

# Ellerston Capital

Monthly Newsletter March 2024

Founded on Discovery

[Info@ellerstoncapital.com](mailto:Info@ellerstoncapital.com)  
02 90217701



### Monthly Returns – Top 3 Performers

Fund	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception* (p.a.)
Ellerston Australian Micro Cap Fund	5.9%	19.5%	0.9%	12.9%	13.5%
Ellerston Income KIS Fund	4.4%	13.7%	9.9%	-	9.9%
Ellerston Australian Emerging Leaders Fund	4.3%	30.0%	-	-	-0.9%

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.

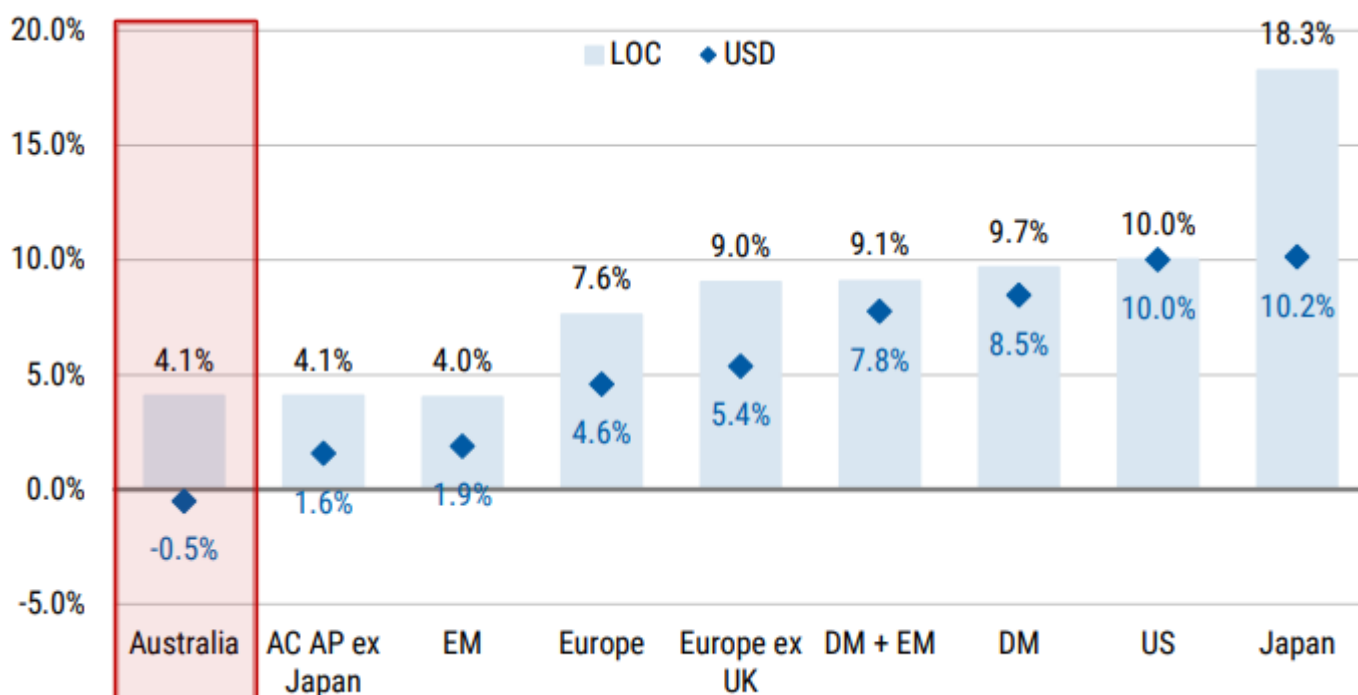
To subscribe to Ellerston Newsletters please click [here](#).

## Monthly Market Update

### Market Overview

The strong run in global equity markets continued unabated in the month of March, with the MSCI World Index returning +3.4% in local currency terms and Emerging Markets marginally underperforming, up 2.7%, as the likelihood of a soft-landing increased. The S&P500 rose 3.2%, with the largest tech companies continuing to have an outsized influence on market returns - NVDA and META were the largest, whilst AAPL and Tesla were the biggest detractors. The ASX 200 traded from mid-month lows to extend its streak to five consecutive months of positive prints, returning +3.3% for the month and posting a new high at 7897pts. Globally, Energy and Materials were the two best performing sectors in March and locally, Real Estate (+9.3%) and Energy (+5.3%) outperformed.

MSCI Global Country/Regional Indices Performance for the March CYTD



Source: Morgan Stanley

## Australia

On the domestic economic front, not surprisingly, the RBA held the cash rate at 4.35%. However, officials moved to a balanced bias in March, with the economy performing in line with expectations. Uncertainty and data dependency were the key messages from the press conference. The strong February jobs numbers and sticky inflation highlighted that early rate cuts were unlikely and certainly not on the next RBA meeting's agenda, which is scheduled for May 6-7. The A\$ closed the month flat at US\$0.65 despite weaker iron ore and coal prices.

The S&P/ASX 200 Accumulation Index rose for a fifth consecutive month and performed strongly in March, rallying 3.3%. BHP, Goodman Group and 3 of the big 4 retail banks did most of the heavy lifting and from a sector perspective, Real Estate, Energy and Utilities led the charge. The Real Estate sector (up 9.3%) performed best, spurred on by Goodman Group +13.1% on the AI thematic, followed by Energy +5.3%, driven by Santos +9.5% on higher oil prices and Utilities (Origin Energy +5.6%). The bottom three sectors were Communication Services (-0.6%), dragged down by Seek (-3.8%, as their CFO Kate Koch suddenly resigned), Consumer Discretionary (+0.9%), impacted by the 7.8% fall in Aristocrat Leisure on concerns over market share losses to Light and Wonder and finally Health Care (Cochlear -3.0%).

For the month, the top stocks that made a positive contribution to the Index's return were BHP (+33bps), Goodman Group (+30bps), CBA(+29bps), ANZ Group (+13bps) and NAB (+11bps). Conversely, the bottom five stocks detracting from the Index's performance were Aristocrat Leisure (-10bps), Pilbara Minerals (-5bps), Westpac (-4bps), Cochlear (-3bps) and Transurban (-3bps). The ASX Small Ordinaries closed up 4.8%, ahead of the broader benchmark at 3.3%. Within the ASX Small Ordinaries, the Small Resources fared particularly well, up 8.5% versus the Small Industrials, which returned +3.5%.

## USA

The Federal Reserve met in March, with the accompanying FOMC statement re-enforcing its January message that rates will be on hold until there is greater confidence that inflation was moving sustainably toward 2.0%. Stronger key economic data of higher than expected nonfarm payrolls (yet again), an upwardly revised 4Q GDP print of 3.4% and the US ISM Manufacturing PMI which unexpectedly moved into expansion territory at 50.3 (the highest since September 2022), marked down any chances investors previously had of an imminent rate cut.

The small cap Russell 2000 Index came in first place at 3.6%, followed by the S&P 500 and the Dow Jones Industrial Average which finished up 3.2% and 2.2% respectively, driven by improving earnings and PE multiple expansion. The NASDAQ Composite, which returned +1.8% for the month, proved the laggard.

## Europe

As expected, the ECB left rates on hold at their March meeting. However just like the US Fed, amid a dovish tone, were not quite ready to pull the trigger, albeit that European economic growth has diverged significantly from the US.

The Euro STOXX50 Index finished the month up 4.3%. Among the major exchanges, UK's FTSE was up 4.8%, followed by Germany's DAX which was up 4.6% and France's CAC 40 the laggard, rising 3.6%.

## Asia

The Chinese economy showed a few green shoots of recovery, with corporate profits up 10.2% in the first two months of 2024 compared to a 2.3% decline for all of 2023, demonstrating a stronger footing on the back of rebounding foreign demand and policy stimulus by Beijing. Also, the Manufacturing PMI for March improved by 1.7 to 50.8, recording the first 50+ reading after 5 months of contraction.

During the month Japan's excessive monetary policy finally came to an end as the Bank of Japan exited both negative interest rate policy (NIRP) and yield curve controls (YCC). While this came as no surprise, it was still historic as the increase to +0.1% was the first-rate hike in over 17 years.

Asian markets generally kept pace, with the exception being China's SSE flat (0.0%) and the Hang Seng only up 0.6%. China equities saw a pullback from February's strong performance as US-China tensions escalated due to various congressional actions that would reduce US investment into China. India's SENSEX rose 1.6%, followed by the Nikkei which closed 3.6% higher and Korea's KOSPI was the best performer, up 3.9%, lifted by AI optimism. The tech driven Nikkei, also helped by a weak yen, remained the best CYTD performer across world markets,

## Commodities

Iron ore prices continued to slide, falling 12% to US\$103/tonne as a result of inventory build in China and coking coal prices fell sharply by 22% to US\$245 per tonne. The base metals complex improved, with aluminium up 5%, copper up 4% and nickel lagging, down 6%. Crude prices squeezed higher as Brent rose 4% to US\$87/barrel due to Middle East tensions remaining on high alert after Iranian-backed militias in Iraq claimed credit for further attacks on Israel, followed by Israel's retaliatory bombing of an Iranian Embassy building in Syria. Gold made an all-time in March and finished up 9% at US\$2230/oz (equivalent to A\$3420/oz).

Lithium products seem to have hit an inflection point during the month, with lithium carbonate and spodumene rising by 7% and 32%, respectively, as higher demand for spodumene, at much higher prices, signalled that the inventory de-stocking by processors had come to an end.

## Bonds

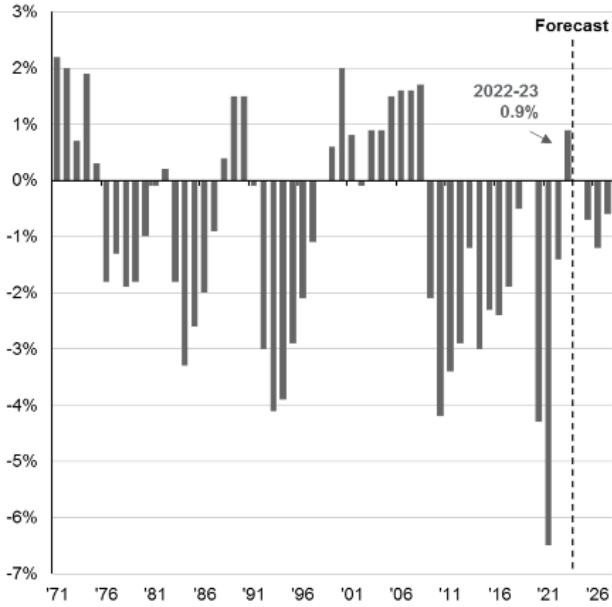
The US 10-year bond yield edged lower by 5bps last month to 4.25%, despite stronger economic data points, as the likelihood of less rate hikes was taken as a positive for the longer end of the yield curve. The Australian 10-year bond yield was also down in sympathy, falling 17bps to close at 3.97%.

# Charts of the Month

## Government finances

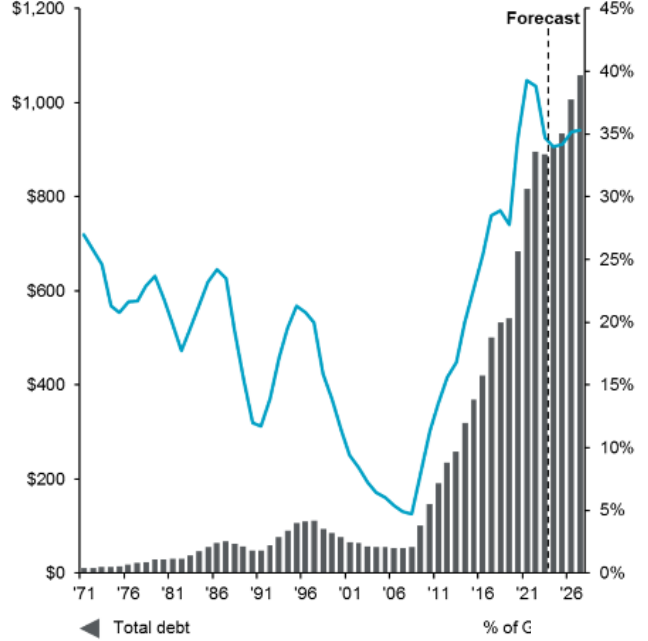
**Commonwealth budget surplus/deficit**

% of GDP, 2023-24 budget



**Commonwealth gross debt**

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



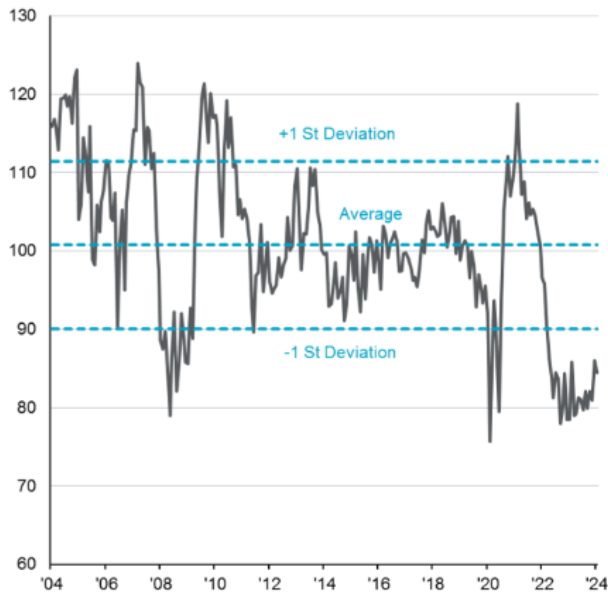
Source: Australian Treasury, J.P. Morgan Asset Management.

Guide to the Markets – Australia. Data as of 31 March 2024.

## Consumer sentiment and income

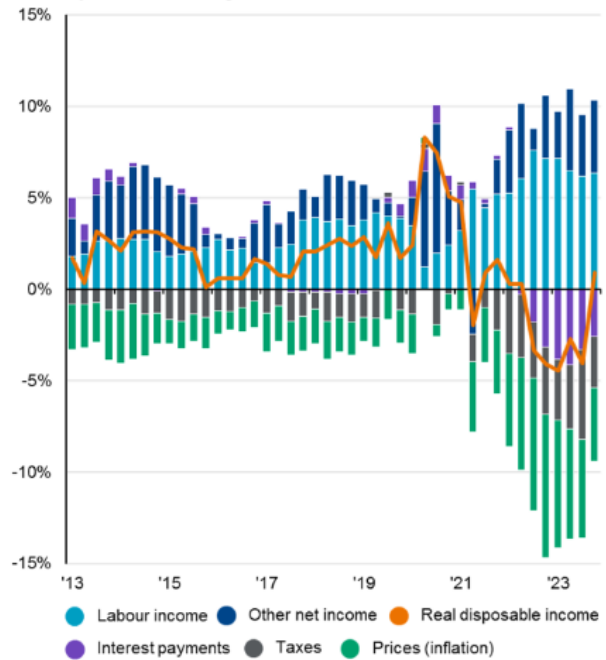
**Consumer sentiment**

Index



**Household real disposable income growth**

Year-on-year contribution to growth



Source: ABS, FactSet, Westpac, J.P. Morgan Asset Management.

Guide to the Markets – Australia. Data as of 31 March 2024.



		1M (%)	3M (%)	YTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P ASX 50	3.0	5.0	5.0	14.4	10.5	9.3	8.0
	<b>S&amp;P ASX 200</b>	<b>3.3</b>	<b>5.3</b>	<b>5.3</b>	<b>14.4</b>	<b>9.6</b>	<b>9.2</b>	<b>8.3</b>
	<i>S&amp;P ASX 200 Industrial</i>	3.0	9.5	9.5	20.0	9.0	8.8	8.1
	<i>S&amp;P ASX 200 Resources</i>	4.2	-5.6	-5.6	0.3	11.6	10.4	8.6
	<b>S&amp;P ASX Small Ordinaries</b>	<b>4.8</b>	<b>7.5</b>	<b>7.5</b>	<b>13.8</b>	<b>2.7</b>	<b>5.4</b>	<b>6.7</b>
	<i>S&amp;P ASX Small Industrials</i>	3.5	9.6	9.6	20.5	1.7	4.9	6.7
	<i>S&amp;P ASX Small Resources</i>	8.5	1.4	1.4	-2.8	7.5	7.9	6.5
	MSCI Australia Value	2.7	3.0	3.0	13.3	11.8	10.0	7.0
MSCI Australia Growth	2.9	7.7	7.7	17.8	9.1	8.1	8.8	

ASX 200 Sectors	Energy	5.3	4.2	4.2	9.4	16.0	4.6	1.7
	Utilities	4.8	3.4	3.4	4.8	15.7	5.7	9.6
	Financials	3.1	12.0	12.0	28.0	12.2	9.7	7.3
	Materials	3.7	-6.2	-6.2	1.2	10.8	12.3	10.9
	Industrials	2.9	5.6	5.6	12.7	10.3	5.8	9.4
	Real Estate	9.3	15.3	15.3	33.8	9.6	5.5	9.6
	Consumer Discretionary	0.9	12.9	12.9	24.0	7.9	12.3	10.6
	Health Care	1.7	3.2	3.2	3.3	3.6	8.9	13.5
	Information Technology	2.9	24.4	24.4	51.1	6.1	13.1	13.1
	Consumer Staples	2.5	2.0	2.0	-4.0	2.6	5.8	5.9
	Communication Services	-0.6	1.1	1.1	7.8	8.8	9.8	3.2

Local CCY

World	MSCI World Index	3.4	10.1	10.1	26.2	10.0	12.6	10.5
	MSCI EM (Emerging Markets)	3.0	4.5	4.5	10.6	-2.4	4.4	5.7
	MSCI AC World ex AU	3.4	9.6	9.6	24.6	8.5	11.7	10.0
	MSCI World Mid Cap	4.4	8.4	8.4	19.9	5.6	9.7	8.7
Americas	S&P 500	3.2	10.4	10.4	29.3	11.0	14.5	12.3
	DJ Industrial Average	2.2	6.0	6.0	21.4	8.0	10.6	11.0
	NASDAQ Composite Index	1.8	9.3	9.3	34.7	7.9	16.9	-
	Russell 2000	3.6	5.2	5.2	19.7	-0.1	8.1	7.6
Asia Pac	Hang Seng Index	0.6	-2.5	-2.5	-15.7	-13.7	-7.6	0.6
	Japan Nikkei 225	3.6	21.4	21.4	46.1	13.2	15.5	12.2
	MSCI AC Asia ex JP	3.2	4.4	4.4	6.4	-4.3	3.3	5.4
	MSCI India	1.4	6.3	6.3	38.9	17.3	15.8	13.4

		SPOT	1M (%)	3M (%)	YTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
FX	AUD/USD	0.65	0.2	-4.4	-4.4	-2.6	-5.0	-1.7	-3.5
	AUD/EUR	0.60	0.4	-2.2	-2.2	-2.0	-2.3	-0.9	-1.1
	AUD/GBP	0.52	0.3	-3.5	-3.5	-4.7	-2.2	-1.1	-0.7
	AUD/JPY	98.74	1.3	2.6	2.6	10.8	5.5	4.7	0.3



Net Returns		1M (%)	3M (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)	S.I.* (% p.a)	APIR Code / Inception Date
Alternatives	Ellerston Australian Absolute Return Fund	3.1	6.2	5.8	-2.3	5.9	4.3	5.2	ECL0013AU 3/6/13
	RBA Cash Rate	0.4	1.1	4.1	2.1	1.5	1.6	1.7	
	<b>Excess Return</b>	<b>2.7</b>	<b>5.1</b>	<b>1.6</b>	<b>-4.4</b>	<b>4.5</b>	<b>2.6</b>	<b>3.5</b>	
Australian Equity	Ellerston Australian Share Fund	3.4	2.3	5.4	10.9	9.0	7.4	8.8	ECL0005AU 31/3/09
	S&P/ASX 200 Accumulation Index	3.3	5.3	14.4	9.6	9.2	8.3	9.8	
	<b>Excess Return</b>	<b>0.1</b>	<b>-3.0</b>	<b>-9.0</b>	<b>1.3</b>	<b>-0.1</b>	<b>-0.8</b>	<b>-1.0</b>	
	Ellerston Overlay ASF	3.0	1.7	2.4	8.1	7.3	6.5	7.3	ECL0012AU 1/7/11
	S&P/ASX 200 Accumulation Index	3.3	5.3	14.4	9.6	9.2	8.3	9.1	
	<b>Excess Return</b>	<b>-0.2</b>	<b>-3.6</b>	<b>-12.1</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-1.7</b>	<b>-1.8</b>	
	Ellerston Australian Emerging Leaders Fund	4.3	15.0	30.0	-	-	-	-0.9	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	4.8	7.5	13.8	-	-	-	-1.5	
	<b>Excess Return</b>	<b>-0.5</b>	<b>7.5</b>	<b>16.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	
	Ellerston Income KIS Fund	4.4	4.9	13.7	9.9	-	-	9.9	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	3.3	5.3	14.4	9.6	9.2	8.3	8.8	
	<b>Excess Return</b>	<b>1.1</b>	<b>-0.5</b>	<b>-0.8</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	
	Ellerston Australian Micro Cap Fund	5.9	9.1	19.5	0.9	12.9	-	13.5	ECL0984AU 24/4/17
	S&P/ASX Small Ordinaries Accumulation Index	4.8	7.5	13.8	2.7	5.4	6.7	6.9	
	<b>Excess Return</b>	<b>1.1</b>	<b>1.6</b>	<b>5.7</b>	<b>-1.8</b>	<b>7.4</b>	<b>-</b>	<b>6.6</b>	
	Ellerston 2050 Fund	1.6	7.7	17.5	-	-	-	4.5	ECL5651AU 31/5/22
	S&P/ASX Small Ordinaries Industrial Accumulation Index	3.5	9.6	20.5	-	-	-	7.6	
	<b>Excess Return</b>	<b>-1.9</b>	<b>-1.8</b>	<b>-2.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3.1</b>	





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	1.5	9.8	13.5	3.4	11.9	-	11.3	ECL8388AU 28/02/17	
	MSCI World Mid Cap Index	3.9	11.6	21.2	9.1	10.6	11.2	10.8		
	<b>Excess Return</b>	<b>-2.5</b>	<b>-1.8</b>	<b>-7.7</b>	<b>-5.6</b>	<b>1.3</b>	<b>-</b>	<b>0.5</b>		
	Ellerston Global Mid Small Cap Fund - Class B	1.4	9.8	13.4	3.8	-	-	9.3	ECL3306AU 18/8/20	
	MSCI World Mid Cap Index	3.9	11.6	21.2	9.1	-	-	12.2		
	<b>Excess Return</b>	<b>-2.5</b>	<b>-1.8</b>	<b>-7.7</b>	<b>-5.3</b>	<b>-</b>	<b>-</b>	<b>-2.9</b>		
	Ellerston Asia Growth Fund (Hedge Fund)^	4.0	9.8	-	-	-	-	6.4^^	ECL1411AU 1/6/23	
	MSCI Asia ex Japan (non-accumulation)	2.1	6.7	-	-	-	-	5.2		
	<b>Excess Return</b>	<b>1.9</b>	<b>3.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.2</b>		
	<b>Note: The Ellerston Asia Growth Fund results are reported as at 29 March 2024</b>									
	Ellerston India Fund	1.5	10.7	29.7	12.8	9.2	-	9.5	ECL0339AU 4/5/17	
	MSCI India Net Return Index	0.6	10.9	40.5	18.3	13.5	-	12.4		
<b>Excess Return</b>	<b>0.9</b>	<b>-0.2</b>	<b>-10.8</b>	<b>-5.5</b>	<b>-4.2</b>	<b>-</b>	<b>-2.9</b>			
Private Assets	Ellerston JAADE Australian Private Assets Fund (Retail)	-	2.2	11.6	11.2	-	-	16.4	ECL2707AU 1/9/19	
	Ellerston Pre - IPO Fund	-	1.7	-1.3	0.1	-	-	4.1	ECL0405AU 1/4/20	
	<b>Note: The above two (Ellerston Pre-IPO and Ellerston JAADE) fund results are reported quarterly and therefore are updated as at 31 December 2023</b>									

To Subscribe to Ellerston Newsletters please click [here](#).

### Disclaimer

The net return figure is calculated after fees and expenses. Above figures are those available as at 10 April 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

This document has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000 (Ellerston Capital). Ellerston Capital is the responsible entity or trustee of all funds listed in the table above. This document is for information purposes only and has been prepared by Ellerston Capital without taking account of the objectives, financial situation or needs of investors. Before making an investment decision about any fund, persons should obtain advice from an appropriate financial adviser, consider their own circumstances and read the relevant disclosure document and target market determination (if relevant) which is available on the Ellerston Capital website ([www.ellerstoncapital.com](http://www.ellerstoncapital.com)). This document has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital, or any member of the Ellerston Capital Group of companies makes any warranty as to the accuracy or completeness of the information in this document and disclaims all liability that may arise due to any information contained in this document being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance. The past performance figures presented in this document are for a range of Ellerston Capital funds. Estimated performance figures (where indicated) are preliminary and subject to change. Returns for other classes may differ slightly.

# 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.

To subscribe to Ellerston Newsletters please click [here](#).

---

## Contact Us

### Sydney

Level 11, 179 Elizabeth Street,  
Sydney, NSW 2000  
+612 90217701  
[info@ellerstoncapital.com](mailto:info@ellerstoncapital.com)

Find out more.

Should investors have any questions or queries, please contact our Investor Relations team on **02 9021 7701** or [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) or visit us at **[ellerstoncapital.com](http://ellerstoncapital.com)**.

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

---

This material has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000 based on information believed to be accurate at the time of publication. This newsletter has been prepared to provide general information only and is not to be construed to as solicitation of an offer to buy or sell any financial product. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Before making an investment decision, you should read the product disclosure statement and the target market determination which can be obtained from our website [www.ellerstoncapital.com](http://www.ellerstoncapital.com) or by contacting [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) and obtaining advice from an appropriate financial adviser. Past performance is not a reliable indicator of future performance.

---