Ellerston Australian Share Fund

Ellerston Capital

Monthly Report as at 31 October 2024

APIR Code: ECL0005AU | ARSN 135 591 534

Concentrated portfolio of 10-25 Australian securities with a minimum market capitalisation of $300 million and a bias away from the ASX Top 20.

Seeks companies which can sustain high returns or improve their return on capital, and that trade at a market value below the Portfolio Manager's perceived valuation.

Aims to outperform the Benchmark over rolling five-year periods.

Performance Summary

Net (%)^	1 Month	FYTD	12 months rolling	3 Years (p.a.)	4 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.) ^^
ASF	-2.96%	4.52%	18.20%	5.77%	13.67%	8.01%	7.21%	8.57%
Benchmark*	-1.31%	6.38%	24.89%	8.01%	12.68%	8.17%	8.32%	9.81%
Alpha	-1.65%	-1.86%	-6.70%	-2.24%	0.99%	-0.16%	-1.11%	-1.24%

^The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.
** S&P/ASX 200 Accumulation Index. ^^Inception date is 31 March 2009.*

Key Information

Portfolio Manager	Chris Kourtis
Investment Objective	To outperform the Benchmark over rolling five-year periods.
Benchmark	S&P/ASX 200 Accumulation Index
Liquidity	Daily
Target Number of Holdings	10-25
Number of Holdings at Month End	23
Minimum Investment	Initial investment - $10,000 Additional investment - $5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	0.90% p.a.
Performance Fee[1]	15.00%
Buy/Sell Spread	0.25% / 0.25%

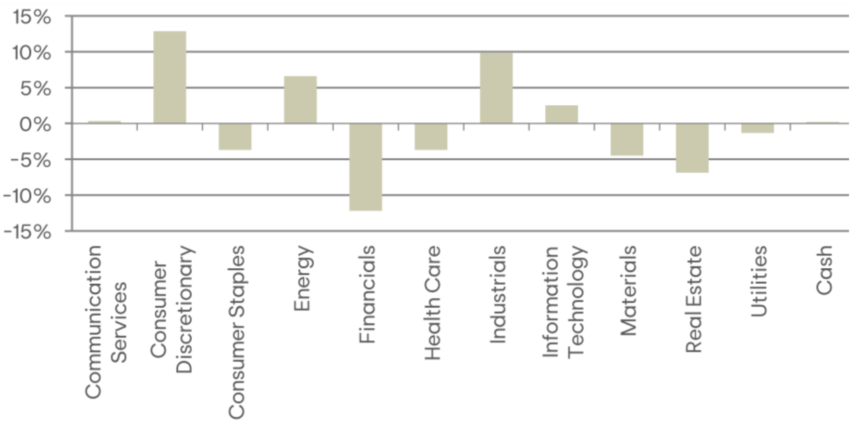
[1]*Of the investment return above the benchmark, after recovering any underperformance in past periods.*

Top 10 Holdings**

Atlas Arteria	Bapcor	IGO Limited	Iluka Resources	Insignia Financial
IRESS	Perpetual	Premier Investments	Ramsay Health Care	Santos

***In alphabetical order.*
Source: Ellerston Capital.

Active Sector Exposures***



Source: Ellerston Capital.
****Active sector exposures are determined by subtracting Fund sector weights from benchmark weights. Positive percentages represent over-weight sector exposures relative to Benchmark and negative percentages represent under-weight sector exposures relative to the Benchmark.*

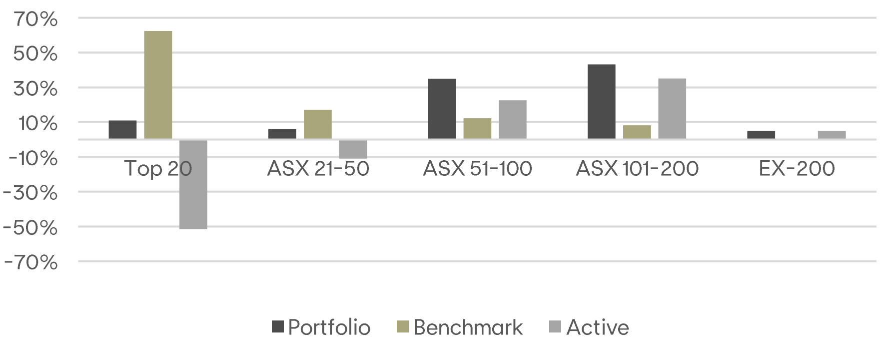
The Team

Chris Kourtis
Director & Portfolio Manager

39 years of industry experience.

Stephen Giubin
Senior Investment Analyst

36 years of industry experience.



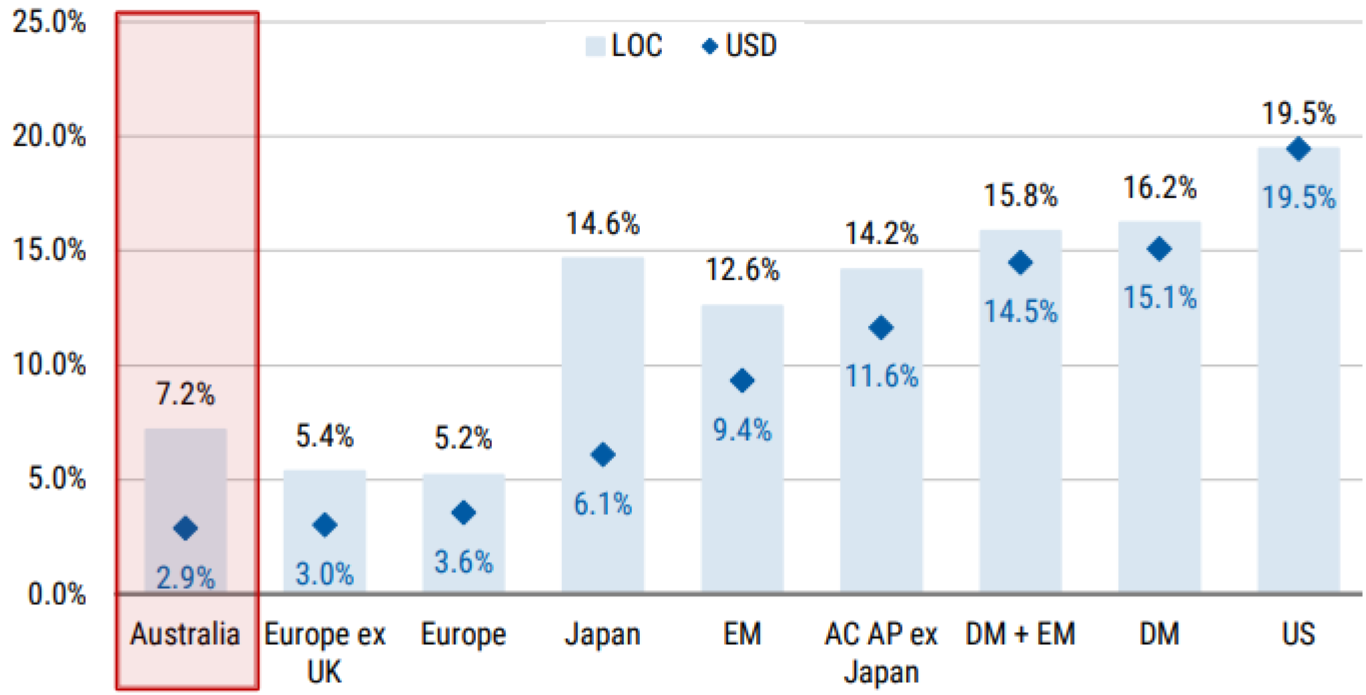
Source: Ellerston Capital, Factset

MARKET OVERVIEW

After trading higher through most of October, global equities pulled back and fell -0.9%, driven lower by most sectors, manifesting predominantly during the last few days of the month. The global market is still up 17.7% CYTD. Materials and Health Care were the weakest sectors, both dropping by -3.9% and Utilities saw a sharp reversal of last month's outsized gains, declining by -2.3%. Financials and Communication Services were the best performing sectors, rising by 1.5% and 0.6%, respectively. Front and centre was the US "knife edge" presidential election result looming and the upcoming Federal Reserve (Fed) FOMC meeting in early November.

The MSCI Emerging Markets Index fell -2.8%, underperforming the MSCI World Index (-0.9%) in local currency terms. The S&P 500 declined -0.9% and domestically, the S&P/ASX200 was slightly behind, returning -1.3% and slipping from its all-time high, with the best sectors being Financials (+3.3%), Health Care (+0.9%) and Communication Services (+0.8%).

MSCI Global Country/Regional Indices Performance for the October CYTD



Source: Morgan Stanley

USA

The Fed is widely anticipated to only cut by 25bps, compared to September's benchmark interest rate cut of half percentage point, which was taken as an aggressive start to a policy shift aimed at bolstering the US labour market. In the interim, the labour market proved stronger than expected with the unemployment rate steady at 4.1%, (ignore the soft non-farm payrolls data point which was hurricane affected) and so too was consumer spending. Whilst headline inflation has come down, the September Core PCE increase of 0.25% was larger than the prior four months. All of this resulted in the US 10-bond rising by 50bps during the month.

Against this macro setting, the NASDAQ Composite outperformed on the downside, falling 0.5%, followed by the S&P 500 (-0.9%), the Dow Jones Industrial Average (-1.3%) and the small cap Russell 2000 being the laggard, finishing down -1.4%. Financials outperformed on positive EPS momentum and expanding multiples, as several big banks posted positive earnings surprises. The only other sectors with positive returns for October were Communication Services, whereby positive EPS momentum overcame multiple contraction and Energy, for which positive multiples narrowly exceeded negative EPS momentum. Growth beat Value and Large outperformed Small. Excluding the Big 6 TECH+ names, the S&P 500 mirrored the Russell 1000 Value Index, with weak fundamentals and multiple contraction both contributing to underperformance. However, Technology as a whole was down for the month across major benchmarks, turning negative during the final few days.

Europe

As expected, the ECB made its third cut of 25bps in October. Headline inflation fell to 1.7% in September, the lowest level since April 2021 and core inflation, which excludes volatile items like food and energy, dipped to 2.7%. A softer-than-expected economic outlook also contributed to the Central Bank's decision. ECB President Christine Lagarde commented that "the inflation outlook is also affected by recent downside surprises in indicators of economic activity," referencing weaker industrial production, worsening business survey indicators and slower household consumption data in the Euro area.

The Euro STOXX50 Index finished the month down 3.3%. Among the major exchanges, Germany's DAX was down 1.3%, followed by the FTSE 100 which fell 1.4%, with France's CAC 40 the clear laggard at -3.7%, impacted by the Government's planned temporary increase in taxes.

Asia

The Chinese stimulus package announced in late September marked a key policy pivot towards more forceful and coordinated approach to shore up the fledgling economy and contain financial risks. So far, we have received policy announcements and measures on a gradual basis, so the main focus from here will be the National People's Congress standing committee (NPCSCV) meeting in early November, hopefully dimensioning the size of the stimulus - a bazooka which the market is hoping for, or something less effective.

Asian markets were a mixed bag, driven by China's drawn-out stimulus measures which resulted in some market's giving back September's exceptionally strong gains. Japan's Nikkei bucked the trend and rose 3.1%, as the new Ishiba administration downplayed the prospect of tax hikes, with Japanese equity sentiment turning positive towards month end after the Yen weakened on expectations of no interest rate rises and the BOJ maintaining the policy status quo. Korea's KOSPI fell 1.4%, China's SSE was down 1.8%, followed by the Hang Seng at -3.8%. The clear laggard was India's SENSEX which was 5.7% lower.

Commodities

After the surge in September, caused by the China stimulus announcements, commodities were generally weaker. Iron ore fell 4% to US$104/tonne and coking coal prices remained flat at US$204/tonne. The base metals complex edged lower, aluminium was flat, copper fell 3% and nickel tumbled 10%. However, the supply led tightness in bauxite and alumina continued, driving a 27% surge in the alumina price to a six year high of US$715/tonne. Crude oil prices bounced 3% to close at US$74/barrel, with the likelihood of Iran sanctions being imposed if Trump wins. Despite a stronger US dollar, precious metals continued to hit all-time highs. Gold finished up 4% at US$2635/oz (equivalent to A$4176/oz), given its deemed safe-haven status, as there was no end to the crisis the Middle East, with major escalation in hostilities towards month end.

Bonds

The US 10-year bond yield rose 50bps to 4.28%, the largest monthly upward move since December 2023. Treasuries reacted negatively to the likelihood that after the surprise 0.5% cut in September, the Fed was likely to ease at a smaller and slower pace given the stronger economic data. Similarly, the Australian 10-year bond yield finished 53bps higher at 4.50%. The A$ fell 5% to US$0.66, due to the stronger US dollar and the weaker commodities prices.

Australia

RBA Governor Bullock has made it crystal clear that the bank will be focused on the trimmed mean inflation data for its policy position, looking beyond the impact of electricity subsidies. The trimmed mean outcome of 0.8 per cent QoQ was broadly in line with the implied profile from the RBA's August forecasts. The Board would be somewhat relieved that inflation was tracking in line with the Bank's path, back to its target band in 2025 and mid-point in 2026, but somewhat frustrated by its slow progress and stickiness. The 4-5 November meeting is unlikely to provide any surprises on Melbourne Cup day, with rates expected to stay on hold.

Australian equities performed in-line with their global peers in October, with the S&P/ASX 200 Accumulation Index closing down 1.3%. Financials, Health Care and Communication Services were the best performers. Financials, yet again, topped the AU GICS table, with the sector generating significant outperformance (+3.3%), driven by the Banks which rallied +3.8%, followed by Health Care (led by Sigma Healthcare, up an eye watering 36.5%) and Communication Services (REA Group +12.9%, post the abandonment of their wrong move on Rightmove UK). The worst performing sectors were Utilities (-7.2%), dragged down by AGL (-11.4%) and Origin Energy (-3.8%), followed by Consumer Staples (Woolworths -10.0%, which missed 1H Food numbers due to margin compression, resulting in 7%-8% EBIT downgrades across the street) and Materials (Mineral Resources -24.3%, on serious governance issues).

For the month, the top stocks that made a positive contribution to the Index's return were CBA (+49bp), NAB (+18bp), Northern Star Resources (+8bp), ANZ (+8bp) and Aristocrat Leisure(+8bp). Conversely, the bottom five stocks detracting from the Index's performance were BHP (-68bp), Woolworths (-17bp), James Hardie (-15bp), Rio Tinto (-15bp) and Wesfarmers (-15bp). The ASX Small Ordinaries closed up 0.8%, outperforming the broader benchmark of -1.3%. Within the ASX Small Ordinaries, the Small Resources did much better, up 6.1% versus the Small Industrials, which closed down 1.1%.

COMPANY SPECIFIC NEWS

The Market Hits

Arcadium Lithium (LTM +94.1%)

Rio Tinto (RIO) announced that it had agreed to acquire LTM with an eye watering all-cash offer pitched at US$5.85 per share, worth US$6.7bn (A$9.9bn, including their convertible notes). This represented a 90% premium to the undisturbed closing price on October 4th and a 39% premium to VWAP since the start of the year. It should be noted that LTM was formed by the merger of Australia's Alkem (AKE) and US Livent less than a year ago, trading at US$7.11/share post-merger, when lithium prices were significantly higher than current low spot levels. The acquisition will enable RIO to target equivalent capacity of ~373ktpa, making RIO the No. 2 producer, with the largest resource base. RIO seems to have timed this counter-cyclical strategy acquisition well, with lithium prices bottoming out. The LTM assets will sit neatly aside RIO's current Argentinian and Canadian exposures, with the boards of both companies having unanimously approved the transaction and are seeking to move through the regulatory /shareholder approval phase, before an expected completion date sometime in mid-2025. The deal gives RIO control of about 5 per cent of the world's lithium supply and is at odds with BHP and Glencore's belief that lithium will not be a lucrative returning industry due to abundant over supply. RIO emphasised that the transaction offered compelling value, noting that LTM's projected growth capex represented only ~5% of RIO's group capital expenditure of up to US$10bn across CY25 and CY26. The Acquisition will raise RIO's net debt levels to ~US$12bn, the highest level since 2016 and raises the question for RIO investors as to whether the company needed to reduce its dividend payout ratio going forward (which the company commented was not the case).

Sigma Healthcare (SIG +36.5%)

The ACCC announced it was seeking views on the proposed undertaking from SIG regarding its company transforming acquisition of Chemist Warehouse. The undertaking should address most of the concerns raised by the ACCC in its statement of issues and indicated that Sigma was prepared to lose sales in Pharmacy Wholesaling, in order to get the deal over the line. The rationale being that the potential upside from Pharmacy Retailing, using the Chemist Warehouse model, would significantly outweigh the opportunity for the combined group in Wholesaling. The ACCC provided a 14 October 2024 deadline for responses, but gave no commitment to accepting the undertaking at this stage, nominating 7 November for its final decision. The announcement seemed to significantly de-risk the likelihood of the merger being outright rejected, appeasing the market and was enough to see the stock up 23% by the day's close.

Regis Resources (RRL +32.8%) / Bellevue Gold (BGL +23.1%) / Vault Minerals (VAU +21.5%)

RRL released a solid preliminary quarterly result for 1QFY25. Production of 94.5koz of gold was a 4% beat versus consensus estimates, fuelled by strong performance from its Tropicana mine. Also, the cash and bullion build of $380m was ~$50m higher than expected. After underperforming its peer group by ~20% CYTD, the positive production and cashflow beats, combined with the 10% rise in the A$ gold price and importantly being totally unhedged, was finally time for RRL to shine. VAU and BGL had also underperformed their peer group by 11% and 32%, respectively and with gold price momentum continuing, investors chased the laggards.

Insignia Financial (IFL +25.9%)

Following the sharp 16.0% selloff in August, after spooking the market by temporarily "pausing" the final FY24 dividend (triggering balance sheet concerns), IFL has more than recouped those losses with a subsequent 13.0% rise in September and a further impressive 26% rise in the month of October. Pleasingly, IFL settled the OnePath class action for a lower than expected $22m early in the month and the other catalyst to propel the share price immediately after, was the release of its 1Q25 business update. IFL's 1Q25 update was positive on a headline basis, with the total FUMA balance of A$319.6bn, stronger than expected and showed 2.7% growth QoQ. But this was largely driven by a solid market uplift, adding 3.3% to growth. Net flows were less supportive, negatively impacted by A$947m in institutional outflows, predominantly driven by a lower margin cash management product within the Antares fixed income business. However, the devil is always in the detail, revealing positive underlying momentum within key SMA and Wrap flows post the MLC Expand migration (+$522m in the quarter) and robust retail inflows in Asset Management. With the new CEO Scott Hartley's first investor day to be held on 13 November and market expectations of further cost cutting initiatives, a number of sell-side analysts materially upgraded their earnings and target prices. Together with IFL trading at a 20% discount to its 5-year PE average, this was enough to spark a share price re-rating, resulting in the strong run in IFL in October.

HMC Capital (HMC +24.0%)

HMC surged 12.0% after raising $300m of fresh equity at $8.75/share used in conjunction with other funding sources, to underwrite the $1.94bn acquisition of Global Switch Australia, a seed asset for its Global Digital Infrastructure Platform (DigiCo). Global Switch Australia comprises two adjoining data centre sites in Sydney, representing the only large-scale data centre campus in the densely connected Sydney CBD and one of the largest data centre campuses in Australia. HMC is also currently conducting due diligence on a transaction involving a further $2bn of seed DigiCo assets in North America of 100MW+, coupled with a portfolio of Australian co-location data centres. This will strengthen HMC's $12.4bn AUM, comprising $9.7bn of real estate, $0.9bn of private equity and $1.8bn in private credit. With AI mania rampant and few ways to invest in the theme locally (outside of second derivatives Goodman Group and NEXTDC), momentum investors jumped at the opportunity, pushing the stock up to $10.36/share when it reopened, representing an 18% premium to the $8.75 issue price, a rare phenomenon in recent times!

Westgold Resources (WGX +20.6%) / Genesis Minerals (GMD +18.9%)

WGC provided preliminary gold production results for 1QFY25, with a record 80.0koz and a higher cash and bullion position of $103m. WGX maintained its FY25 guidance of 400-420koz at an AISC of $2,000-2,300/oz. Gold market darling GMD reported 1QFY25 production results which were 3% better than consensus estimates at 36koz and closing cash and bullion 7% higher at $163m. GMD also maintained FY25 guidance of 190-210koz at an AISC of $2200-2400/oz, expecting production to progressively increase over the remainder of FY25 following the re-start of its Laverton mill in November.

HUB24 (HUB +18.4%)

Platform market darling HUB announced 1Q25 record net inflows of $4bn, up 44% yoy, excluding a $1.5b transition from Equity Trustees. FUA settled at $91.6bn, up 41% on pcp, and up 8% on 4Q24 driven by $4.0bn of net inflows and +$3.1bn of market movements. HUB's FY26 FUA target of $115-123bn is starting to look conservative and late to the party momentum investors continued to jump aboard the HUB gravy train, which is up 92% CYTD and an all-time Price to Revenue multiple of 13.3x! Remember, ~half their earnings are generated by not passing on the cash margin to customers.... mmmmm, but the market doesn't seem to care.

The Market Misses

WEB Travel Group (WEB -45.2%)

In late September, after much fanfare, WEB completed the demerger of its B2C business to be known as Webjet Group (WJL). That comprised Webjet OTA, GoSee and Trip Ninja, with the existing listed company being renamed WEB Travel Group, owning WebBeds and the prized global B2B travel distribution business. In mid-October, in a surprise move, WEB provided a preliminary update on its 1H25 financial results of its WebBeds business for the 6 months ending 30 September 2024, with TTV (+26%) and bookings (+22%) generally in line with the August AGM update. However the sting in the tail was revenue margins, which were downgraded again to 6.4%, below the 7.0% recently guided at the AGM. 1H25 revenue margins were impacted by softer European trading from; the tour operator FTI Group's collapse, the Olympics and the European Championships. Subsequent to the AGM update, European margins remained subdued and overall group margins were further negatively impacted by customer financial incentive agreements (overrides) in place, now under review. As a result, the WebBeds underlying EBITDA margins were expected to be a disappointing ~44% (1H24: 52%), reflecting the lower revenue and operating expenses being up 15% on 1H24 (but 2H25 expenses are expected to be in line with 1H25). To add salt to the wound, WEB is now expecting longer-term revenue margins to stabilise at ~6.5%, below AGM guidance for longer-term margins to settle at ~7.0-7.5%. It was all too much for even the most patient of investors, who torched the stock by 35.6% on the day.

Flight Centre Travel Group (FLT -28.5%)

In the same vein as WEB, FLT provided a 1Q25 trading update with formal FY25 guidance to be provided at the AGM on the 14th of November. On face value, it appeared FLT was tracking below consensus, but very limited details were provided. 1Q25 was trading only "marginally above" pcp on Total Transaction Value (TTV), profit margin and underlying profit. Compositionally, global corporate sector activity was flat, with FLT's new contract wins helping drive volume and TTV growth (consensus are forecasting 1H25 at +7.2%), however 1Q25 trading was adversely impacted by airfare deflation and down trading by some large key accounts. Management noted that 2Q25 activity was set to increase post the Northern Hemisphere holiday period, with early October trading showing positive signs. Within the Leisure segment, the company was entering a seasonally stronger trading period and expected normal industry growth in FY25, with ~4-5% growth in Australian outbound travel. Solid 1Q international ticket growth was unfortunately largely offset by airfare deflation (1H25 TTV growth VA cons +5.6%). The concern for even the die-hard investors in this name was the 2H skew increasing. Management commented that they expected FY25 profit to be 'heavily 2H weighted' (FY25 VA cons ~40%/60%), with FLT's 2H skew increasing with the FY24 skew 33%/67% vs. 40%/60% in FY19. The company like many others, has now officially joined the Second Half Club......

Mineral Resources (MIN -24.3%)

MIN shares slumped 14% on the day after startling media revelations alleged that its CEO and founder Chris Ellison, was involved in tax evasion schemes between 2003 to 2009. On top of that, it was alleged that he and other key executives has perpetrated fraud on MIN shareholders via undeclared related party transactions (whereby assets were sold to the company at vastly inflated prices), benefitting the CEO and a select few executives at the expense of the ATO (alleging inflated prices paid for machinery to claim depreciation allowances at elevated levels). The reports claimed MIN funds were syphoned through offshore accounts (apparently without the knowledge of the MIN Board) and had evaded the attention of the auditors. Considering the seriousness of these media claims and break down in governance, the Board engaged external legal counsel to conduct an investigation. As to his private tax matters, the CEO had previously self-reported to the Australian Taxation Office, repaid amounts owed and disclosed matters to the Board. While this does not diminish what happened, Chris Ellison has profoundly regretted his errors of judgment. The CEO founded the business in 1992, still remains its largest shareholder with 11.6% and the Board released a statement that it had "full confidence in Mr Ellison and his leadership of the MIN executive team", which ironically was issued on the same day MIN released its annual report, sustainability report and its compliance statement! A relief rally of 9.2% occurred on the last day of the month, after MIN's announcement of a $1.13bn sale of its WA gas assets, with an upfront total cash consideration of $804m. Despite this, MIN finished down 24.3% for the month.

Polynovo (PNV -21.1%)

PMV is a medical device company, focused on advanced wound care that designs, develops, and manufactures dermal regeneration solutions (NovoSorb BTM, NovoSorb MTX) using its patented NovoSorb biodegradable polymer technology. Historically highly volatile, the PNV stock price was up 12% in September after announcing 120 patients had been enrolled in their complex randomised controlled trial comparing NovoSorb BTM to standard of care for third degree, full thickness burns (Pivotal Clinical Trial). The PCT was aimed to support a premarket approval (PMA) submission to the US FDA. PNV shares tracked sideways through most of October on no news, but following an initiation of coverage report from a global sell-side firm (with a neutral rating and a lower than market valuation), the PNV stock price tumbled by 8%.

Champion Iron (CIA -20.3%)

CIA is a high-cost iron ore producer in Canada which was impacted by the sea-saw ride in iron ore prices during October. A US$10/t movement in the spot iron ore price has a ~20% move in its EBITDA margin.

Super Retail Group (SUL -20.0%)

SUL has also been in the financial media over governance issues in the past few months, with the corporate regulator now in the early stages of an investigation into the circumstances that led two whistleblowers suing the company, which has weighed on the stock price. However, the main damage was done by the AGM trading update commentary, flagging softness in both sales and gross margins. Supercheap Auto (SCA) slowed from +4.0% in the first 7 weeks to +2.0% for the 16 weeks and Macpac slowed from +9% to +4% over the same time periods. Rebel and BCF were in line, with the 7 weeks tracking at +1.0% and +3.0% respectively. Gross margin pressures have also materialised from competitive intensity and clearance activity. Interestingly, SCA NZ sales had deteriorated considerably and Macpac NZ sales also remained constrained, despite recent official interest rate cuts. Sell-side analysts cut their earnings by ~5%, which saw the stock fall by the same amount post the update.

Reece Group (REH -19.4%)

REC is family run global supplier of plumbing, waterworks and HVAC-R products in ANZ and the US. The company provided a 1Q25 trading update which was considerably below market expectations, given a challenging trading environment for housing activity in both ANZ and the US. Group sales revenue for 1Q25 at $2232m was down 5% on the same period (vs prior expectations of broadly flat in 1H25), with REH now expecting adjusted EBIT for the first half of FY25 to be in the range of $300-$320m. Of most concern to the market,1Q25 sales were down 6.5% in the key US market, below 1H25 recent expectations of mid-single digit growth. At the mid-point of the new guidance, this was 8% below consensus estimates and accordingly, the stock closed down 8% post the downgrade.

The Star Entertainment Group (SGR -18.6%)

Star released yet another underwhelming market update, generating an $18m Ebitda loss for Q1FY25. Given the continued deterioration in operating performance and implementation of MCP, coupled with the new $5,000 cash limits at Star Sydney Pyrmont, SGR delivered disappointing revenue of $351m (-18% YoY). Softer revenue trends and high ongoing remediation and regulatory costs meant SGR's profitability worsened. Surprisingly, Star Gold Coast was actually its best performing asset (+$7m Ebitda), while Star Brisbane recorded an $7m Ebitda loss as it continued to ramp up after its recent opening. Star Sydney was in fact the worst-performing asset, recording an Ebitda loss of $21m, heavily impacted by the implementation of mandatory carded play (MCP) and $5k cash limits which took effect from 19 Aug-24 on its premium gaming floor. Since the implementation date, daily revenue declined a further -11.9% since the most recent late-September update. Electronic Gaming Machines also faced stiff competition from other venues, with MCP/CL forcing players to alternative venues with less regulatory constraints. As a reminder, SGR Sydney implemented MCP across its entire casino from 19 Oct-24, so the smart money is expecting performance to deteriorate even further. The company will move to a $1k cash limit in Aug-25. This company is without doubt in more trouble than the early settlers....

Lovisa Holdings (LOV -16.9%)

Hot on the heels of LOV's incoming CEO, John Cheston, being terminated recently by his current employer Just Group for 'serious misconduct' before his expected start on 4 June 2025, the fast-fashion jewellery chain was hit hard with news that its former CEO, Shane Fallscheer, had emerged as a founder and backer of the new start-up Harli + Harpa. Mr Fallscheer, who departed in October 2021 after 12 years leading LOV, was highly regarded and the start-up will market itself as "your walk-in jewellery box", planning to open several stores by Christmas, including one at Sunshine Plaza, the largest mall on the Sunshine Coast. Mr Fallscheer worked successfully with Lovisa major shareholder Brett Blundy for ~30years. Investors grew concerned that increased competition could put further pressure on LOV's frothy PE multiple and highly attractive margins, which have been used as a funding source for its global ambitions, causing the sell-off.

WiseTech Global (WTC -13.8%)

WTC's CEO came under intense scrutiny by the Board, following a range of serious governance matters raised by media reports, obliging the company to seek further information and obtain external advice. The Board had initially announced that it was "conscious of the potential impacts on the Company and would carefully evaluate all relevant factors in its assessment", but was forced to re-examine serious allegations by a sexual partner that resulted in the business paying her millions of dollars to settle the matter. It wasn't what investors wanted to hear. The release raised more questions than answers and given the CEO is the founder and largest shareholder, some investors immediately rushed for the exit door, resulting in the stock falling 15% on the day. Towards month's end however, the board agreed, following the CEO's request, that he would stand down as a director and as CEO with immediate effect, take a short period of leave and transition into a new role with the company that has led for 30 years. When Mr White returns from leave, it is expected that he will commence a new full-time, long-term consulting role, focused on product and new business development. The CFO, who had previously announced his retirement in August, would assume the role of on interim CEO until the end of calendar 2025. The timing of CEO change was a surprise to the market and despite the increased uncertainty with the leadership transition arrangement and lingering corporate governance issues, the stock price bounced back 13% after the announcement.

FUND PERFORMANCE

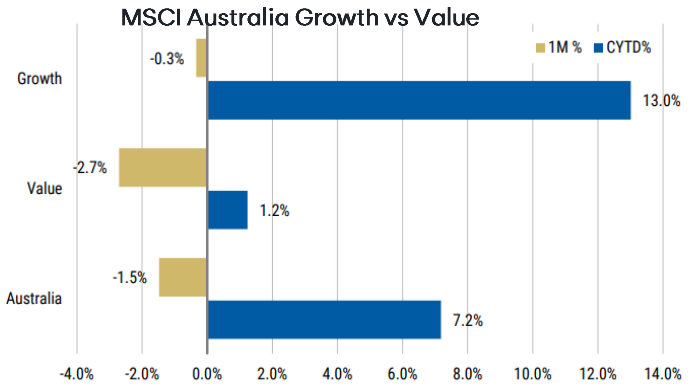
Despite not owning any of the blow-up stocks this month, the likes of WEB Travel Group (-45.2%), Flight Centre, Mineral Resources, Champion Iron, Reece etc, the Fund return of -2.87% in October underperformed the benchmark return of -1.31%. It was more a case of stocks we didn't own rallying hard, that hampered performance. For the FYTD, the total return of +4.91% is currently lagging the benchmark return of +6.38%.

China's September stimulus announcements, responsible for the rotation from Banks to China beneficiaries such as Materials faded and partly reversed this month, with Financials outperforming and the four major banks contributing -1.1% to our negative alpha, as we continue to hold no banks.

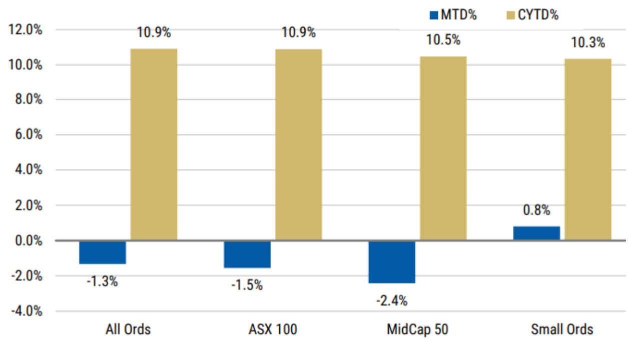
In the month of October, Financials (+3.3%), Health Care (+0.9%) and Communication Services (+0.8%) were the only sectors in positive territory, whilst Utilities (-7.2%), Consumer Staples (-7.0%) and Materials (-5.2%) led the decline.

Value underperformed Growth in the month of October and still lags by a whopping 11.8% and Small Caps outperformed this month but are still behind CYTD.

Value underperformed Growth in October and way behind for the CYTD



Small Caps outperformed in October but lags CYTD



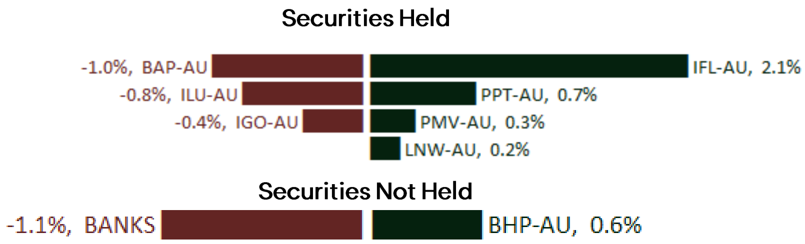
Source: Morgan Stanley

Financials, which rallied 3.3%, posted the largest contribution (+103bp) to the market's return in October, driven by the four major banks; CBA (+5.4%), NAB (+3.9%), ANZ (+2.2%) and Westpac (+1.3%), followed suit by Health Care (Sigma Healthcare, which posted a stellar +36.5% return) and Communication Services (REA Group +12.9%). Conversely, Materials (contributed -110bps) driven by BHP (-7.2%), Consumer Discretionary (WES -4.5%) and Consumer Staples (Woolworths -10.0%, after an 8% miss to 1H25 Food guidance) acted as a major drag on the broader market.

Returns"(%)	*Gross*	*Benchmark**	*Excess*	*Net*
1 Month	-2.87%	-1.31%	-1.56%	-2.96%
FYTD	4.91%	6.38%	-1.47%	4.52%
12 months rolling	19.50%	24.89%	-5.39%	18.20%
3 Years (p.a.)	6.93%	8.01%	-1.08%	5.77%
4 Years (p.a.)	14.92%	12.68%	2.24%	13.67%
5 Years (p.a.)	9.19%	8.17%	1.02%	8.01%
10 Years (p.a.)	8.37%	8.32%	0.05%	7.21%
Since Inception (p.a.)	9.75%	9.81%	-0.06%	8.57%

Past performance is not a reliable indicator of future performance
"The return figures are calculated using the redemption price for Class A Units and on the basis that distributions are reinvested. The Gross and Excess return figures are before fees and expenses whereas the Net Return figures are net of fees and expenses for the Class A Units. Returns of the Fund may include audited and un-audited results. Past performance is not a reliable indicator of future performance.
* The benchmark was changed from the S&P/ASX 200 Accumulation Ex REITS Index to the S&P/ASX 200 Accumulation Index on 1 July 2012.

Month of October Attribution



Source: Ellerston Capital

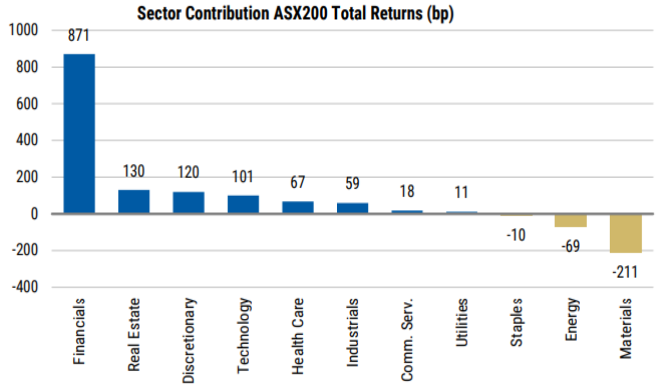
In the month of October, the main positive contributor to the Fund's performance was our large overweight position in Insignia Financial (IFL +25.9%), which exhibited an amazing V-shaped recovery after its surprise dividend "pause" - see the write up in the Market Hits & Misses. Other positives included Perpetual (PPT +8.8%), Premier Investments (PMV +9.6%), Light & Wonder (LNW +8.9%) and not owning any big underperformers such as BHP (-7.2%).

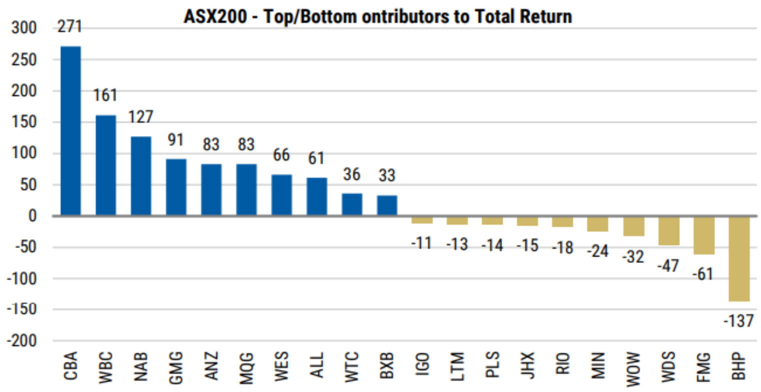
Detractors during the month included overweight positions in Bapcor (BAP -13.7%), Iluka (ILU -15.8%), and IGO (IGO -10.4%).

As has been the case all year, not holding CBA or any other banks (CBA +5.4%) has constrained returns. The deep Banks underweight has resulted in negative sector selection contribution for many managers, including us.

In the CYTD, Banks contributed 67% of the ASX200 total return, with REITS also contributing strongly (+12%).

Sector contribution to ASX200 total returns and Top/bottom 10 stock contributions for CYTD





Source: Morgan Stanley

FUND ACTIVITY

The Fund was highly active in October, taking profits and right sizing positions following the surge in the share prices of Insignia Financial (refer previous commentary) and Orora particularly. The Fund also used the recent strength to trim IRESS, Bapcor and Atlas Arteria and exited its remnant position in GrainCorp. Disappointing holdings in IDP Education and Kelsian Group were both exited, cutting our losses to make room for a host of new positions. We added to existing positions in Aurizon, Perpetual and Ramsay Health Care, where we see very material mispricing and short-sightedness by the market.

In terms of new positions, we introduced a number of stocks to your portfolio that we follow closely and know well. These include bombed out names such as Ampol, dipped our toe into Domino's Pizza (first time ever inclusion, where we can see some green shoots) and Johns Lyng. Other new additions were quality names such as Light & Wonder (using the selloff caused by Aristocrat's successful Dragon Train litigation as an opportunity), News Corp (failed move by REA to secure Rightmove triggering a sell-off on NWS) and Premier Investments, which pulled back sharply after a soft Smiggle trading update and the deferral of the Peter Alexander/Smiggle spin out underwhelming certain investors.

NEW STOCKS ADDED

- Ampol
- Domino's Pizza Enterprises
- Johns Lyng Group
- Light & Wonder
- News Corp
- Premier Investments

STOCKS EXITED

- GrainCorp
- IDP Education
- Kelsian Group

INCREASED

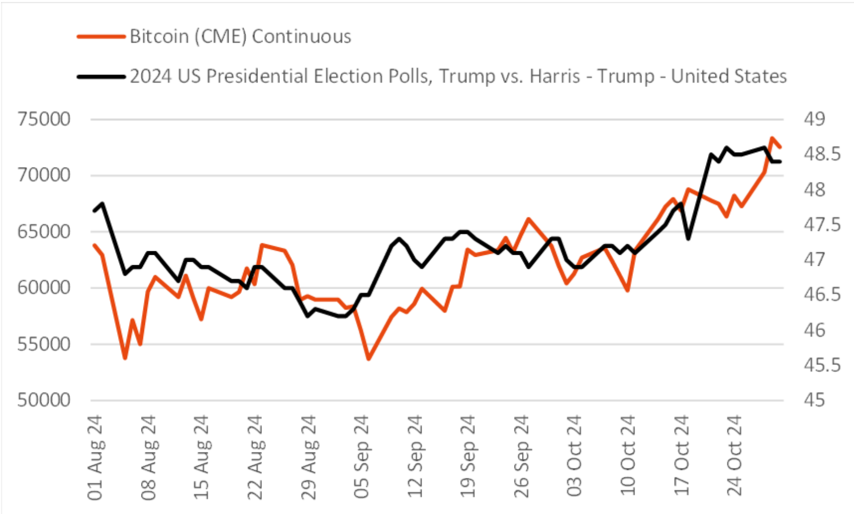
- Aurizon Holding
- Perpetual
- Ramsay Health Care

DECREASED

- Atlas Arteria
- Bapcor
- Fortescue
- Insignia Financial
- IRESS
- Orora

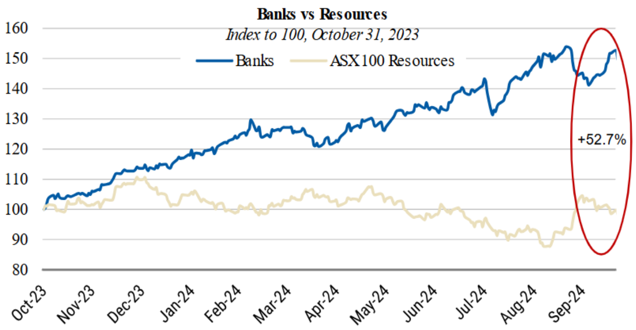
FUND STRATEGY AND OUTLOOK

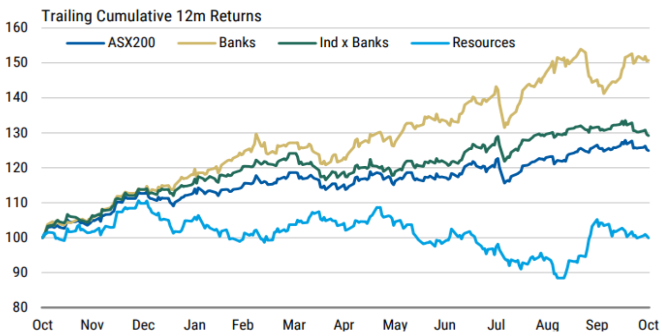
The "Trump trade" was in full swing from late August through to most of October. Obviously, it's an election cliff-hanger now, but with the odds of a Trump victory rising mid-month, not surprisingly, US treasuries sold-off sharply (US 10Y yield +50bp) and risk assets such as Bitcoin surged (+10%). US equities traded higher for most of the month, but fell in late October as the polls suggested that the Democrat's had made ground, to finish down 1%. The US dollar gained 3%, the largest monthly increase since Sep-22 and high beta currencies fell across the board, with the AUD down 5%. Precious metals continued to make all-time highs, with gold closing the month at $2,748/oz, up 4%.



Source: Shaw and Partners

Australia now looks set to be an earnings growth laggard for the foreseeable future, unless this month's National People's Congress standing committee (NPCSCV) meeting in early November delivers a materially upsized stimulus package. It would be positive for our economy and Materials which have grossly underperformed Banks this CYTD by 52.7%!

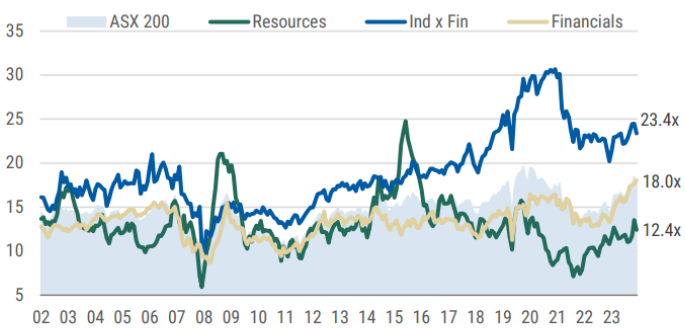




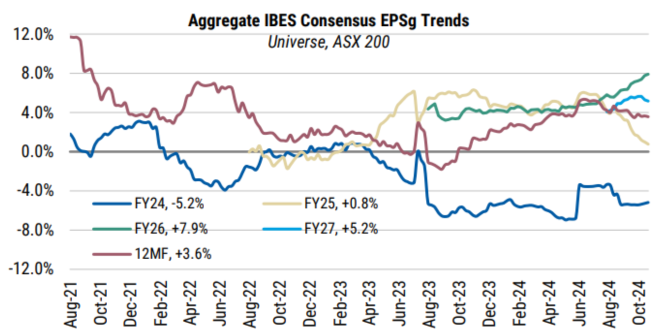
Source: Morgan Stanley

In terms of Valuations, the domestic market 12MF P/E currently stands at 17.9x, down from 18.5x in September, but is still near 2 standard deviations above the long-term average. With aggregate earnings stabilising in October, consensus market earnings growth for FY25 is now basically flat, with the level down 8% so far this year. This effectively pushes out the expected earnings rebound to FY26 and stands in stark contrast to a market multiple that has rerated by ~2 P/E points since the start of the year.

The 12M forward PE of the Industrials ex- Financials

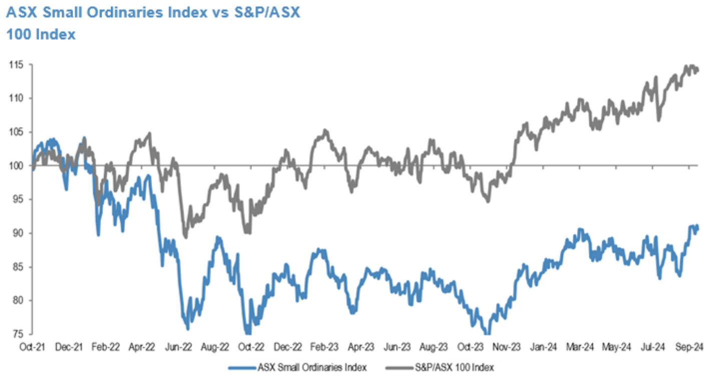


Annual Consensus EPS Growth Trends FY24-27



Source: Morgan Stanley

Small Caps have underperformed Large Caps by ~30% over the past three years and the Small Industrials, particularly now represent compelling value.



Source: JP Morgan

Election result will set the near-term narrative

Global share markets' fortunes will be decided at polling stations across America imminently, as the US election result challenges central bank policy meetings for the attention of the world's investors. The US equity market would favour a Trump victory (lower taxes, less regulation etc), but the bond market may not...Optimism around de-regulation and tax cuts could soon be offset longer-term by fiscal concerns and higher tariffs/protectionism. Together with heightened geo-political risks in the Middle East (Iran's threats towards Israel), when coupled with equities flirting with all-time highs, the risk of another unforeseen destabilising event for risk assets remains high. So we need to stay vigilant!

To summarise your portfolio's current positioning:

1. Quality Franchises, Growth at Reasonable, Attractive Valuations	2. Businesses that are highly cyclical or seasonal in nature, that have faced headwinds
Solid companies with strong/leading market positions and credible management with good balance sheets.	Heavily discounted companies with strong market positions and strategic assets, but very sensitive to economic conditions/seasonality/weather.
Atlas Arteria, Ampol, Aurizon, Cleanaway, Light & Wonder, News Corp, Premier Investments, IPH and Liberty Group.	Challenger, Johns Lyng, Orora and Seven West Media.
3. Turnarounds	**4. Deeper Value Resource Plays**
Sound businesses that have historically generated poor returns, have been badly managed, resulting in poor execution of strategy and have under-earned versus their potential. These stocks are in a transition phase, and we think earnings/returns will improve over the medium term. Out of favour with the market, somewhat contrarian positions.	Stocks trading at discounts to NPVs, where much of the heavy lifting has been done (cost out, self-help, deleveraging). The cycle and thematics are still positive and any demand pick up will challenge balanced supply.
Bapcor, Domino's Pizza, Insignia Financial, IRESS, Perpetual and Ramsay Health Care.	Fortescue, IGO, Iluka Resources and Santos.

We are truly grateful for, and always appreciate your continued support.

Warmest Regards,

Chris Kourtis

Portfolio Manager

About the Ellerston Australian Share Fund

The Fund aims to achieve its performance objectives by adopting a fundamental "bottom-up" investment approach to stock selection which is focused on identifying and then constructing a portfolio of the highest conviction ideas.

Investment opportunities for the Fund are identified by analysing and understanding the factors affecting (amongst other things): business model, industry structure, management team and overall valuation. Ellerston Capital typically favours businesses that can sustain high returns or improve their return on capital and looks to invest in businesses with a market value below the value we attribute to them.

Benchmark weightings do not drive our stock decisions, our approach is totally benchmark independent.

Due to the high conviction nature of the portfolio and the resulting deviation in portfolio composition relative to benchmark weighting, it is expected that the returns from the Fund will differ significantly from the broader market indices.

STRATEGY FUNDS UNDER MANAGEMENT	$691,216,967.48
FUNDS UNDER MANAGEMENT – ASF UNIT TRUST	$19,993,425.41
APPLICATION PRICE	$0.9296
REDEMPTION PRICE	$0.9250
NUMBER OF STOCKS	23
INCEPTION DATE	1-Apr-09

Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
info@ellerstoncapital.com

Find out more:

For new or additional applications into the Fund, please click here.

Should investors have any questions or queries regarding the Fund, please contact our Investor Relations team on 02 9021 7701 or info@ellerstoncapital.com or visit us at ellerstoncapital.com.

All holding enquiries should be directed to our registry, Automic Group on 1300 101 595 or ellerstonfunds@automicgroup.com.au.