



Ellerston Capital

Monthly Newsletter November 2024

Founded on Discovery

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Monthly Returns – Top 3 Performers

Fund	1Month	1Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception* (p.a.)
Ellerston Global Mid Small Cap Fund - Class A	6.1%	24.0%	1.3%	9.0%	11.3%
Ellerston Australian Emerging Leaders Fund	5.6%	47.5%	5.3%	-	4.6%
Ellerston 2050 Fund	1.6%	28.5%	-	-	8.4%

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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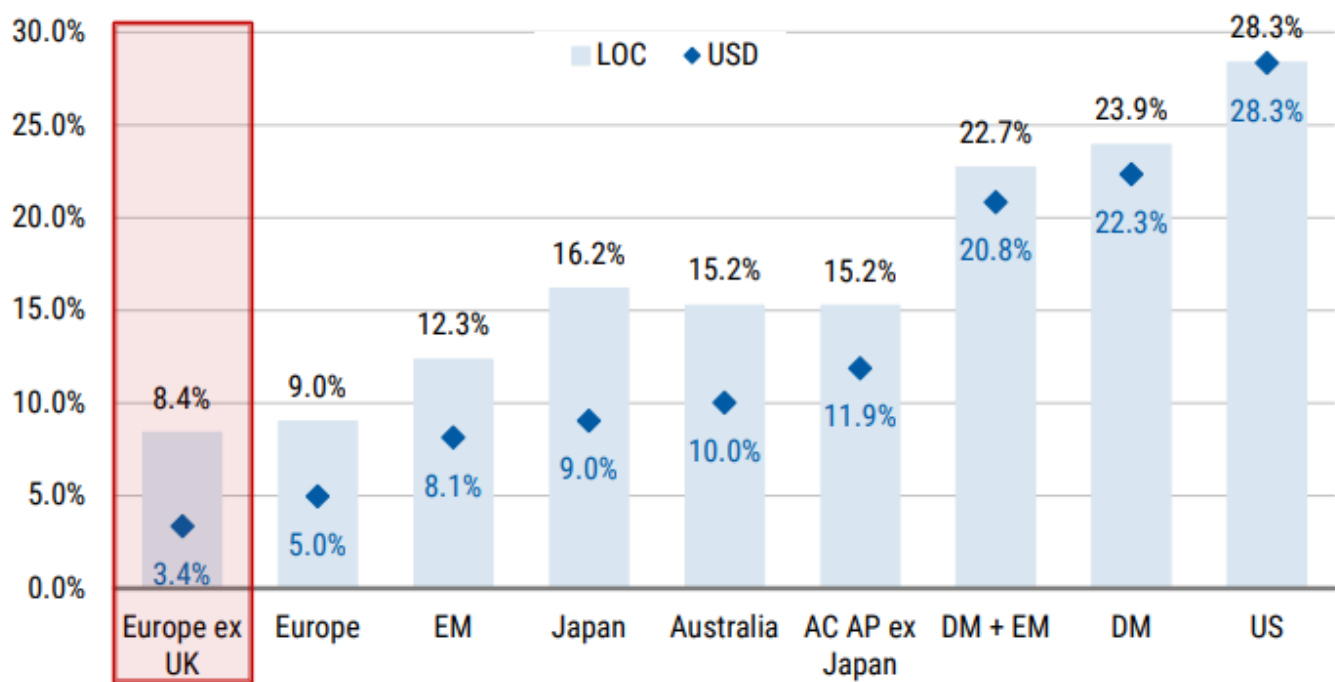
Monthly Market Update

Market Overview

Equities and bond markets spent most of November coming to grips with the implications of Trump's remarkable election victory. Bond rates initially surged on higher inflation expectations, then retraced and finished the month lower, however the US\$ held its gains, closing 4.3% higher over the past three months. Emerging markets slid due to US dollar strength and escalating tariff rhetoric. Consumer Discretionary (+9.6%) and Financials (+8.4%) topped the global performance sector table. Materials (-0.4%) lagged, over concerns for China's vulnerable economy facing Trump's likely new US tariff impost.

The MSCI Emerging Markets Index fell 2.7%, underperforming the MSCI World Index which leapt higher (+4.9%) in local currency terms. The S&P 500 surged 5.9% and domestically, the S&P/ASX200 lagged, but still posted a solid gain of +3.8% to an all-time high, with the best sectors being Information Technology (+10.5%), Utilities (+9.1%) and Financials (+7.0%).

MSCI Global Country/Regional Indices Performance for the November CYTD



Source: Morgan Stanley

Australia

The RBA's high bar for confidence potentially pushes rate cuts out to April or May. The resilience of our domestic labour market and commentary in the RBA minutes that the board "would need to observe more than one good quarterly inflation outcome" was reinforced by RBA governor Michele Bullock this month that she did not view the September quarter inflation figures as "good". This means the December quarter figures on their own will be insufficient to sway the board into cutting rates sooner. This now sees a shift for expected rate cuts by the market from February to May 2025, but of course, it will be data dependant.

Australian equities outperformed most global peers except for the US, with the S&P/ASX 200 Accumulation Index closing up 3.8% to an all-time Zenith of 8,444pts. Information Technology, Utilities and Financials were all stellar performers. Information Technology (+10.4%) was the best performer, driven by strong earnings results from Technology One (+24.3%), Xero (+16.3%) and Life360 (+15.2%). Even Wisetech posted a 10% gain, despite reducing guidance. The next best performers were Utilities (led by Origin Energy +12.9%) and Financials, with insurers QBE (+16.2%) and IAG (+13.7%), followed by the big elephant CBA (+11.1%) leading the charge.

The worst performing sectors were Materials (-2.6%), dragged down by Gold stocks (-7.1%) and Energy (Paladin Energy slumped 25.5% due to serious project commissioning issues and poor execution).

For the month, the top stocks that made a positive contribution to the Index's return were CBA (+111bp), Westpac (+29bp), Wesfarmers (+21bp), Aristocrat Leisure (+18bp) and QBE (+18bp). Conversely, the bottom five stocks detracting from the Index's performance were BHP (-44bp), CSL (-10bp), Pilbara Minerals (-5bp), Mineral Resources (-4bp) and Paladin Energy (-3bp). Unlike the Russell 2000 in the US which soared, the ASX Small Ordinaries closed modestly up 1.3% and underperformed the broader benchmark return of +3.8%. Within the ASX Small Ordinaries, the Small Industrials did much better, up 3.9% versus the Small Resources, which closed down 5.4%.

USA

November was all about Trump's win and front of mind were tax cuts, tariffs, deregulation, foreign policy, immigration, expansionary fiscal policy and DOGE. Trump cut the corporate tax rate from 35% to 21% back in 2018 and Trump Tax Cuts Mark 2.0 as proposed, would reduce the corporate tax rate down to 15% in his second term. With a Republican clean sweep, Trump will be in a relatively strong position to deliver the promised corporate tax cuts. If there was a constraint, it would be investor concern over ballooning government debt and higher interest payments, but the new Trump Administration will push through regardless.

The FOMC cut the Fed Funds rate by 25 bps into the 4.5% to 4.75% range, as was widely anticipated. The key takeaway from Chair Powell's Dallas speech was patience, both with respect to ongoing policy adjustment toward a more "neutral" level of rates and with respect to potential fiscal and trade policy changes from the new administration. Currently expectations are pricing in a further 25bps cut in December.

Against the backdrop of the "Trump trade", the small cap Russell 2000 index outperformed, rising 11%, followed by the Dow Jones Industrial Average (+7.7%), the NASDAQ Composite (+6.3%), with the S&P 500 being the laggard, finishing up 5.9%.

All S&P 500 sectors were in positive territory, with cyclical groups performing best. Consumer Discretionary (+13.3%) and Financials (+10.3%) delivered the strongest relative returns. Every sector except for Health Care, saw multiple expansion, with earnings contributing to all sectors save Energy, Staples and Materials.

Europe

Given the weaker economic outlook and despite a marginal increase in the inflation rate in the Euro-Zone, expectations are for the ECB to make a fourth rate cut of 25bps in December.

The Euro STOXX50 Index finished the month down 0.4%. Among the major exchanges, Germany's DAX was up 2.9%, followed by the FTSE 100 which rose 2.6%, with France's CAC 40 the clear laggard at -1.5%, due to the political impasse and budgetary imbroglio.

Asia

The much-anticipated NPC Standing Committee meeting concluded in China on 8 November and approved a new fiscal expansion plan, focusing on local government debt resolution. A Rmb10tn LGSB quota will be provided for local debt swaps in the next five years. As long as fiscal expansion helps to resolve local debt, it should positively impact the consumption environment. The NPC meeting also indicated that: "By reallocating the resources that were originally used for debt repayment, we can now utilise them to stimulate development and enhance the wellbeing of the people." Great rhetoric... The outcome was deemed disappointing by market observers, lacking substance on other important issues including: fiscal support for housing de-stocking, central government bond issuance for bank re-capitalizations and an additional consumption stimulus package. It doesn't mean it won't happen, it's just work in progress.

The underwhelming NPC meeting and Trump's tariff proposals saw Asian markets struggle. India's SENSEX rose 0.6% and China's SSE was up 0.5%, followed by Japan's Nikkei at -2.2% and Korea's KOSPI was down 3.9%. The clear laggard was the Hang Seng which closed 4.2% lower.

Commodities

Commodities were generally weaker with the ceasefire in Lebanon easing escalation concerns and impacting both oil and gold. The Brent crude oil price fell 3% to close at US\$72/barrel and gold slid 3% from its October all-time high to US\$2643/oz. Iron ore squeezed higher +2% to US\$105/tonne and coking coal prices remained flat at US\$203/tonne. The base metals complex edged lower, nickel was up 1%, aluminium was 1% lower and copper fell 5%. However, the supply led tightness in bauxite and alumina continued, driving a further 10% surge in the alumina price to an all-time high of US\$787/tonne.

Bonds

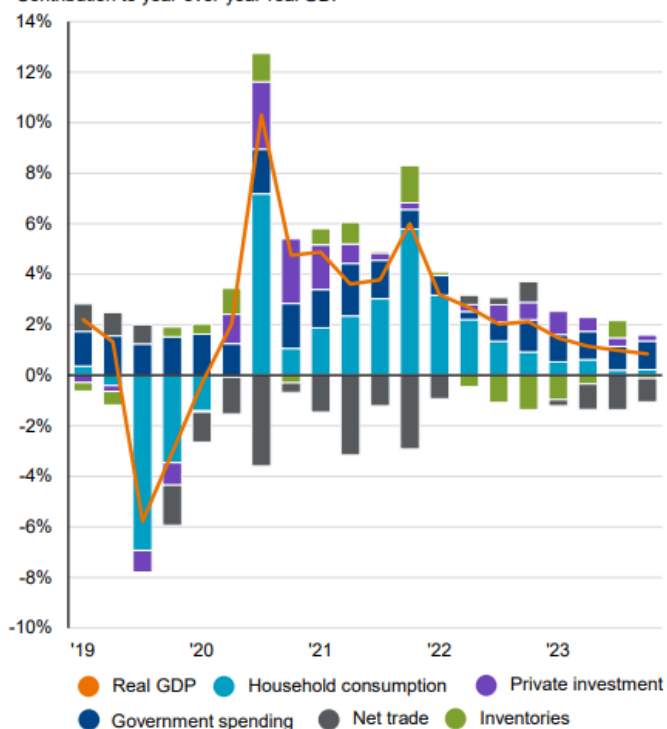
The US 10-year bond yield finished down 11ps to 4.17%, although it was a volatile period leading up to and after Trump's election win. The Fed is now likely to ease at a smaller and slower pace, given the stronger economic data coming through. Similarly, the Australian 10-year bond yield finished 16bps lower at 4.34%. The A\$ fell 1% to US\$0.65, due to the stronger US dollar.

Charts of the Month

Economic growth and composition of GDP

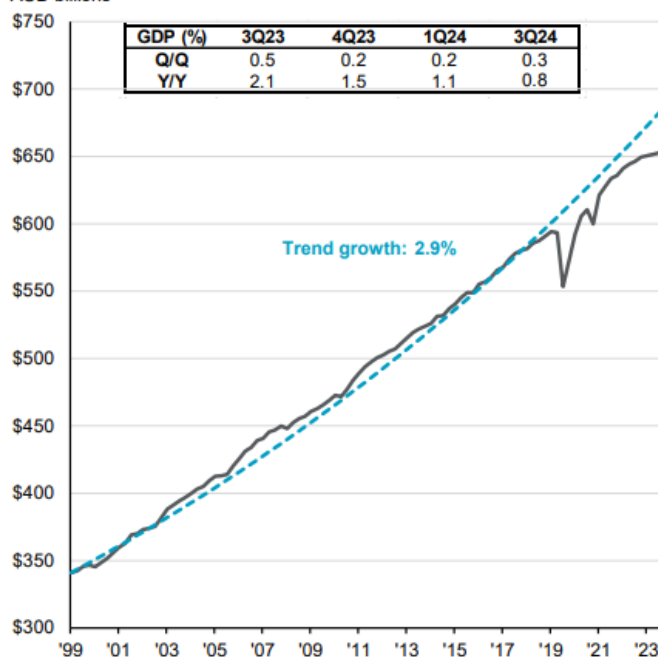
Real GDP

Contribution to year-over-year real GDP*



Real GDP trend

AUD billions

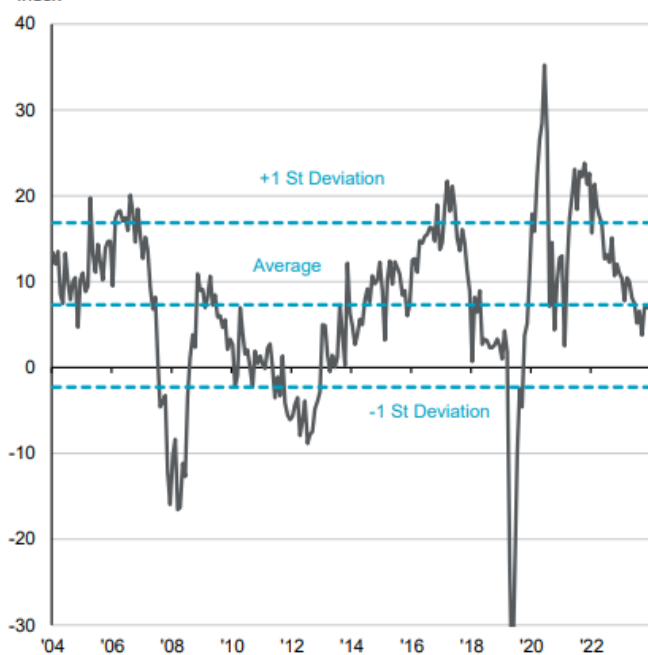


Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management. *Figures may not sum due to rounding. Trend growth based on quarterly growth real GDP growth until cycle peak 4Q 2019.
Guide to the Markets – Australia. Data as of 06/12/24.

Business conditions and investment

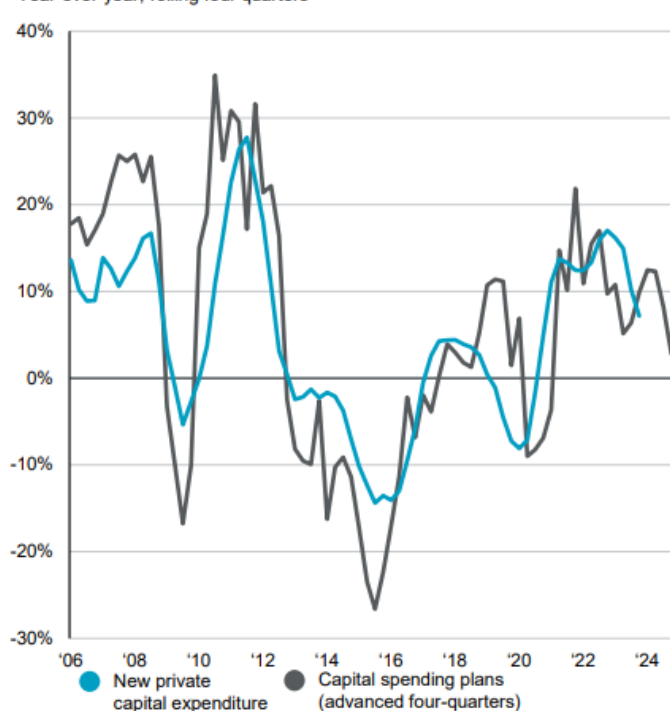
Business trading conditions

Index



Actual and expected capital expenditure

Year-over-year, rolling four quarters



Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – Australia. Data as of 06/12/24.



		Return Type	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P/ASX 50	Total	3.7	5.1	15.1	23.4	10.9	8.3	8.9
	S&P/ASX 200	Total	3.8	5.5	15.1	23.4	9.6	8.3	9.1
	S&P/ASX 200 Industrial	Total	5.8	6.3	25.2	34.0	9.8	8.5	9.0
	S&P/ASX 200 Resources	Total	-3.3	2.4	-12.0	-5.1	9.0	7.9	9.4
	S&P/ASX Small Ordinaries	Total	1.3	7.3	11.8	19.9	-0.1	4.6	7.7
	S&P/ASX Small Industrials	Total	3.9	7.2	15.6	25.5	0.5	3.7	7.3
	S&P/ASX Small Resources	Total	-5.4	7.6	1.2	4.9	-1.1	9.2	9.6
	MSCI Australia Value	Net	1.7	3.8	7.3	15.6	12.9	9.2	7.1
	MSCI Australia Growth	Net	6.2	6.9	22.8	31.7	8.8	6.9	10.3
ASX 200 Sectors	Energy	Total	-0.7	-5.5	-14.1	-11.1	10.8	-1.0	1.1
	Utilities	Total	9.1	4.0	17.0	20.0	19.2	7.7	10.0
	Financials	Total	7.0	10.6	39.5	48.2	18.0	12.7	9.1
	Materials	Total	-2.6	4.4	-9.7	-1.7	8.1	10.1	11.8
	Industrials	Total	5.8	3.7	14.8	21.8	9.6	4.2	10.0
	Real Estate	Total	2.5	6.4	23.8	37.8	6.1	4.7	8.5
	Consumer Discretionary	Total	6.9	4.5	24.9	32.7	7.1	10.4	11.7
	Health Care	Total	2.9	0.5	9.5	19.5	1.0	3.2	12.5
	Information Technology	Total	10.5	13.4	56.8	68.3	8.9	15.0	15.8
	Consumer Staples	Total	1.1	-7.6	-1.7	3.2	-2.5	0.4	5.8
	Communication Services	Total	5.4	5.2	10.2	18.0	5.1	8.5	2.6

Local Currency

World	MSCI World Index	Net	4.9	5.5	23.4	28.5	9.9	12.9	10.7
	MSCI EM (Emerging Markets)	Net	-2.7	-0.3	11.8	15.3	1.7	5.5	5.6
	MSCI AC World Index ex Australia	Net	4.1	4.9	22.3	27.2	8.9	12.2	10.2
	MSCI World Mid Cap	Net	6.3	7.2	19.4	26.7	6.2	9.7	8.9
Americas	S&P 500	Net	5.8	7.0	27.6	33.3	10.9	15.2	12.7
	Dow Jones Industrial Average	Net	7.7	8.3	20.6	26.5	10.8	11.5	11.4
	NASDAQ Composite	Net	6.3	8.6	28.6	35.7	7.9	17.9	-
	Russell 2000	Total	11.0	10.1	21.6	36.4	5.0	9.9	9.1
Asia Pac	Hang Seng Index	Net	-4.2	8.9	18.8	19.0	-2.6	-2.8	1.3
	Nikkei 225 Stock Average	Net	-2.2	-0.6	15.7	15.7	13.0	12.1	9.8
	MSCI AC Asia ex Japan	Net	-2.6	1.3	14.7	18.1	1.4	5.3	5.4
	MSCI India	Net	0.1	-6.0	16.3	25.5	14.1	17.3	11.8
		SPOT	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
FX	U.S. Dollar per Australian Dollar	0.6515	-0.5	-4.0	-4.5	-1.7	-2.8	-0.7	-2.7
	Euro per Australian Dollar	0.6168	2.2	0.6	-0.1	1.5	-0.7	0.1	-1.0
	British Pounds per Australian Dollar	0.5125	0.6	-0.7	-4.2	-2.1	-1.5	-0.4	-0.6
	Japanese Yen per Australian Dollar	97.8380	-1.9	-1.0	1.7	-0.2	6.7	5.7	-0.3



Net Returns		1M (%)	3M (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)	S.I.* (% p.a)	APIR Code / Inception Date
	Ellerston Australian Absolute Return Fund	-0.3	1.8	11.6	-3.8	2.6	3.4	5.3	ECL0013AU 3/6/13
	RBA Cash Rate	0.4	1.1	4.4	3.0	1.9	1.8	1.9	
	Excess Return	-0.7	0.7	7.2	-6.8	0.7	1.6	3.4	
Australian Equity	Ellerston Australian Share Fund	0.6	2.4	10.0	5.2	6.8	7.6	8.6	ECL0005AU 1/4/09
	S&P/ASX 200 Accumulation Index	3.8	5.5	23.4	9.6	8.3	9.1	10.0	
	Excess Return	-3.1	-3.0	-13.4	-4.3	-1.5	-1.5	-1.4	
	Ellerston Overlay Australian Share Fund	0.4	2.2	8.9	3.1	5.1	6.7	7.0	ECL0012AU 1/7/11
	S&P/ASX 200 Accumulation Index	3.8	5.5	23.4	9.6	8.3	9.1	9.4	
	Excess Return	-3.4	-3.2	-14.5	-6.4	-3.2	-2.4	-2.3	
	Ellerston Equity Income KIS Fund	0.5	2.4	14.5	6.9	7.6	-	9.1	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	3.8	5.5	23.4	9.6	8.3	-	9.4	
	Excess Return	-3.3	-3.1	-8.9	-2.7	-0.7	-	-0.3	
	Ellerston Australian Micro Cap Fund	1.5	4.8	37.4	-0.5	9.9	-	14.4	ECL0984AU 1/5/17
	S&P/ASX Small Ordinaries Accumulation Index	1.3	7.3	19.9	-0.1	4.6	-	6.8	
	Excess Return	0.2	-2.5	17.5	-0.5	5.3	-	7.6	
	Ellerston Australian Emerging Leaders Fund	5.6	13.0	47.5	5.3	-	-	4.6	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	1.3	7.3	19.9	-0.1	-	-	-0.0	
	Excess Return	4.3	5.7	27.6	5.4	-	-	4.6	
	Ellerston 2050 Fund	1.6	5.6	28.5	-	-	-	8.4	ECL5651AU 30/5/22
	S&P/ASX Small Ordinaries Industrial Accumulation Index	3.9	7.2	25.5	-	-	-	7.8	
	Excess Return	-2.4	-1.6	3.0	-	-	-	0.6	



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	6.1	8.1	24.0	1.3	9.0	-	11.3	ECL8388AU 1/3/17
	MSCI World Mid Cap Index	6.6	10.1	28.0	7.5	9.7	-	11.2	
	Excess Return	-0.5	-2.0	-4.0	-6.2	-0.7	-	0.1	
	Ellerston Global Mid Small Cap Fund - Class B	6.1	8.1	23.9	1.5	-	-	9.6	ECL3306AU 18/8/20
	MSCI World Mid Cap Index	6.6	10.1	28.0	7.5	-	-	12.7	
	Excess Return	-0.5	-2.0	-4.1	-6.0	-	-	-3.1	
	Ellerston Asia Growth Fund (Hedge Fund)^	-1.6	7.1	20.9	-	-	-	12.2	ECL1411AU 1/6/2023
	MSCI Asia ex Japan (non-accumulation)	-2.8	4.0	15.4	-	-	-	8.6	
	Excess Return	1.2	3.1	5.6	-	-	-	3.5	
	Ellerston India Fund	0.8	2.6	31.0	11.5	11.4	-	10.6	ECL0339AU 4/5/17
Private Assets	MSCI India Net Return Index	0.1	-2.8	26.1	12.9	14.4	-	12.4	
	Excess Return	0.7	5.5	4.9	-1.4	-3.0	-	-1.8	
	Ellerston JAADE Australian Private Assets Fund (Retail)**	-	2.9	12.7	8.2	16.9	-	16.9	ECL2707AU 5/7/19
	Ellerston Pre IPO Fund	-	3.0	2.5	-1.0	-	-	3.6	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 September 2024									

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Disclaimer

The net return figure is calculated after fees and expenses. Above figures are those available as at 11 Decemehr 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

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For further information about any of our funds, please contact National Account Manager Lisa Salamon at lsalamon@ellerstoncapital.com or 0406 585 322.

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