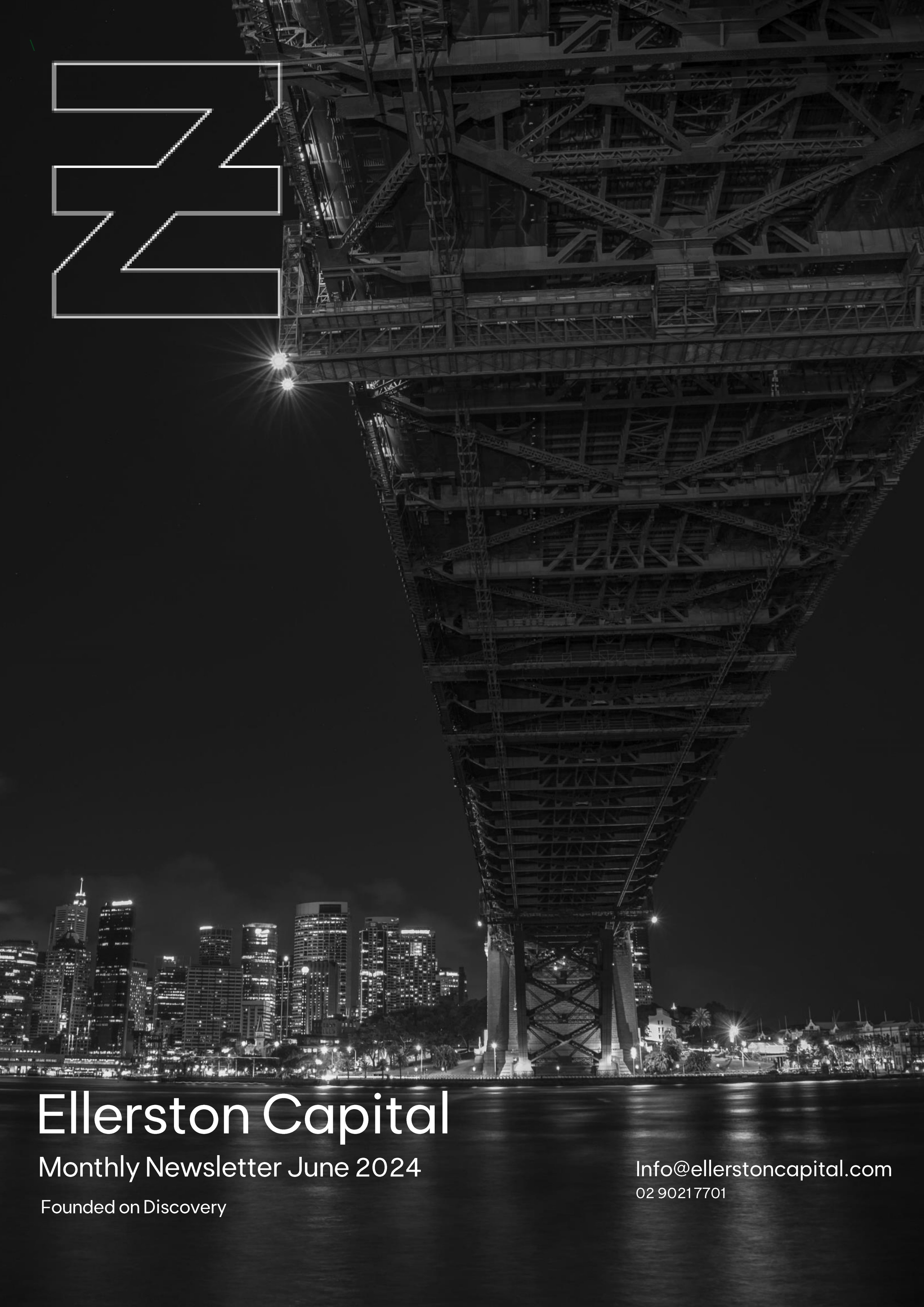

Ellerston Capital

Monthly Newsletter June 2024

Founded on Discovery

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Ellerston Capital

Monthly Newsletter June 2024

Monthly Returns – Top 3 Performers

Fund	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception* (p.a.)
Ellerston Asia Growth Fund (Hedge Fund)	**5.9%**	13.3%	-	-	12.6%
Ellerston India Fund	**5.3%**	30.2%	13.7%	11.0%	10.5%
Ellerston Australian Micro Cap Fund	**3.1%**	21.9%	0.2%	11.8%	13.7%

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.

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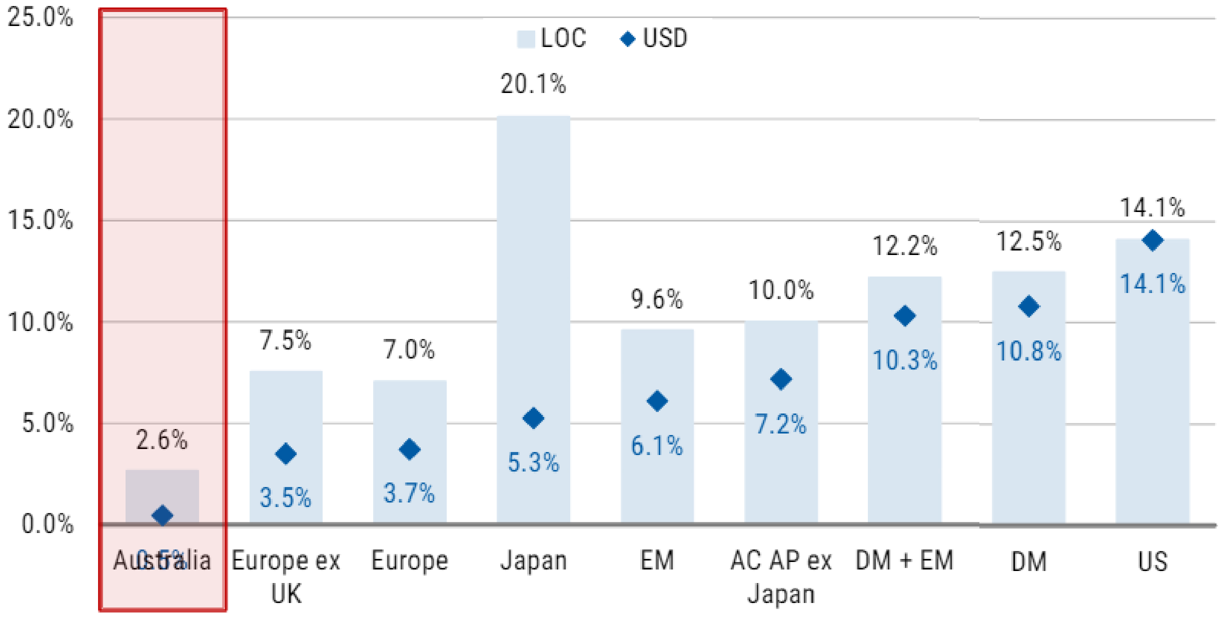
Monthly Market Update

Market Overview

The upward momentum in equity markets continued in June, driven by the Magnificent Seven powering the Nasdaq to close up 6.0%. The MSCI Developed Markets World Index (DM) squeezed 2.4% higher, with the US proving the strongest region by returning +3.6%. Emerging Markets outperformed DM to finish up 4.3% in local currency terms, fuelled by the continued strength in India's SENSEX and the tech heavy Korean market. The S&P 500 rallied 3.6%, with IT leading the GICS sector charge (+8.8). Meanwhile domestically, the S&P/ASX 200 underperformed the DM performance, rising by a more modest +1.0%. Globally, IT and Communication Services were the two best performing sectors in the month of June and domestically, it was Financials (+5.1%), Consumer Staples (+4.6%) and Utilities (+4.6%) that led the charge.

MSCI Global Country/Regional Indices Performance for the June CYTD



Source: Morgan Stanley

Australia

As expected, the RBA stayed on hold when they met for their June rate decision, not materially changing their policy guidance, without reinstating an explicit tightening bias. However, Governor Bullock highlighted a few hawkish indicators, namely the tick up in April inflation and recent budget outcomes which may have an impact on end demand, though she conceded that federal and state energy rebates kicking in will temporarily reduce headline inflation. The May CPI, released in late June, was again worse than expected, setting the cat amongst the pigeons. Headline inflation came in at 4.0% versus consensus of 3.8% (off the December trough of 3.4%), with the RBA's preferred Trimmed Mean also re-accelerating to 4.4% (also well off trough of 3.8% in January). This puts the RBA in a precarious position, with the probability of a rate hike now back on the agenda at the next RBA meeting to be held on August 5-6.

Australian equities consolidated their gains and nudged higher in June. The S&P/ASX 200 Accumulation Index (Index) closed up 1.0%, with Financials, Consumer Staples and Utilities the best performers. Financials (+5.1%) were driven by leaders CBA (+6.6%), NAB (+6.8%), Macquarie (+7.2%) and Westpac (+4.8%), followed by Consumer Staples (Woolworths +6.9%) and Utilities (Origin Energy +6.6%). The worst performing sectors were Materials (-6.5%), dragged down by the major miners (BHP -4.1%, Fortescue -13.5%, Rio Tinto -7.7% and Mineral Resources -24.8%), followed by Energy (Paladin Energy -21.7%) and Industrials (Reliance Worldwide -6.8%).

For the month, the top stocks that made a positive contribution to the Index's return were CBA (+57bps), CSL (+32bps), NAB (+31bps), Macquarie (+21bps) and Westpac (+19bps).

Conversely, the bottom five stocks detracting from the Index's performance were mining stocks BHP (-41bps), Fortescue (-24bps), Rio Tinto (-16bps), Mineral Resources (-13bps) and Pilbara Minerals (-9bps).

The ASX Small Ordinaries bucked the trend to close down 1.4%, worse than the broader benchmark of +1.0%. Within the ASX Small Ordinaries, the Small Industrials fared particularly well, up 1.4% versus the Small Resources, which returned -8.0%. The worst performing Small Cap was former market darling Cettire, plunging 49.8% after the online fashion retailer's shock profit downgrade which left investors scratching their heads.

The rise in the broader market in June leaves FY24 performance for the Australian equity market at 12.1%. By sector, Financials was the clear standout, up a whopping 29.2%, just pipping IT at 28.4% and REITs at 24.6%, whilst Consumer Staples delivered the lowest return for the financial year (-3.7%).

USA

The Federal Reserve (Fed) left its benchmark rate unchanged in a range of 5.25% to 5.5% for a seventh straight meeting, coinciding with the May CPI report which was released on the same day. Chair Powell acknowledged the friendlier CPI inflation news, but caveated that it came "after several reports that were not encouraging." Chair Powell also stated that he wanted to see more. "One reading isn't - it's just only one reading. You don't want to be too motivated by any single data point" he stressed. The June dot plot delivered a hawkish surprise, with a median projection of one cut in late 2024, instead of the two that consensus had expected. Chair Powell emphasized in his press conference that many Fed participants saw it as a very close call and that both options were still plausible outcomes. The market-implied probability of a cut by September rose from 59% to a peak of 85% after the soft CPI report and then fell to 65% immediately after the FOMC meeting. The Bank of Canada became the first major central bank among the Group of Seven countries to cut interest rates by lowering official rates by 25bps to 4.75%. They might have jumped the gun, as a hot May inflation number of 2.9% was printed, up from 2.7%, which may spook other Central Banks from following suit.

The NASDAQ Composite (+6.0%) and the S&P 500 (+3.6%) were both major beneficiaries of the Magnificent One (NVIDIA) which finished +12.7% (+149% CYTD), followed by the Dow Jones Industrial Average, +1.2%, with the Small Cap Russell 2000 the laggard, returning -0.9%.

Europe

The ECB cut rates by 25bps, the first since September 2019, as previously telegraphed by a number of ECB members. However, ECB president, Christine Lagarde added that there were still risks to the outlook for inflation, saying: "Despite the progress over recent quarters, domestic price pressures remain strong, as wage growth is elevated and inflation is likely to stay above target well into next year".

The Euro STOXX50 Index finished the month down 1.7%, impacted by election fever (with an unexpected snap election called for by Emmanuel Macron in France). Among the major exchanges, the FTSE 100 was down 1.1% followed by Germany's DAX which fell 1.4% and France's CAC 40 was the clear laggard, closing 6.3% lower on fears Marine Le Pen's far-right National Rally alliance would gain political traction to secure an absolute majority, as indicated by the early polls (notoriously wrong).

Asia

China's economic activity has been choppy in 1H, starting strong in 1Q (the notable exception was the housing sector and housing-related consumption). Economic activity generally recovered in 1Q, led by industrial production, manufacturing investment and an increase in export volumes. However, with the fading of Lunar New Year effect and withdrawal of policy support (as reflected in the net decline in government bond issuance and broad credit data), activity has cooled off in 2Q. The divergence continued, with out-performance in advanced manufacturing, green sectors and exports, offset by under-performance in housing market activity and in between, modest growth in infrastructure FAI, consumption and services. These imbalances, especially weaker domestic demand vs. supply, have not surprisingly led to prolonged deflationary pressure. China's top leaders will gather from July 15 to 18 for their highly anticipated meeting known as the Third Plenum. The Third Plenum carries historical significance and has previously spurred transformative periods of China's economic policy. All eyes will be focused on this meeting, but that said, market expectations are low heading into the event (with equities down 10% from their May peak).

Asian markets performances were mixed, but generally underperformed the US and most European markets. India's SENSEX charged ahead with a return of +7.1%, driven by its economy growing at over twice the rate of global GDP, followed by Korea's KOSPI which rose 6.1% and the Nikkei which returned +3.0%. The Hang Seng was down 1.1% and China's SSE was the underperformer, falling 3.0% as protectionism has increased leading to negative revisions to demand, especially EVs and bond issuance has lagged.

Commodities

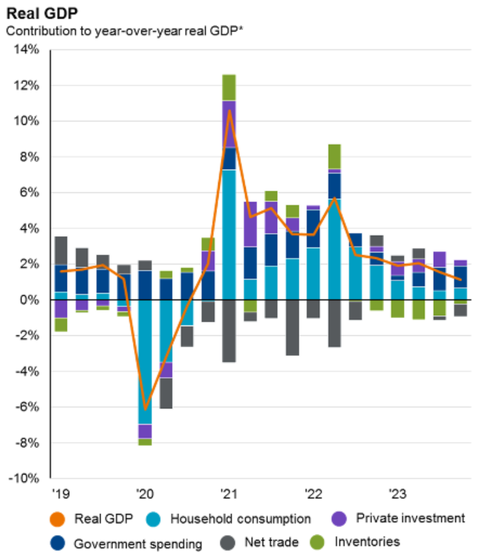
Consistent with global developments, Chinese concerns have weighed on commodities. Iron ore prices weakened due to rising port inventories, down 7% to US$107/tonne and coking coal prices fell 3% to US$234/tonne. The base metals complex also seemed to run out of steam, with aluminium down 4%, copper falling 5% and nickel collapsed by 12.0%. Crude oil bounced back 5.0% to close at US$85/barrel, with OPEC+ extending production cuts, however the group stressed that increases in production could be "paused or reversed subject to market conditions." Gold finished flat at US$2327/oz (equivalent to A$3433/oz), despite the US dollar being stronger on a trade weighted basis.

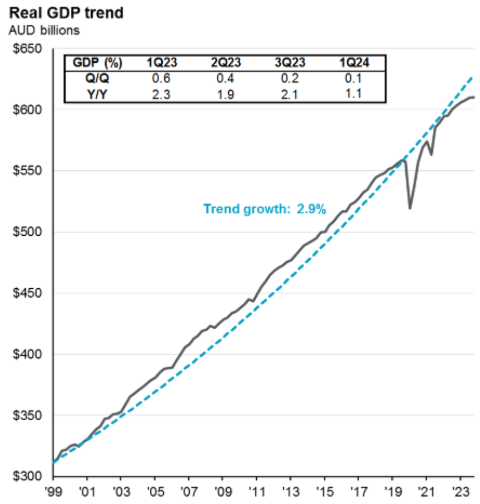
Bonds

The US 10-year bond yield was reasonably stable, retreating by 10bps to 4.40%. Treasuries reacted positively to the May core CPI print late in the month and also by the better Core PCE Deflator which followed. The Australian 10-year bond yield was also modestly lower, despite the hot May CPI release, finishing -10bp at 4.31%. The A$ closed the month flat at US$0.67, despite weaker commodity prices.

Charts of the Month

Economic Growth and composition of GDP

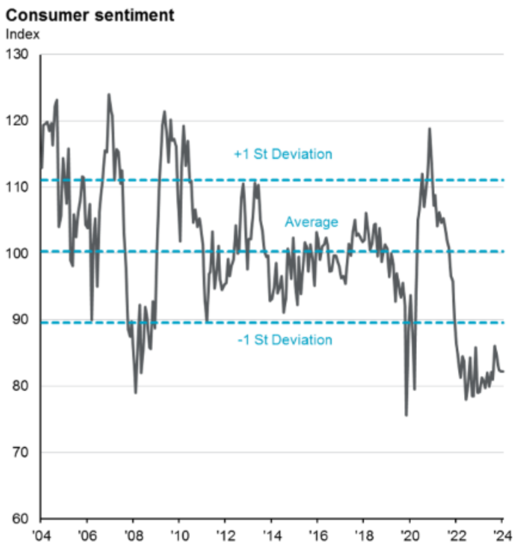


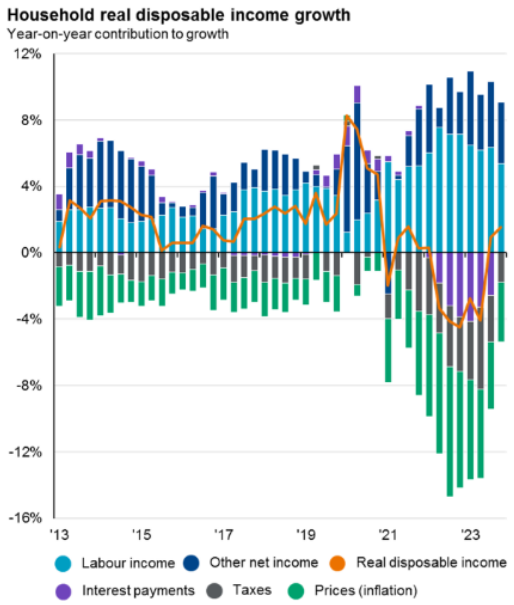


Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management. *Figures may not sum due to rounding. Trend growth based on quarterly growth real GDP growth until cycle peak 4Q 2019.

Guide to the Markets – Australia. Data as of 30 June 2024.

Consumer sentiment and income





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

Guide to the Markets – Australia. Data as of 30 June 2024.

Ellerston Capital Limited
Summary of Market Performance

30 June 2024

		Return Type	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P/ASX 50	Total	1.6	-0.4	4.5	13.2	7.5	7.3	7.8
	S&P/ASX 200	Total	1.0	-1.1	4.2	12.1	6.4	7.3	8.1
	S&P/ASX 200 Industrial	Total	3.3	0.3	9.8	17.8	6.2	7.0	8.0
	S&P/ASX 200 Resources	Total	-6.0	-5.2	-10.5	-3.2	7.1	8.1	8.1
	S&P/ASX Small Ordinaries	Total	-1.4	-4.5	2.8	9.3	-1.5	3.7	6.4
	S&P/ASX Small Industrials	Total	1.4	-4.5	4.6	12.4	-2.2	2.9	6.6
	S&P/ASX Small Resources	Total	-8.0	-4.3	-2.9	0.7	1.6	7.4	5.9
	MSCI Australia Value	Net	-0.2	-1.9	1.0	11.6	8.5	7.7	6.6
	MSCI Australia Growth	Net	3.2	0.4	8.2	15.6	6.1	6.5	8.9
ASX 200 Sectors	Energy	Total	-1.6	-6.8	-2.9	-1.8	14.4	3.2	0.5
	Utilities	Total	4.6	13.3	17.1	12.5	22.5	8.0	10.1
	Financials	Total	5.1	4.0	16.6	29.2	10.5	8.3	7.5
	Materials	Total	-6.5	-5.9	-11.7	-2.3	5.6	9.4	10.6
	Industrials	Total	-0.2	-4.5	0.9	3.7	6.4	3.1	8.9
	Real Estate	Total	0.4	-5.6	10.2	24.6	5.7	4.4	8.9
	Consumer Discretionary	Total	3.1	-2.7	9.9	22.7	3.2	10.6	10.5
	Health Care	Total	4.4	1.9	5.2	8.8	1.3	7.1	13.9
	Information Technology	Total	1.5	2.9	27.9	28.4	3.1	12.8	13.3
	Consumer Staples	Total	4.6	0.2	2.1	-3.7	0.9	4.6	5.9
	Communication Services	Total	2.6	-4.9	-3.9	1.1	3.4	6.1	2.5

Local Currency

		Return Type	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
World	MSCI World Index	Net	2.3	3.0	13.4	21.3	8.4	12.5	10.3
	MSCI EM (Emerging Markets)	Net	4.3	6.2	11.0	15.5	-1.6	5.6	5.8
	MSCI AC World Index ex Australia	Net	2.5	3.4	13.3	20.8	7.2	11.8	9.9
	MSCI World Mid Cap	Net	-1.2	-2.6	5.6	12.4	2.6	8.4	7.9
Americas	S&P 500	Net	3.6	4.2	15.0	24.0	9.5	14.5	12.2
	Dow Jones Industrial Average	Net	1.2	-1.4	4.5	15.3	5.8	9.6	10.5
	NASDAQ Composite	Net	6.0	8.4	18.4	29.3	7.5	17.9	-
	Russell 2000	Total	-0.9	-3.3	1.7	10.1	-2.6	6.9	7.0
Asia Pac	Hang Seng Index	Net	-1.1	8.9	6.2	-2.4	-12.1	-6.2	0.6
	Nikkei 225 Stock Average	Net	3.0	-1.8	19.1	21.0	13.0	15.0	11.8
	MSCI AC Asia ex Japan	Net	4.2	7.9	12.7	15.0	-2.9	5.1	5.6
	MSCI India	Net	6.8	10.2	17.1	36.6	17.9	18.0	13.1

		SPOT	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
FX	U.S. Dollar per Australian Dollar	0.6679	0.4	2.4	-2.1	0.3	-3.8	-1.0	-3.4
	Euro per Australian Dollar	0.6231	1.7	3.2	0.9	2.1	-0.5	0.2	-1.0
	British Pounds per Australian Dollar	0.5283	1.1	2.3	-1.3	0.9	-0.9	-0.9	-0.4
	Japanese Yen per Australian Dollar	107.4304	2.8	8.8	11.7	11.7	8.8	7.3	1.2

Ellerston Capital Limited
Summary of Fund Performance

30 June 2024

	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	-2.5	-2.4	1.3	-4.2	3.5	3.5	4.9	ECL0013AU 3/6/13
	RBA Cash Rate	0.4	1.1	4.3	2.4	1.6	1.7	1.8	
	Excess Return	**-2.8**	**-3.5**	**-3.0**	**-6.7**	**1.9**	**1.8**	**3.1**	
Australian Equity	Ellerston Australian Share Fund	-0.3	-3.0	3.0	6.1	8.8	7.0	8.5	ECL0005AU 01/04/09
	S&P/ASX 200 Accumulation Index	1.0	-1.1	12.1	6.4	7.3	8.1	9.6	
	Excess Return	**-1.3**	**-1.9**	**-9.1**	**-0.2**	**1.5**	**-1.1**	**-1.1**	
	Ellerston Overlay Australian Share Fund	-0.6	-3.4	0.8	3.7	7.0	6.0	6.9	ECL0012AU 1/7/11
	S&P/ASX 200 Accumulation Index	1.0	-1.1	12.1	6.4	7.3	8.1	8.9	
	Excess Return	**-1.7**	**-2.3**	**-11.3**	**-2.7**	**-0.3**	**-2.0**	**-2.0**	
	Ellerston Equity Income KIS Fund	1.8	-2.5	9.2	5.5	8.7	-	8.8	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	1.0	-1.1	12.1	6.4	7.3	-	8.1	
	Excess Return	**0.8**	**-1.5**	**-2.9**	**-0.9**	**1.4**	**-**	**0.7**	
	Ellerston Australian Micro Cap Fund	3.1	4.6	21.9	0.2	11.8	-	13.7	ECL0984AU 28/4/17
	S&P/ASX Small Ordinaries Accumulation Index	-1.4	-4.5	9.3	-1.5	3.7	-	6.0	
	Excess Return	**4.5**	**9.1**	**12.5**	**1.8**	**8.1**	**-**	**7.7**	
	Ellerston Australian Emerging Leaders Fund	3.0	2.2	31.7	-	-	-	-0.1	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	-1.4	-4.5	9.3	-	-	-	-2.9	
	Excess Return	**4.3**	**6.7**	**22.4**	**-**	**-**	**-**	**2.8**	

Ellerston Capital Limited
Summary of Fund Performance

30 June 2024

	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 Asia Growth Fund (Hedge Fund)^	5.9	6.9	13.3	-	-	-	12.6	*ECL1411AU 1/6/2023*
	MSCI Asia ex Japan (non-accumulation)	3.4	3.9	10.1	-	-	-	8.6	
	Excess Return	**2.5**	**2.9**	**3.2**	-	-	-	**4.0**	
	Ellerston India Fund	5.3	9.5	30.2	13.7	11.0	-	10.5	*ECL0339AU 4/5/17*
	MSCI India Net Return Index	6.5	7.7	33.9	18.0	14.8	-	13.1	
	Excess Return	-1.2	**1.8**	-3.7	-4.3	-3.8	-	-2.6	
Private Assets	Ellerston JAADE Australian Private Assets Fund (Retail)**	-	3.4	14.6	12.4	-	-	16.9	*ECL2707AU 5/7/19*
	Ellerston Pre IPO Fund	-	-3.4	1.3	-0.7	-	-	2.9	*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 31 March 2024								

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Disclaimer

The net return figure is calculated after fees and expenses. Above figures are those available as at 04 July 2024, except where otherwise stated. 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.

** Since inception performance is calculated from 30 September 2019, which is the date from which the Ellerston JAADE Australian Private Assets Fund (Retail) made its first investment into the Ellerston JAADE Australian Private Assets Fund (Wholesale).

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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	Fixed Income & Multi-Asset
Australian Large & Mid Cap	Global Mid-Small Caps	Global Long/Short Strategy	Australian P/E Strategy – Tech & Healthcare	Fixed Income
Australian Yield Strategy	Asian Large & Mid Caps	Bespoke Global Portfolios	Unlisted / Pre-IPO	Bespoke Multi-Asset Solutions
2050/Sustainable Strategy	Indian Equities		Venture Capital	
Emerging Leaders			Bespoke Unlisted Strategies	
Small Caps				
Micro Caps				

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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Find out more.

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.**

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