



Ellerston Capital

Monthly Newsletter January 2024

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 India Fund	4.9%	24.7%	12.4%	10.4%	8.9%
Ellerston Australian Emerging Leaders Fund	3.6%	13.6%	-	-	-5.0%
Ellerston JAADE Australian Private Assets Fund (Retail)	2.2%**	11.6%	11.2%	-	16.4%

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.

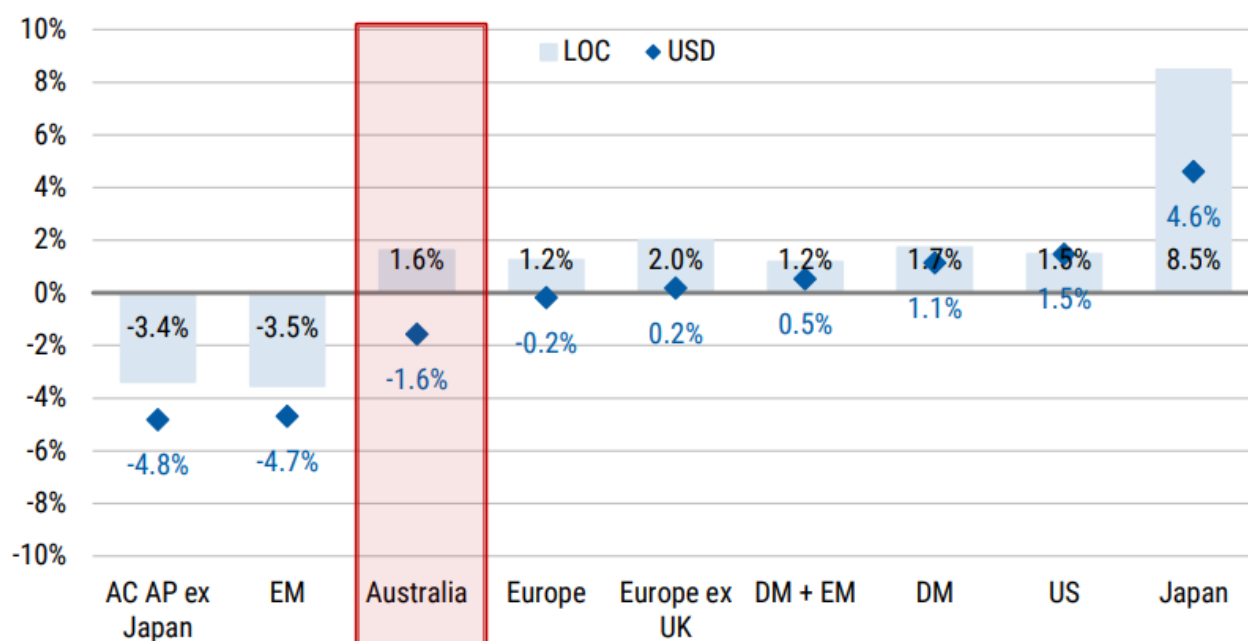
** Quarterly performance as at 31 December 2023

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Monthly Market Update

Market Overview

Global developed equity markets kept rising in January, with the MSCI World Index up 1.2%. The best performing market was Japan, which rose 8.5%, with the JGB market remaining surprisingly strong and fully recovering from the sharp sell-off post the BoJ meeting in early January. However, Emerging Markets bucked the trend and underperformed, down 3.5% in local in currency terms. Dovish signalling on US interest rates by the Federal Reserve (Fed) sparked a particularly strong run up in stocks, bonds and the Australian dollar. Expectations of US and European rate cuts in the coming months, despite central banks pushing back on the exact timing, kept bond yields in check and supported a number of equity markets, which traded near all-time highs. The S&P500 rose 1.7%, with the largest companies continuing to have an outsized influence on market returns - NVDA, MSFT, META and AMZN were among the most positive contributors. Domestically, the S&P/ASX 200 index climbed 1.2% and closed at an all-time high of 7681pts. Globally, Info Tech, Communications and Health Care were the best performing sectors and locally, Financials (+5.2%) and Healthcare (+4.3%) were the standout performers.



Source: Morgan Stanley

Australia

On the domestic front, employment in December retraced very sharply, falling 65k compared to expectations of a 15k rise, which follows a similarly large upside surprise of 61k the previous month. That said, the yoy rise of 2.8% remains solid, albeit a step down from 3.2% in November. The unemployment rate held at 3.9% due to a fall back in the participation rate. Flowing on from this, the Q4 CPI was weaker than expectations, across both headline and core. Headline inflation came in slightly weaker than expected for 4Q23 at 0.6% (4.1% yoy) and the Core measures were also lower, with the trimmed mean increasing by 0.8% (4.2% yoy). Domestic and services inflation continue to show some persistence, versus declines in other categories. A miss on the higher RBA forecasts should see a more balanced tone at the next RBA meeting to be convened on 6 February. For the time being, it appears that the RBA will stay on the sidelines, with talk of rate cuts in the second half of 2024 being the main focus.

The A\$ closed the month down 4% to US\$0.66, impacted by lower iron ore prices and the stronger greenback, which was up 2% on a trade weighted basis.

The S&P/ASX 200 Accumulation Index edged higher in January, rising 1.2% with the big 4 retail banks doing most of the heavy lifting. Energy, Financials and Healthcare led the performance charts. The Energy sector (up 5.2%), was the best performer, spurred on by uranium market darling Boss Energy which was up 38.2%, followed closely by Financials (+5.0%) driven by the Banks. NAB was the best of them, up +6.2% and Healthcare (+4.3%) also outperformed, led by CSL and ResMed. The bottom three sectors were Materials (-4.8%), dragged down by Gold and Lithium names, Utilities (-1.5%) and Consumer Staples (Flat).

For the month, the top stocks that made a positive contribution to the Index's return were CBA (+44bps), CSL (+33bps), NAB (+27bps), Westpac (+20bps) and ANZ (+18bps). Conversely, the bottom five stocks detracting from the Index's performance were BHP Group (-74bps), Newmont Corporation (-13bps), Arcadium Lithium (-9bps), Mineral Resources (-8bps) and Evolution Mining (-7bps).

The ASX Small Ordinaries closed up 0.9%, just behind the broader benchmark at 1.2%. Within the ASX Small Ordinaries, the Small Industrials fared relatively well, up 1.9% versus the Small Resources, which struggled and closed down 2.0%.

USA

The Federal Reserve kicked off the year in neutral, whereby as expected, it opted to keep rates on hold at their meeting on 31 January. Chair Powell said quite flatly that the FOMC's base case was not for a March cut, but ultimately the outcome would be data dependent. He also commented that the Committee's inflation forecasts would likely be lowered vs. expectations at their December FOMC meeting. It was clear in the Fed's hawkish tone, that Powell and the committee, need to see further evidence to gain more confidence that inflation is tamed, before deciding on a rate cut, as early as March.

The S&P 500 and the Dow Jones Industrial Average finished up 1.7% and 1.3% respectively, with the NASDAQ Composite Index rising 1.0% for the month. The small cap Russell 2000 Index, after an impressive return of +12.2% in the month of December, gave back 3.9% in January.

Europe

ECB Governing Council members opened discussions on rate cuts more prominently, with some pushback against easing in the first half of this year. The BoE also left rates on hold and signalled it was also ready to consider lowering rates, for the first time since inflation surged following the pandemic. It's all about when, not if, the cuts will start, with bond and equity markets erring on the bullish side, betting on April in Europe and March in the US.

The Euro STOXX50 Index finished the month up 2.9%. Among the major exchanges, France's CAC 40 was up 1.6%, followed by Germany's DAX, which was 0.9% higher and the laggard was UK's FTSE 100, falling 1.3%.

Asia

The January PMIs and other key activity data suggest that the Chinese economy has stabilised, but still weak into 2024. Meanwhile, both the equity and bond markets show that investor sentiment has deteriorated significantly. The biggest investor concern in China remains the housing market. Recent new home sales from 30 major cities are tracking ~40% lower than the comparable period one year ago. Policy support to date has been reactive, piecemeal and localised.

Asian markets continued to underperform, with the exception being the Nikkei as the standout performer in the region, up a solid 8.4%. India's SENSEX was down 0.6%, China's SSE fell 5.7%, Korea's KOSPI closed 6.0% lower and the clear laggard was the Hang Seng, down 9.2%.

Commodities.

Iron ore prices edged lower, falling 6% to US\$132/tonne and coking coal prices marked time at US\$324 per tonne. The base metals complex was weaker, with aluminium down 4%, nickel 2% lower and copper flat. Crude prices bounced, with Brent up 6% to US\$82/barrel, due to a step up in hostilities, particularly attacks on shipping in the Red Sea, which has also caused logistical problems and freight rates to spike. Gold ticked down 2% to US\$2035/oz, in line with the stronger US dollar.

A feature in commodity markets was the continued strength in uranium, which hit a 16-year high, and a further sell off in lithium products, with spodumene falling 13%, whilst lithium carbonate prices were flat in January. Prices across the lithium space are down a whopping ~85% on where they were this time last year. The excess inventory in the EV battery supply chain requires closures of mine capacity and deferments, which now looks like it's finally started.

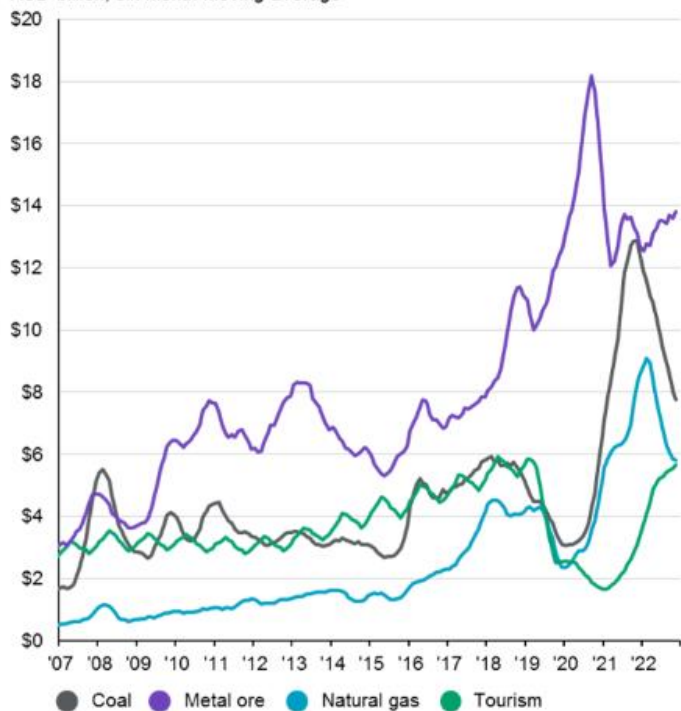
Bonds

The US 10-year bond yield edged up by 4bps last month to 3.92%, as softer inflation data reinforced that the Fed's rate cut could still come to fruition in March, despite the push back at the FOMC meeting held on 31 January. The Australian 10-year bond yield was also up marginally, in step with the US, rising 5bps to close at 4.01%.

Charts of the Month

Exports by type

AUD billion, six-month moving average

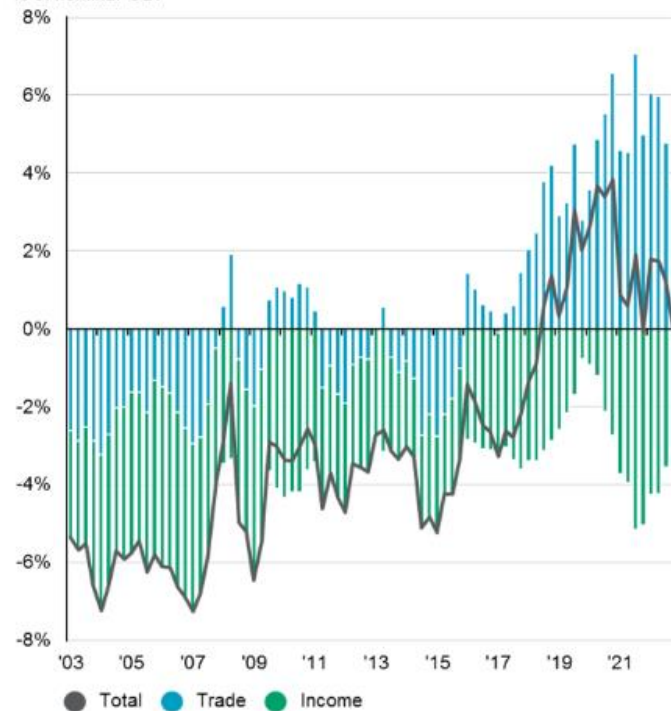


Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management.

Guide to the Markets – Australia. Data as of 31 December 2023.

Current account

% of nominal GDP



Mortgage lending

3-month annualised growth rate



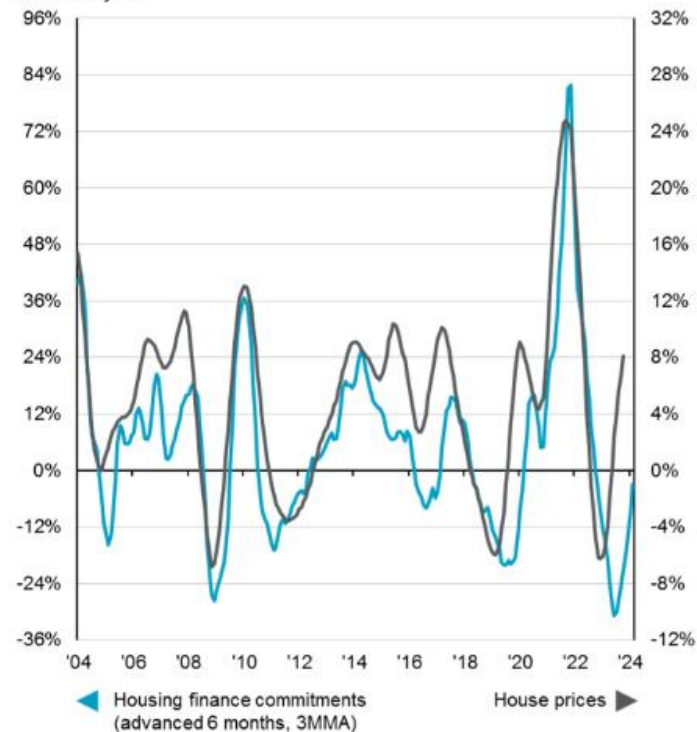
Source: Australian Bureau of Statistics, J.P. Morgan Asset Management; (Right) RPD CoreLogic.

House price is the year-over-year change in the hedonic index for national dwelling prices. Past performance is not a reliable indicator of current and future results.

Guide to the Markets – Australia. Data as of 31 December 2023.

Housing finance and house prices

Year-over-year





		1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P/ASX 50 - Total Return	1.6	14.2	1.6	8.4	10.9	10.1	8.2
	S&P/ASX 200 - Total Return	1.2	14.0	1.2	7.1	9.6	9.7	8.4
	S&P/ASX 200 INDUSTRIAL - Total Return	3.0	17.2	3.0	9.5	8.3	8.8	8.1
	S&P/ASX 200 RESOURCES - Total Return	-3.6	5.9	-3.6	1.1	13.5	12.8	9.0
	S&P/ASX SMALL ORDINARIES - Total Return	0.9	15.8	0.9	2.1	1.3	5.4	6.4
	S&P/ASX SMALL INDUSTRIALS - Total Return	1.9	20.1	1.9	6.8	0.3	4.9	6.4
	S&P/ASX SMALL RESOURCES - Total Return	-2.0	4.8	-2.0	-9.8	6.0	7.9	6.1
	MSCI Australia Value - Net Return	1.3	12.8	1.3	8.3	13.8	11.1	7.5
	MSCI Australia Growth - Net Return	1.9	16.3	1.9	9.6	7.2	8.2	8.7
ASX 200 Sectors	Energy - Total Return	5.2	0.8	5.2	7.9	17.4	5.5	2.4
	Utilities - Total Return	-1.5	-5.1	-1.5	4.7	13.2	5.8	9.4
	Financials - Total Return	5.0	17.8	5.0	10.5	13.2	9.6	7.4
	Materials - Total Return	-4.8	8.8	-4.8	1.6	12.9	14.9	11.3
	Industrials - Total Return	0.0	13.1	0.0	8.6	9.0	6.3	9.4
	Real Estate - Total Return	1.2	24.8	1.2	8.7	6.4	4.4	8.6
	Consumer Discretionary - Total Return	2.5	14.2	2.5	14.1	5.8	11.9	10.1
	Health Care - Total Return	4.3	27.1	4.3	4.1	3.8	9.6	13.7
	Information Technology - Total Return	1.2	16.6	1.2	25.8	-5.0	10.7	11.8
	Consumer Staples - Total Return	0.0	4.3	0.0	-4.4	1.4	5.9	5.9
	Communication Services - Total Return	1.7	11.9	1.7	12.5	11.1	11.7	3.5

Local CCY

World	MSCI World Index - Net Return	1.8	14.8	1.8	17.7	9.6	12.0	10.1
	MSCI EM (Emerging Markets) - Net Return	-3.5	5.7	-3.5	-0.5	-4.9	3.2	5.3
	MSCI AC World Index ex Australia - Net Return	1.2	13.8	1.2	15.7	7.7	11.0	9.6
	MSCI World Mid Cap - Net Return	-0.4	14.8	-0.4	6.6	5.2	8.8	8.2
Americas	S&P 500 - Net Return - USD	1.7	15.9	1.7	20.2	10.5	13.7	12.0
	Dow Jones Industrial Average - Net Return	1.3	15.9	1.3	13.6	9.9	10.5	11.1
	NASDAQ Composite - Net Return	1.0	18.2	1.0	31.6	5.6	16.5	-
	Russell 2000 - Total Return	-3.9	17.6	-3.9	2.4	-0.8	6.8	7.0
Asia Pac	Hang Seng Index - Net Return	-9.2	-9.2	-9.2	-26.5	-15.6	-8.3	-0.2
	Nikkei 225 Stock Average - Net Return	8.4	17.8	8.4	35.0	11.2	13.6	11.0
	MSCI AC Asia ex Japan - Net Return	-4.4	3.5	-4.4	-4.8	-7.2	2.4	4.9
	MSCI India - Net Return	2.2	17.8	2.2	29.3	18.8	16.3	13.8

		SPOT	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
FX	U.S. Dollar per Australian Dollar	0.6610	-3.1	4.4	-3.1	-6.2	-4.8	-1.9	-2.7
	Euro per Australian Dollar	0.6086	-1.5	1.6	-1.5	-6.2	-1.2	-0.9	-0.6
	British Pounds per Australian Dollar	0.5191	-3.0	-0.5	-3.0	-9.3	-2.4	-1.3	-0.2
	Japanese Yen per Australian Dollar	96.6290	0.4	0.8	0.4	5.4	6.4	4.0	0.8



Ellerston Capital Limited
Summary of Fund Performance

31 January 2024

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	-0.1	13.8	3.9	12.5	8.9	7.5	8.7	ECL0005AU 31/3/09
	S&P/ASX 200 Accumulation Index	1.2	14.0	7.1	9.6	9.7	8.4	9.7	
	Excess Return	-1.3	-0.2	-3.2	2.9	-0.8	-0.9	-0.9	
	Ellerston Overlay ASF	-0.2	13.1	1.4	9.5	7.2	6.7	7.2	ECL0012AU 1/7/11
	S&P/ASX 200 Accumulation Index	1.2	14.0	7.1	9.6	9.7	8.4	8.9	
	Excess Return	-1.4	-0.9	-5.7	-0.0	-2.5	-1.7	-1.7	
	Ellerston Equity Income KIS Fund	0.7	16.5	6.6	10.6	-	-	9.3	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	1.2	14.0	7.1	9.6	-	-	8.2	
	Excess Return	-0.5	2.5	-0.5	1.0	-	-	1.1	
	Ellerston Australian Micro Cap Fund	0.6	17.3	10.0	-1.5	12.6	-	12.5	ECL0984AU 27/4/17
	S&P/ASX Small Ordinaries Accumulation Index	0.9	15.8	2.1	1.3	5.4	-	6.1	
	Excess Return	-0.3	1.5	7.9	-2.8	7.1	-	6.4	
	Ellerston Australian Emerging Leaders Fund	3.6	19.1	13.6	-	-	-	-5.0	ECL6748AU 16/8/21
	S&P/ASX Small Ordinaries Accumulation Index	0.9	15.8	2.1	-	-	-	-4.1	
	Excess Return	2.7	3.3	11.5	-	-	-	-0.9	



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	1.9	12.1	9.6	2.7	11.1	-	10.3	ECL8388AU 28/2/17
	MSCI World Mid Cap Index	2.0	11.7	12.2	8.2	10.0	-	9.6	
	Excess Return	-0.1	0.4	-2.6	-5.5	1.0	-	0.7	
	Ellerston Global Mid Small Cap Fund - Class B	1.9	12.1	9.6	3.0	-	-	7.4	ECL3306AU 18/8/20
	MSCI World Mid Cap Index	2.0	11.7	12.2	8.2	-	-	10.0	
	Excess Return	-0.1	0.4	-2.6	-5.1	-	-	-2.5	
	Ellerston Asia Growth Fund (Hedge Fund)^	-1.7	-2.5	-	-	-	-	-4.8^^	ECL1411AU 1/6/2023
	MSCI Asia ex Japan (non-accumulation)	-2.4	-0.0	-	-	-	-	-3.8	
	Excess Return	0.7	-2.4	-	-	-	-	-1.0	
Private Assets	Ellerston India Fund	4.9	10.3	24.7	12.4	10.4	-	8.9	ECL0339AU 4/5/17
	MSCI India Net Return Index	5.7	13.1	35.9	19.5	15.0	-	11.9	
	Excess Return	-0.8	-2.8	-11.3	-7.1	-4.5	-	-3.0	
	Ellerston JAADE Australian Private Assets Fund (Retail)	-	2.2	11.6	11.2	-	-	16.4	ECL2707AU 1/9/19
Private Assets	Ellerston Pre IPO Fund	-	1.7	-1.3	0.1	-	-	4.1	ECL0405AU 1/4/20
	Note: The above two (Ellerston Pre-IPO and Ellerston JAADE) fund results are reported quarterly and therefore are updated as at 31 December 2023								

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Disclaimer

The net return figure is calculated after fees and expenses. Above figures are those available as at 7 February 2024. 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

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Find out more.

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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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