



Ellerston Capital

Monthly Newsletter September 2024

Founded on Discovery

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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 Asia Growth Fund (Hedge Fund)	6.7%	19.7%	-	-	13.4%
Ellerston 2050 Fund	5.5%	29.7%	-	-	9.0%
Ellerston Australian Share Fund	4.9%	14.9%	7.1%	8.6%	8.8%

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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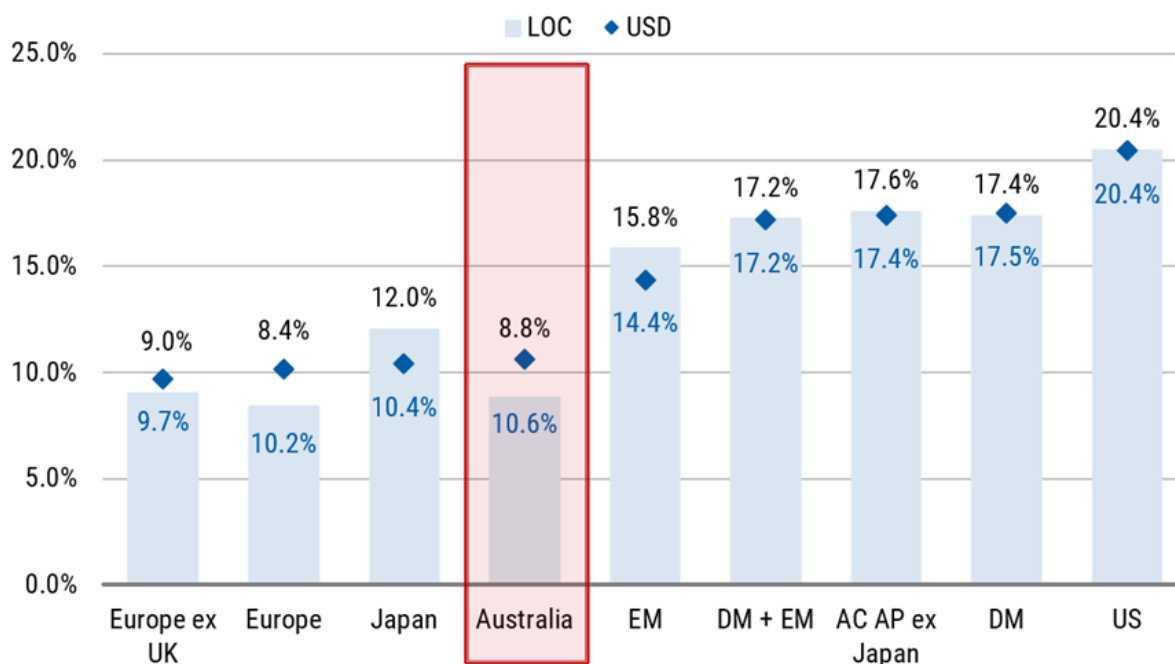
Monthly Market Update

Market Overview

The outsized easing by the US Federal Reserve facilitated the likelihood of a soft landing being delivered and news of China monetary and fiscal easing surprised markets, helping to drive an aggressive rotation into Basic Materials and Resources at the expense of Banks towards month's end. Massive short covering of Chinese stocks and a re-direction of flows from Japan, Korea and India catapulted China's SSE Index by 19.2%, which was previously in the doldrums.

September saw equity gains across the board, with the MSCI Emerging Markets Index rising +6.0%, thanks to the spike in China markets, resulting in its outperformance versus the MSCI Developed Markets Index (+1.5%) in local currency terms. The S&P 500 rose +2.1% and domestically, the S&P/ASX200 outperformed the DM World with a credible monthly return of (+3.0%), its fifth consecutive monthly gain and hitting a new all-time high, mainly driven by Materials. Globally, Utilities (+5.5%) and Consumer Discretionary (+5.3%) were the best performing sectors in the month of September and domestically it was Materials (+13.1%), IT (+7.4%) and Real Estate (+6.6%).

MSCI Global Country/Regional Indices Performance for the September CYTD



Source: Morgan Stanley

Australia

As expected, the RBA left rates unchanged at its September meeting at 4.35% where it has been since November last year, albeit the board didn't consider the case for rate rises for the first time since March. In her post-meeting press conference, RBA Governor Bullock stated that, "the message from the board is that in the near term, it does not see interest rate cuts coming any time soon."

Australian equities performed relatively well in September, with the S&P/ASX 200 Accumulation Index closing up 3.0%. Materials, Information Technology and Real Estate, were the best performers. The Materials sector (+13.1%) was driven by the V-shaped rebound in Mineral Resources (+29.6%) and Fortescue (+19.4%), followed by Information Technology (led by Siteminder +29.0%) and Real Estate (Centuria Capital Group +21.2%). The worst performing sectors were Healthcare (-3.2%), dragged down by CSL (-6.1%, post competitor Moderna's Covid + flu candidate mRNA-1083 showing more encouraging efficacy) and Cochlear (-5.4%), followed by Consumer Staples (Elders -8.2%) and Communication Services (Spark New Zealand -11.2%).

For the month, the top stocks that made a positive contribution to the Index's return were BHP (+133bp), Rio Tinto (+27bp), Goodman Group (+27bp), Macquarie Group (+26bp) and Fortescue (+23bp). Conversely, the bottom five stocks detracting from the Index's performance were CSL (-38bp), CBA (-29bp), NAB (-10bp), Woodside Energy (-9bp) and Computershare (-8bp). The ASX Small Ordinaries closed up 5.1%, outperforming the broader benchmark of +3.0%. Within the ASX Small Ordinaries, the Small Resources did much better, up 7.2% versus the Small Industrials, which closed up 4.3%.

USA

The Federal Reserve (Fed) lowered its benchmark interest rate by a half percentage point, in an aggressive start to a policy shift aimed at bolstering the US labour market. The committee gained greater confidence that inflation was moving sustainably toward its 2% target, judging that "the risks to achieving its employment and inflation goals were roughly in balance", the Fed said in a statement, adding that they are "strongly committed to supporting maximum employment" in addition to bringing inflation back to their goal. Powell stressed on the size of the rate cut which was greater than the 0.25 widely expected, not to assume that "this is the new pace" and that the "the U.S. economy is in good shape. It is growing at a solid pace. Inflation is coming down." The Goldilocks scenario, at least at this juncture, seems manageable by the Fed.

Against this macro setting, the NASDAQ Composite was the best performer, up 2.8%, followed by the S&P 500 (+2.1%), the Dow Jones Industrial Average (+2.0%) and the small cap Russell 2000, which was up only +0.7%, giving back some of August's strong relative performance.

Europe

As expected, the ECB made its second cut of 25bps in September. Weaker European PMI's and ECB President Christine Lagarde commentary that "latest developments strengthen our confidence that inflation will return to target in a timely manner" and "we will take that into account in our next monetary policy meeting in October" raised the odds of another 25bps in October. The UK BOE kept rates at 5.0% following August's 25bps cut, taking a more gradual approach to removing policy restraint. The Euro STOXX50 Index finished the month up 2.3%. Among the major exchanges, Germany's DAX was up 2.2%, followed by France's CAC 40 which was broadly flat (+ 0.1%, given the political uncertainty), with the FTSE 100 the clear laggard at -1.5%.

Asia

In late September, China suddenly unveiled new supportive measures amid persistent downward economic pressures, cutting interest rates, the Reserve Requirement Ratio for banks, mortgage rates on existing loans and the down payment requirement of second mortgages. A few days later the Politburo met (a month earlier than normal) and signalled an even more supportive and coordinated policy approach, including "counter-cyclical fiscal policy" which still needs to be firmed up, but it appears that President Xi is no longer willing to tolerate a further deceleration in growth (in order to deleverage). All of this happened in the last few days of the month, driving the largest weekly rally in the Chinese stock market in a decade.

Asian markets were mixed, with China and Hong Kong markets ripping and dramatically outperforming global equities, at the expense of Japan, Korea and India. China's SSE was up 19.2% and the Hang Seng rose 18.7% (driven by property related names), followed by India's SENSEX which was 2.3% higher. Japan's Nikkei (still unravelling from the end of the carry trade) and Korea's KOSPI were both in negative territory at -1.4% and -3.0% respectively.

Commodities

The Chinese stimulus in late September saw massive movements in commodities, especially in iron ore and base metals. Iron ore prices which earlier went as low of US\$89/tonne, closed at US\$108/tonne only six days later. Cooking coal prices were 3% higher at \$US\$205/tonne and alumina shot up 9% to US\$ 562/tonne, due to additional supply side issues in China and India. The base metals complex was exceptionally strong, with aluminium the standout, rising 7%, copper was 6% higher and nickel finished +4%. Crude oil prices on the other hand fell 7% to close at US\$72/barrel as a result of weaker demand, quota cheating and concerns over OPEC's 12 month tapering of its 2.2MBD voluntary cuts, starting in December. Given the bigger Fed rate cut, gold finished up 5% at US\$2635/oz (equivalent to A\$3813/oz), in line with a weaker US dollar and deemed a safe haven for the recent escalation of hostilities in the Middle East, particularly Iran's sabre-rattling intentions and increased armed force activity in Lebanon.

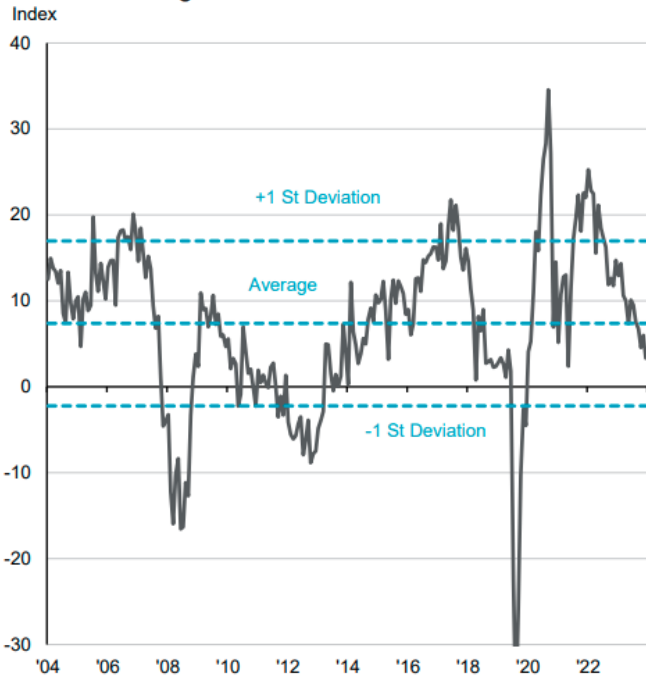
Bonds

The US 10-year bond yield fell 26bps to 3.64%. Treasuries reacted positively to the larger than expected 0.5% rate cut and the Australian 10-year bond yield was flat at 3.97%. The A\$ closed up 2% at US\$0.69, due to the slightly weaker US dollar and the late month commodities rally.

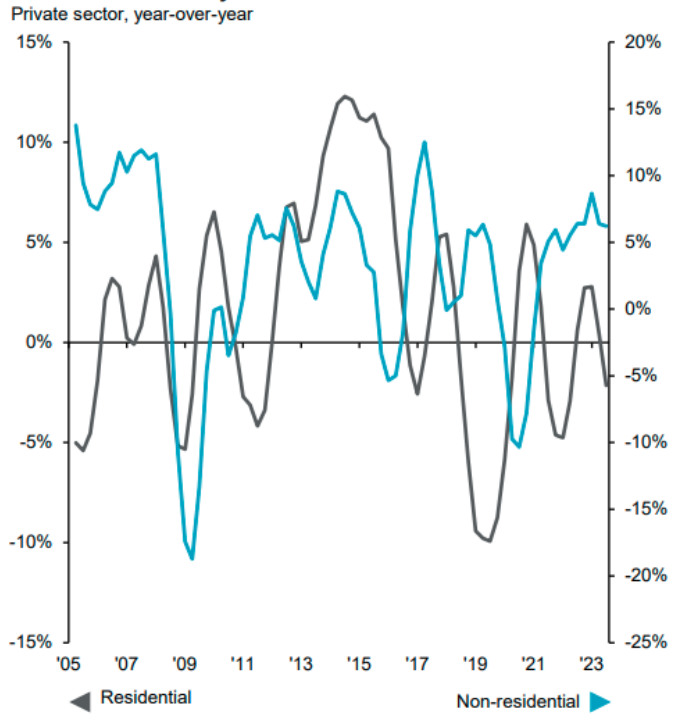
Charts of the Month

Business Conditions and Investment

Business trading conditions



Construction activity

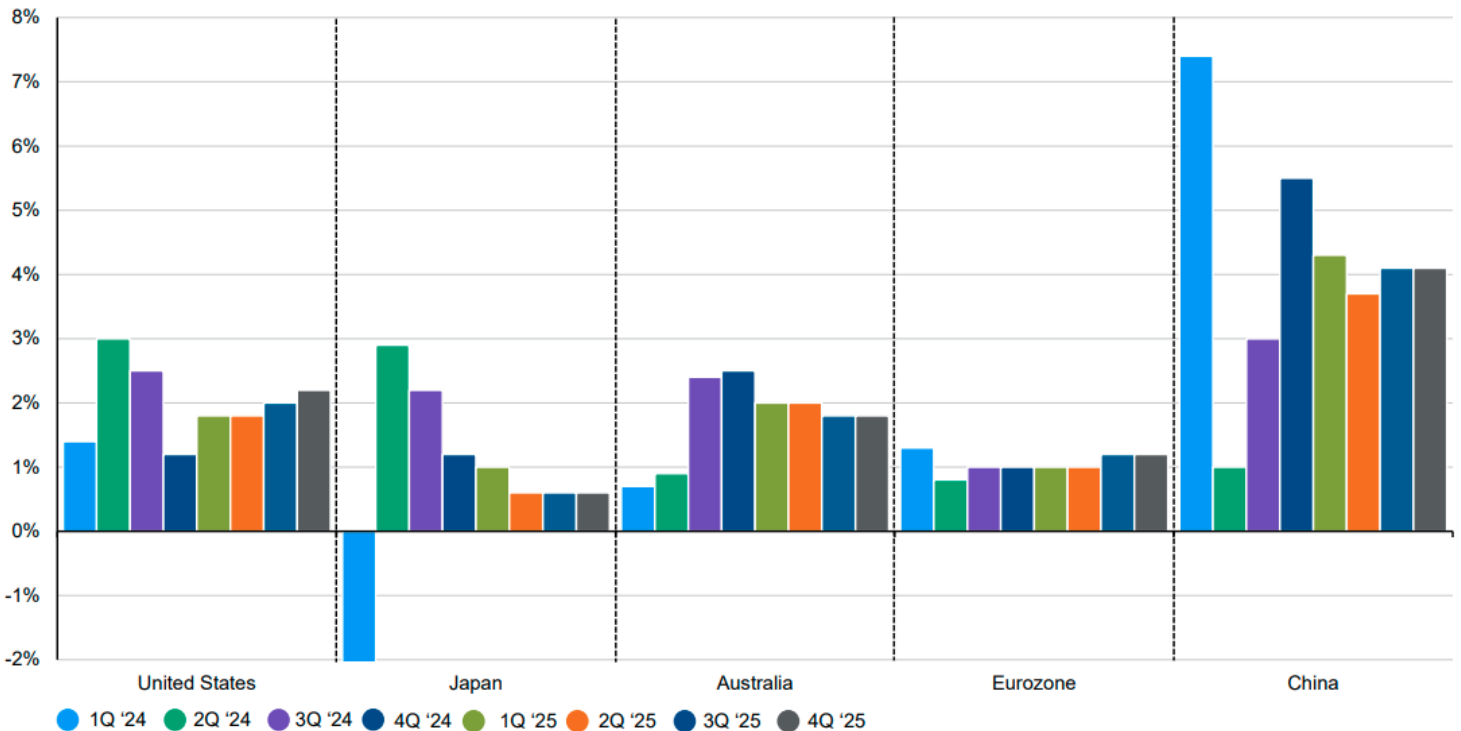


Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management. *Guide to the Markets – Australia*. Data as of 27/09/24.

Global Growth

Real GDP forecast

Quarter-over-quarter, seasonally adjusted annualised rate



Source: J.P. Morgan Economic Research, J.P. Morgan Asset Management. Forecasts are from 2Q '24 onwards. Past performance is not a reliable indicator of current or future results. *Guide to the Markets – Australia*. Data as of 27/09/24.



		Return Type	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	10Y (% p.a.)
Australia	S&P/ASX 50	Total	2.8	7.7	12.5	22.6	9.7	8.4	8.7
	S&P/ASX 200	Total	3.0	7.8	12.3	21.8	8.4	8.4	8.9
	S&P/ASX 200 Industrial	Total	0.7	8.0	18.6	28.6	7.4	7.9	8.8
	S&P/ASX 200 Resources	Total	11.5	7.1	-4.2	3.9	13.2	10.4	9.1
	S&P/ASX Small Ordinaries	Total	5.1	6.5	9.5	18.8	-0.6	4.4	7.0
	S&P/ASX Small Industrials	Total	4.3	7.5	12.5	23.3	-1.0	3.6	6.9
	S&P/ASX Small Resources	Total	7.2	3.9	0.8	6.6	2.1	8.2	7.2
	MSCI Australia Value	Net	4.9	7.4	8.5	18.2	11.4	9.0	7.6
	MSCI Australia Growth	Net	1.0	7.3	16.1	26.6	7.8	7.1	9.6
ASX 200 Sectors	Energy	Total	0.1	-6.2	-8.9	-17.2	8.7	1.8	-0.2
	Utilities	Total	2.8	-1.2	15.7	13.3	20.0	7.6	10.0
	Financials	Total	0.1	8.3	26.3	36.6	11.7	9.4	8.6
	Materials	Total	13.1	10.8	-2.1	11.0	13.1	12.5	12.1
	Industrials	Total	0.6	10.4	11.4	17.9	7.7	5.0	9.9
	Real Estate	Total	6.6	14.4	24.0	43.6	7.7	5.6	9.2
	Consumer Discretionary	Total	1.5	10.4	21.3	28.7	5.8	11.0	11.6
	Health Care	Total	-3.2	0.3	5.5	19.3	0.5	5.7	12.9
	Information Technology	Total	7.4	16.1	48.5	58.3	6.7	15.2	15.0
	Consumer Staples	Total	-1.7	2.3	4.5	4.7	0.2	2.8	6.1
	Communication Services	Total	-0.9	8.0	3.8	10.9	4.4	8.4	2.7
Local Currency									
World	MSCI World Index	Net	1.5	4.7	18.7	30.4	9.9	13.2	10.8
	MSCI EM (Emerging Markets)	Net	5.6	6.6	18.3	25.0	2.9	7.4	6.5
	MSCI AC World Index ex Australia	Net	1.9	4.8	18.8	30.0	9.1	12.6	10.3
	MSCI World Mid Cap	Net	2.0	7.6	13.6	24.6	5.0	9.7	8.9
Americas	S&P 500	Net	2.1	5.8	21.7	35.8	11.4	15.4	12.8
	Dow Jones Industrial Average	Net	1.9	8.6	13.4	28.1	9.3	11.1	11.3
	NASDAQ Composite	Net	2.7	2.7	21.6	38.3	8.6	18.5	-
	Russell 2000	Total	0.7	9.3	11.2	26.8	1.8	9.4	8.8
Asia Pac	Hang Seng Index	Net	18.3	21.5	29.0	24.0	-1.4	-0.9	2.6
	Nikkei 225 Stock Average	Net	-1.4	-3.6	14.8	20.7	10.6	13.5	10.6
	MSCI AC Asia ex Japan	Net	7.4	8.0	21.7	26.8	2.6	7.4	6.4
	MSCI India	Net	2.0	7.8	26.3	41.6	16.3	20.4	13.4
		SPOT	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	10Y (% p.a.)
FX	U.S. Dollar per Australian Dollar	0.6938	2.2	3.9	1.7	7.5	-1.3	0.6	-2.3
	Euro per Australian Dollar	0.6216	1.4	-0.2	0.6	2.0	-0.1	0.1	-1.1
	British Pounds per Australian Dollar	0.5172	0.2	-2.1	-3.4	-2.2	-1.2	-1.1	-0.4
	Japanese Yen per Australian Dollar	99.2340	0.4	-7.6	3.2	3.0	7.2	6.4	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	2.8	7.8	11.8	-4.0	3.8	3.5	5.5	ECL0013AU 3/6/13
	RBA Cash Rate	0.4	1.1	4.3	2.8	1.8	1.7	1.8	
	Excess Return	2.5	6.7	7.5	-6.8	2.0	1.8	3.6	
Australian Equity	Ellerston Australian Share Fund	4.9	7.7	14.9	7.1	8.6	7.8	8.8	ECL0005AU 1/4/09
	S&P/ASX 200 Accumulation Index	3.0	7.8	21.8	8.4	8.4	8.9	10.0	
	Excess Return	1.9	-0.1	-6.8	-1.3	0.2	-1.2	-1.1	
	Ellerston Overlay Australian Share Fund	4.7	7.6	13.4	4.8	6.9	6.8	7.3	ECL0012AU 1/7/11
	S&P/ASX 200 Accumulation Index	3.0	7.8	21.8	8.4	8.4	8.9	9.3	
	Excess Return	1.8	-0.2	-8.3	-3.7	-1.5	-2.1	-2.0	
	Ellerston Equity Income KIS Fund	3.8	6.8	20.7	7.4	9.1	-	9.7	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	3.0	7.8	21.8	8.4	8.4	-	9.2	
	Excess Return	0.8	-1.0	-1.1	-1.0	0.7	-	0.5	
	Ellerston Australian Micro Cap Fund	4.8	10.2	34.7	-1.3	11.4	-	14.7	ECL0984AU 1/5/17
	S&P/ASX Small Ordinaries Accumulation Index	5.1	6.5	18.8	-0.6	4.4	-	6.7	
	Excess Return	-0.3	3.7	15.9	-0.7	7.0	-	8.0	
	Ellerston Australian Emerging Leaders Fund	4.1	7.3	40.0	0.9	-	-	2.2	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	5.1	6.5	18.8	-0.6	-	-	-0.7	
	Excess Return	-1.0	0.7	21.2	1.4	-	-	2.9	
Ellerston 2050 Fund	5.5	8.3	29.7	-	-	-	9.0	ECL5651AU 31/5/22	
S&P/ASX Small Ordinaries Industrial Accumulation Index	4.3	7.5	23.3	-	-	-	7.1		
Excess Return	1.1	0.8	6.4	-	-	-	1.8		



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	-1.0	4.8	8.4	-0.5	8.4	-	10.3	ECL8388AU 28/2/17
	MSCI World Mid Cap Index	0.2	5.9	18.1	5.1	8.7	-	10.0	
	Excess Return	-1.1	-1.0	-9.8	-5.7	-0.3	-	0.2	
	Ellerston Global Mid Small Cap Fund - Class B	-1.0	4.8	8.3	-0.3	-	-	7.7	ECL3306AU 18/8/20
	MSCI World Mid Cap Index	0.2	5.9	18.1	5.1	-	-	10.7	
	Excess Return	-1.1	-1.0	-9.8	-5.5	-	-	-3.0	
	Ellerston Asia Growth Fund (Hedge Fund)^	6.7	4.1	19.7	-	-	-	13.4	ECL1411AU 1/6/23
	MSCI Asia ex Japan (non-accumulation)	5.8	5.4	17.3	-	-	-	11.2	
	Excess Return	0.8	-1.3	2.4	-	-	-	2.2	
	Ellerston India Fund	-0.4	1.9	28.5	9.9	11.3	-	10.4	ECL0339AU 4/5/17
	MSCI India Net Return Index	-0.1	3.3	30.6	13.2	15.8	-	13.1	
	Excess Return	-0.3	-1.4	-2.0	-3.3	-4.5	-	-2.7	
Private Assets	Ellerston JAADE Australian Private Assets Fund (Retail)	-	3.6	12.7	9.8	-	-	17.1	ECL2707AU 5/7/19
	Ellerston Pre IPO Fund	-	1.2	2.0	-0.9	-	-	3.1	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 2024								

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Disclaimer

The net return figure is calculated after fees and expenses. Above figures are those available as at 8 October 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 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 Bespoke Global Portfolios	 Australian P/E Strategy – Tech & Healthcare Unlisted / Pre-IPO Venture Capital Bespoke Unlisted Strategies	 Fixed Income Bespoke Multi-Asset Solutions

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.

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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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