor's "Goldilocks" scenario, which the equity markets seem to have embraced.

The Dow Jones Industrial Average and S&P 500 were up 9.2% and 9.1% respectively, with the NASDAQ Composite Index, rising 10.8% for the month and still way out in front, with a +37.0% return for the CYTD.

Europe

Euro-area inflation continued to retreat, cooling to 2.4% in November from 2.9% previously. Core inflation fell to 3.6% from 4.2%, which has added fuel to the prospect of ECB rate cuts soon. ECB President Christine Lagarde commented: "Euro zone inflation pressures are easing as expected but wage growth is still strong, and the outlook is especially uncertain, so the ECB's fight to contain price growth is not yet done. We need to remain attentive to the different forces affecting inflation and firmly focused on our mandate of price stability".

The Euro STOXX50 Index finished the month up 8.0%. Among the major exchanges, Germany's DAX was up 9.5%, France's CAC 40 was 6.2% higher and UK's FTSE 100 was the clear laggard, rising 2.3%.

Asia

China's economy has been recovering, seeing household consumption, industrial production and market expectations improving, but domestic and foreign demand is still sluggish, employment pressure remains high, and its economic recovery has yet to find a solid footing. Beijing increased its pace of liquidity injections and supportive measures over the past month with the roll out of a 1 trillion yuan (\$139 billion) bond issuance to spur infrastructure spending and economic growth in the coming months. The government was also seen preparing more funding support for China's beleaguered property sector, which has been a major drag on economic growth over the past three years.

Korea's KOSPI was the standout performer in the Asian region, up an impressive 11.3%, followed by the Nikkei 225 up 8.5% and India's SENSEX closed 5.0% higher. On the flip side, the Hang Seng fell 0.2% and China's SSE underperformed, down 1.4%.

Commodities

Volatility in commodities continued in November, with the Middle East crisis affecting oil and precious metals. Iron ore prices squeezed higher, rising 7% to US\$132/tonne but coking coal prices fell 7%, albeit to an elevated level of US\$325 per tonne. The base metals complex continued to weaken, with aluminium falling 4%, nickel down 8%, but copper bounced 4% on technical buying. Despite Middle East tensions, crude prices continued to fall, with Brent down 5% to US\$83/barrel, due to higher OPEC+ production and less concern about supply, given the situation in Gaza has yet to spread to Middle East oil producing countries. OPEC+ met on the last day of the month and announced deeper production cuts for 1Q24, with a headline number of a 2.2Mb/d cut. The cut in supply included the existing Saudi/Russian voluntary curtailments plus an addition 0.2Mb/d from Russia and 0.7Mb/d from six other members that have been struggling to meet their existing quotas. It was less than what oil traders were expecting, although it does carry over the existing cuts to March 2024, so focus remains on compliance. Gold continued its momentum, up 3% to US\$2036/oz, but this month it had more to do with lower bond yields and a weaker US dollar than geopolitics.

The key feature in commodity markets was that lithium carbonate and spodumene prices had a massive leg down in November, falling around 25%. This follows the 40% slump in the previous three months. The destocking in the EV battery supply chain continues!

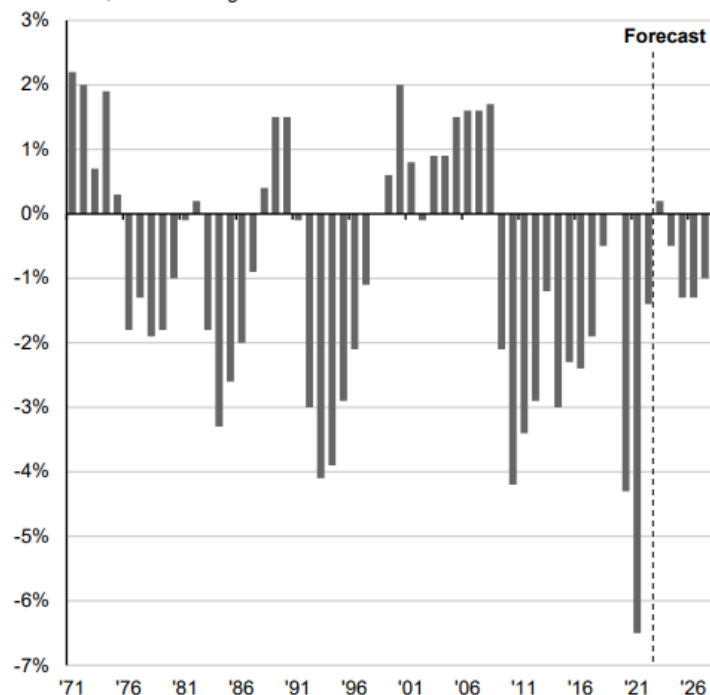
Bonds

The US 10-year bond yield was down 55bps last month to 4.34%, the biggest fall since 2008 on renewed bets that the Federal Reserve will be able to start cutting rates in the first half of 2024. Hopes for a fed pivot intensified after economic data reinforced the "Goldilocks" economic scenario. On the domestic front, Australian 10-year bond yields also fell in step with the global trend, helped by a cooler October CPI print of 4.9%, below market expectations of 5.2%. By month end, the Australian 10-year bond yield fell by 52bps to close at 4.41%.

Charts of the Month

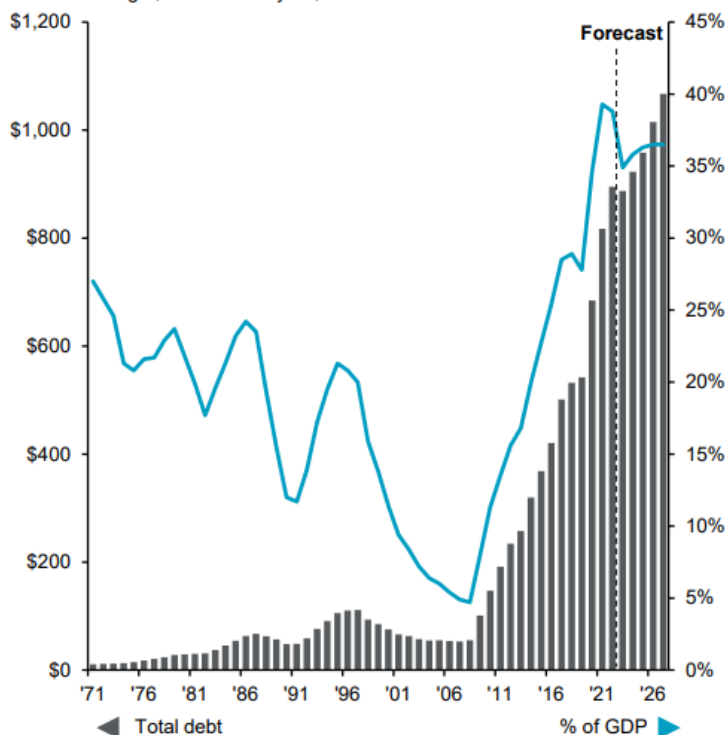
Commonwealth budget surplus/deficit

% of GDP, 2023-24 budget



Commonwealth gross debt

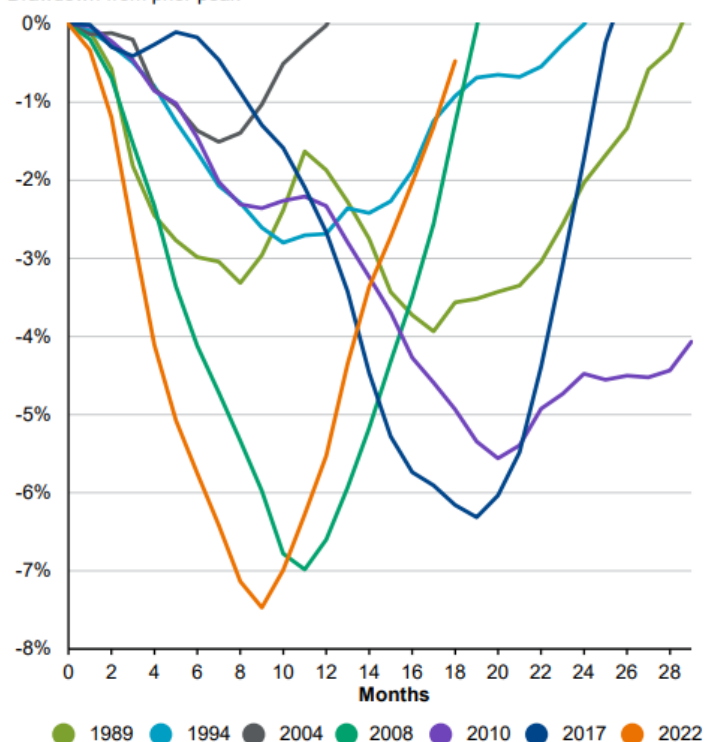
2023-24 budget, end of fiscal year, AUD billions



Source: Australian Treasury, J.P. Morgan Asset Management.
Guide to the Markets – Australia. Data as of 24/11/23.

House price cycles

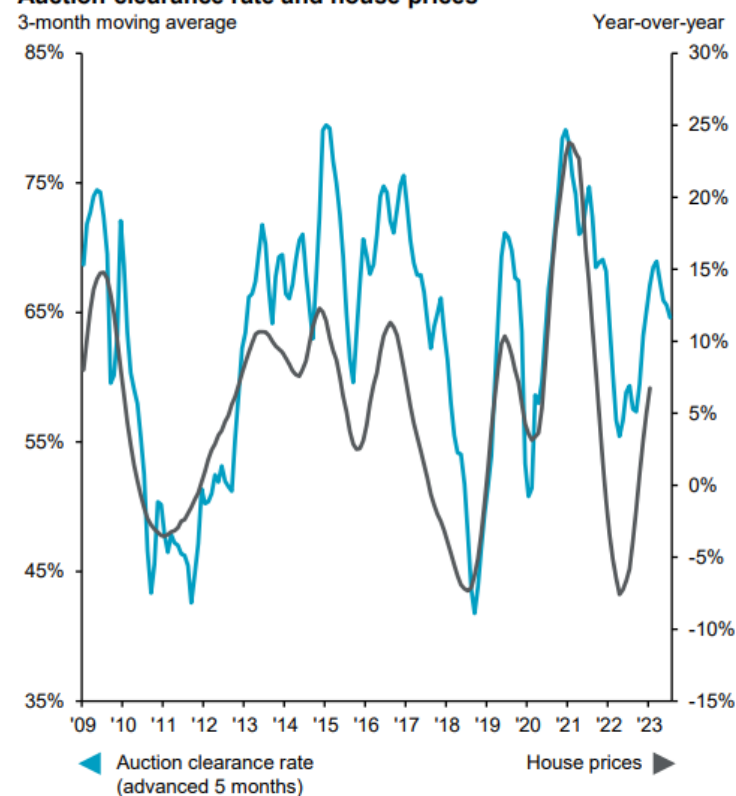
Drawdown from prior peak



Source: RPD CoreLogic, J.P. Morgan Asset Management.
Guide to the Markets – Australia. Data as of 24/11/23.

Auction clearance rate and house prices

3-month moving average





		1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P ASX 50	4.8	-1.0	5.7	2.5	8.3	9.1	7.0
	S&P ASX 200	5.0	-1.8	4.8	1.5	7.1	8.7	7.3
	<i>S&P ASX 200 Industrial</i>	6.3	-2.4	4.9	0.8	4.8	6.9	6.7
	<i>S&P ASX 200 Resources</i>	1.8	-0.2	4.6	3.2	14.9	15.0	8.6
	S&P ASX Small Ordinaries	7.0	-2.9	0.6	-3.2	-0.5	4.0	5.5
	<i>S&P ASX Small Industrials</i>	8.6	-4.2	2.6	-0.8	-2.6	3.0	5.3
	<i>S&P ASX Small Resources</i>	3.1	0.8	-4.8	-9.3	7.7	8.1	6.1
	MSCI Australia Value	3.4	0.0	5.9	4.0	12.4	9.6	6.4
	MSCI Australia Growth	6.4	-2.3	6.8	1.8	3.9	7.9	7.7

ASX 200 Sectors	Energy	-7.4	-10.7	0.4	-3.7	14.2	5.6	1.5
	Utilities	-6.0	-6.3	0.6	-0.6	10.8	7.4	9.5
	Financials	5.7	0.3	4.7	1.1	9.8	6.5	5.7
	Materials	5.0	2.2	6.8	5.8	14.3	16.8	10.9
	Industrials	6.7	-3.4	7.3	2.1	4.8	5.7	8.8
	Real Estate	10.8	-4.8	4.4	0.4	0.6	3.3	7.2
	Consumer Discretionary	4.8	-3.9	15.1	7.0	4.8	10.5	8.9
	Health Care	11.7	-2.8	-4.9	-9.1	-2.8	8.2	12.4
	Information Technology	7.3	-8.6	22.3	15.7	-4.6	9.9	10.7
	Consumer Staples	-0.8	-6.4	-3.6	-5.3	1.2	5.7	5.2
	Communication Services	2.8	-3.7	8.9	6.1	8.7	10.3	2.9

Local CCY

World	MSCI World Index	8.3	1.6	18.2	12.2	8.4	10.4	9.3
	MSCI EM (Emerging Markets)	6.2	0.5	6.5	4.4	-1.6	4.2	4.8
	MSCI AC World ex AU	8.1	1.5	17.1	11.5	7.2	9.7	8.8
	MSCI World Mid Cap	8.6	-0.7	8.6	4.1	4.6	7.6	7.7
Americas	S&P 500	9.1	1.6	20.2	13.3	9.2	11.9	11.2
	DJ Industrial Average	9.2	4.1	10.7	6.2	8.9	9.4	10.9
	NASDAQ Composite Index	10.8	1.6	37.0	25.1	6.1	15.2	14.5
	Russell 2000	9.1	-4.4	4.2	-2.6	1.1	4.8	6.1
Asia Pac	Hang Seng Index	-0.2	-6.6	-10.8	-5.1	-10.8	-5.5	0.0
	Japan Nikkei 225	8.5	3.3	30.3	21.8	9.9	10.2	9.6
	MSCI AC Asia ex JP	5.1	-0.7	3.4	2.5	-3.5	3.5	4.5
	MSCI India	6.9	6.1	13.1	8.6	17.7	14.4	12.8

		SPOT	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
FX	AUD/USD	0.66	4.7	2.4	-2.2	-1.0	-3.5	-1.9	-3.2
	AUD/EUR	0.61	1.4	1.8	-4.4	-6.6	-0.5	-1.2	-1.0
	AUD/GBP	0.52	0.4	2.5	-7.1	-6.9	-1.7	-1.8	-0.6
	AUD/JPY	98.02	2.2	4.0	9.5	4.9	8.5	3.4	0.5



Ellerston Capital Limited
Summary of Fund Performance

30 November 2023

Net Returns		1M (%)	3M (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)	S.I.* (% p.a)	APIR Code / Inception Date
Australian Equity	Ellerston Australian Share Fund	8.1	-0.1	4.5	10.2	8.8	6.7	8.5	ECL0005AU 1/4/09
	S&P/ASX 200 Accumulation Index	5.0	-1.8	1.5	7.1	8.7	7.3	9.2	
	Excess Return	3.1	1.7	3.0	3.0	0.1	-0.6	-0.7	
	Ellerston Overlay ASF	7.5	-0.3	1.7	7.5	6.9	5.9	6.9	ECL0012AU 1/7/11
	S&P/ASX 200 Accumulation Index	5.0	-1.8	1.5	7.1	8.7	7.3	8.3	
	Excess Return	2.5	1.5	0.3	0.4	-1.8	-1.4	-1.4	
	Ellerston Income KIS Fund	8.8	2.3	3.3	8.1	-	-	8.0	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	5.0	-1.8	1.5	7.1	-	-	6.6	
	Excess Return	3.8	4.1	1.8	0.9	-	-	1.4	
	Ellerston Australian Micro Cap Fund	6.8	-4.2	0.4	-3.5	10.4	-	11.3	ECL0984AU 1/5/17
	S&P/ASX Small Ordinaries Accumulation Index	7.0	-2.9	-3.2	-0.5	4.0	-	5.0	
	Excess Return	-0.3	-1.3	3.6	-3.0	6.3	-	6.3	
	Ellerston Australian Emerging Leaders Fund	6.6	0.2	0.3	-	-	-	-9.7	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	7.0	-2.9	-3.2	-	-	-	-7.5	
	Excess Return	-0.4	3.1	3.4	-	-	-	-2.2	
	Ellerston 2050 Fund	6.0	-1.1	0.5	-	-	-	-2.6	ECL5651AU 31/5/22
	S&P/ASX Small Ordinaries Industrial Accumulation Index	8.6	-4.2	-0.8	-	-	-	-2.1	
	Excess Return	-2.6	3.1	1.4	-	-	-	-0.5	



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	4.9	-9.9	3.8	3.2	9.7	-	9.5	ECL8388AU 1/3/17
	MSCI World Mid Cap Index	5.2	-2.9	5.5	6.2	9.0	-	8.9	
	Excess Return	-0.3	-7.0	-1.7	-3.0	0.8	-	0.6	
	Ellerston Global Mid Small Cap Fund - Class B	4.9	-9.9	3.8	3.9	-	-	5.7	ECL3306AU 18/8/20
	MSCI World Mid Cap Index	5.2	-2.9	5.5	6.2	-	-	8.5	
	Excess Return	-0.3	-7.0	-1.7	-2.3	-	-	-2.8	
	Ellerston Asia Growth Fund (Hedge Fund)^	0.6	-4.1	-	-	-	-	-1.8^^	ECL1411AU 1/6/2023
	MSCI Asia ex Japan (non-accumulation)	2.0	-2.6	-	-	-	-	-1.8	
	Excess Return	-1.4	-1.5	-	-	-	-	0.1	
Private Assets	Ellerston India Fund	2.2	1.9	5.2	10.5	8.3	-	7.8	ECL0339AU 4/5/17
	MSCI India Net Return Index	1.9	2.8	6.7	16.7	12.2	-	10.5	
	Excess Return	0.3	-0.8	-1.5	-6.2	-3.9	-	-2.6	
Private Assets	Ellerston JAADE Australian Private Assets Fund (Retail)	2.9	2.9	11.3	10.3	-	-	16.8	ECL2707AU 5/7/19
	Ellerston Pre - IPO Fund	2.5	2.5	-6.4	1.2	-	-	3.9	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 September 2023									

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Disclaimer

The net return figure is calculated after fees and expenses. Above figures are those available as at 8 November 2023. Past performance is not a reliable indication of future performance.

*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.

^^ Cumulative return since inception

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About Ellerston Capital

Ellerston Capital is a specialist investment manager providing a range of innovative Australian and international investment strategies. As a firm majority owned by its principals and employees, our clients' objectives are our objectives.

At Ellerston, we aim to do one thing exceptionally well: grow and protect our clients' wealth through investing. We are passionate about creating value for our clients by identifying outstanding investment ideas and designing portfolios that perform over the long term. Our funds target a diverse range of strategies including, but not limited to, long only Australian, global and Asian equities, Australian and global long-short equity and private equity (as tabled below).

Australian Equities	Global Equities	Alternatives	Private Assets
 Australian Large & Mid Cap Australian Yield Strategy 2050/Sustainable Strategy Emerging Leaders Small Caps Micro Caps	 Global Mid-Small Caps Asian Large & Mid Caps Indian Equities	 Global Long/Short Strategy <u>Bespoke</u> Global Portfolios	 Australian P/E Strategy – Tech & Healthcare Unlisted / Pre-IPO Venture Capital <u>Bespoke</u> Unlisted Strategies

Ellerston Capital has been managing money since 2002. Our clients include Sovereign wealth, industry and corporate superannuation funds, international funds, family offices and high net worth investors.

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For further information about any of our funds, please contact National Account Manager Nathan Boroughs at nboroughs@ellerstoncapital.com or 0466 775 961.

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