

Ellerston Global Mid Small Cap Fund

Monthly Report as at 30 November 2024

APIR Code: ECL3306AU, ECL8388AU | ARSN 609 725 868



Concentrated portfolio of global mid small cap securities, built through a contrarian, high conviction, and benchmark independent approach.



Targets companies which the Portfolio Manager feels are in a period of "price discovery" and which offer an attractive risk/reward dynamic.



Aims to outperform the benchmark with a focus on risk management and capital growth.

Performance Summary - Class A

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^{^^}
Net [^]	6.09%	8.14%	24.00%	1.30%	8.98%	11.29%
Benchmark*	6.57%	10.15%	28.04%	7.50%	9.67%	11.17%
Alpha	-0.48%	-2.01%	-4.04%	-6.20%	-0.69%	0.12%

Performance Summary - Class B

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	Since Inception (p.a.) ^{^^}
Net [^]	6.10%	8.14%	13.66%	23.94%	1.46%	9.63%
Benchmark*	6.57%	10.15%	14.12%	28.04%	7.50%	12.72%
Alpha	-0.47%	-2.01%	-0.46%	-4.10%	-6.04%	-3.09%

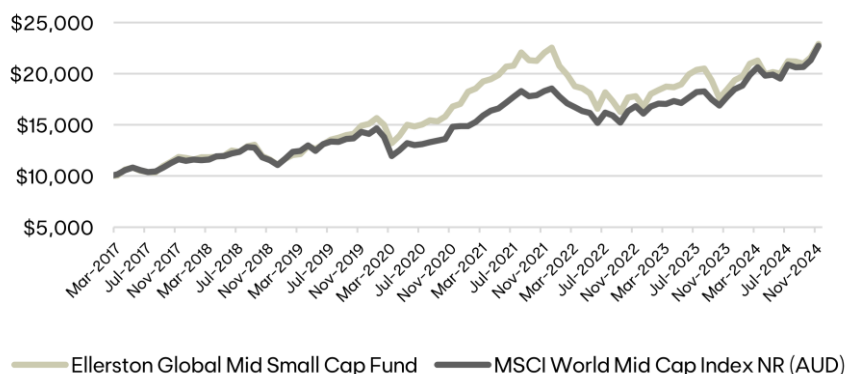
[^] The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance. * MSCI World Mid Cap Index NR (AUD). ^{^^} Class A inception is 28 February 2017. Class B inception is 18 August 2020.

Key Information

Portfolio Manager(s)	Bill Pridham & Nick Markiewicz
Investment Objective	To outperform the benchmark by 3% over a 5-year rolling period.
Benchmark	MSCI World Mid Cap Index NR (AUD)
Liquidity	Daily
Target Number of Holdings	20-40
Number of Holdings at Month End	35
Minimum Investment	Initial investment - \$25,000 Additional investment - \$10,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	0.75% p.a.
Performance Fee ¹	10.00%
Buy/Sell Spread	0.25% / 0.25%
Class A Unit Prices & Fund Size	Application - 1.6137 Net Asset Value - 1.6097 Redemption - 1.6057 Fund Size - \$45,195,064
Class B Unit Prices & Fund Size	Net Asset Value - 1.3642 Redemption - 1.3608 Fund Size - \$48,254,670

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

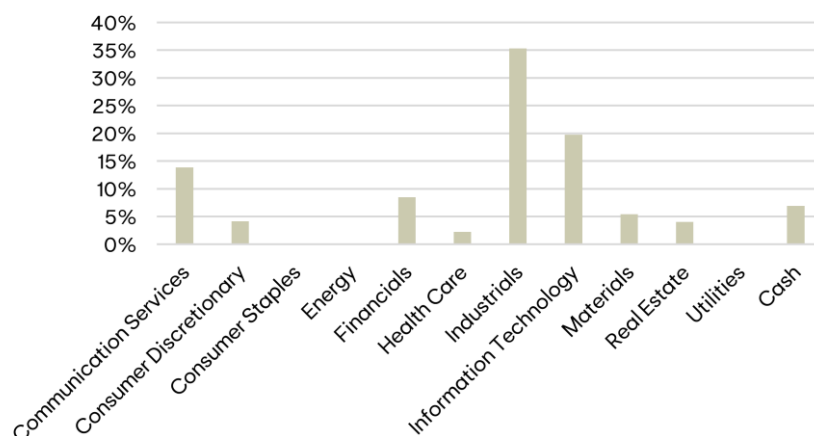
Growth of \$10,000 Investment



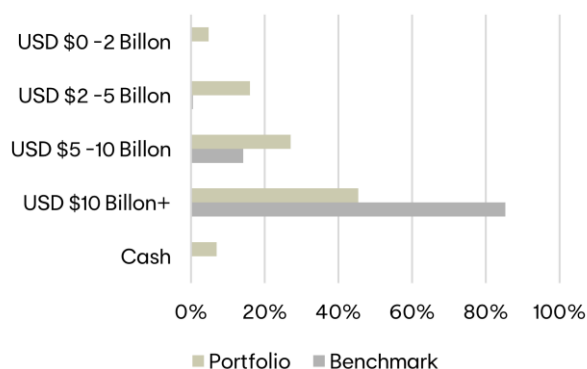
Source: Ellerston Capital.

Performance shown are for Class A Units and net of fees, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.

Sector Allocation

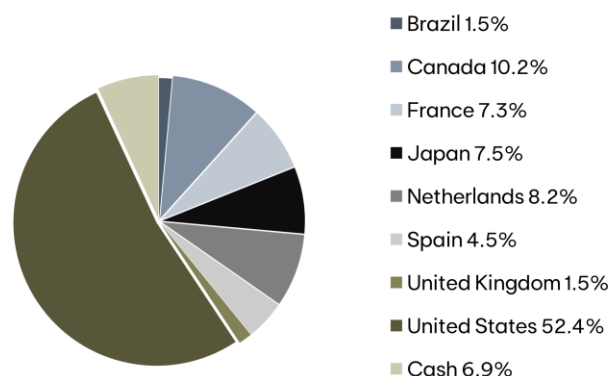


Market Capitalisation Exposure



Source: Ellerstun Capital.

Regional Exposure



Source: Ellerstun Capital.

Top Holdings

Company	Sector	Country	Portfolio Weight
GFL Environmental Inc	Industrials	United States	5.7%
GXO Logistics Inc	Industrials	United States	5.0%
TKO Group Holdings, Inc. Class A	Communication Services	United States	5.0%
Cellnex Telecom S.A.	Communication Services	Spain	4.5%
AerCap Holdings NV	Industrials	United States	4.5%
Corpay, Inc.	Financials	United States	4.4%
Core Scientific Inc	Information Technology	United States	4.3%
Bureau Veritas SA	Industrials	France	3.5%
Curtiss-Wright Corporation	Industrials	United States	2.8%
Warner Music Group Corp. Class A	Communication Services	United States	2.8%

Source: Ellerstun Capital.

MARKET COMMENTARY

The S&P 500 delivered its strongest month of calendar year 2024 in November, thereby reaching all-time highs and stoking growing concerns around its valuation premium to the rest of world. While it is true that US equity valuations are higher than most other regions (in aggregate), so too is its inherent earnings growth profile, which could also get a further boost from pro cyclical Republican policies.

One seasonal factor to keep in mind is that history has shown that solid returns should continue, underpinned by the "Santa Claus Rally" so often cited by market commentators.

According to Morgan Stanley: December has historically been the second-best performing month for global equities, with the MSCI ACWI rising 76% of the time with an average return of +1.8% since 1990. Even when the S&P 500 has posted blockbuster returns in the first 11 months of the year (>25%), the S&P 500 has still usually seen December gains, rising an average of 1.4% in December and up 71% of the time.

Trying to call short term market moves only opens up the probability of a coin toss, however with the new interest rate regime fortified by a declining, rather than increasing rate cycle, we should see continued broadening out in equity markets. The Republican sweep in the US is expected to be pro cyclical as de-regulation and certainty around tax extensions drive economic growth, while improving capital markets drive new IPO's and increasing M&A.

That said, concerns around a potential rollback of the Inflation Reduction Act (IRA which benefits renewables) is weighing on de-carbonisation plays, while potential tariffs could lead to lower growth assumptions for China and Europe.

There are many moving parts when trying to focus the lens on 2025, and we are already getting snippets of public policy change out of President-Elect Trump. The four pillars of change include tariffs, taxes, immigration and regulation however we have no idea on the timing of announcements, phasing in of these policies (if at all) and whether the social media statements from the incoming POTUS are merely aimed at opening up a dialogue to strike a deal. The key in all of this seems to be to understand the direction of various policies and invest accordingly.

With what is in front of us today, it does appear that the incoming regime is focused on driving domestic growth reinforced by improving productivity, access to capital and bolstering the supply of affordable, available energy. This backdrop should see small businesses deliver stronger growth than larger counterparts (broadening of earnings growth and therefore markets) and longer term, a manufacturing rebound as previously offshored capacity is repatriated under more favourable tax and regulatory frameworks.

Overall current equity valuations are embedding global growth coming in ok, global central banks easing interest rates while geopolitics remain in the back seat. This does seem to be an attractive backdrop for future equity appreciation, with the only main push back centering on the high multiple being paid for this investing backdrop. While there will always be pockets of excess, there are generally pockets of opportunity for investors.

REGIONAL DISCUSSION

In November, U.S. equity markets experienced a robust rally, with the S&P 500 surging 5.87%, the Nasdaq up 6.29%, and the Russell 2000 leading gains with a remarkable 10.97% rise. This strong performance was underpinned by solid economic indicators. Retail sales during the early holiday season exceeded expectations, with consumer spending rising by 3.7% in the third quarter, its fastest pace since early 2023. On 7 November, the Federal Reserve implemented a 25-basis-point rate cut, lowering the target range to 4.50%–4.75% to sustain economic growth and support market momentum.

European markets showed mixed performance in November as Germany's DAX index rose by 2.88%, driven by a rebound in manufacturing, while the UK's FTSE 100 climbed 2.61%, supported by a recovery in real incomes and improved investor sentiment. In contrast, France's CAC 40 fell by 1.53%, pressured by weaker consumer confidence and increasing de-stabilisation of its political backdrop. Eurozone inflation rose to 2.3% in November from 2.0% in October, largely due to base effects, while core inflation remained steady at 2.7%, indicating stable underlying price pressures.

Japan's Nikkei 225 declined by 2.22% in November, weighed down by cautious corporate earnings. The reporting season revealed mixed performance across key sectors, with export-reliant industries such as automotive and electronics under pressure from a strengthening yen. Meanwhile, Tokyo's core consumer prices rose by 2.2% in November, reflecting broader price pressures and sustaining market expectations for a potential near-term interest rate hike.

SECTOR DISCUSSION

The Consumer Discretionary sector outperformed the broader market, supported by robust consumer spending and strong corporate earnings. Major retailers reported significant growth in both e-commerce and in-store sales, reflecting heightened consumer activity during the early holiday season. Additionally, the automotive industry experienced a resurgence, particularly in the U.S., with vehicle sales increasing year-on-year. These factors combined to drive the sector's strong performance during the month.

Financials delivered strong performance in November, supported by robust corporate earnings and favourable economic indicators. Banks reported improved loan growth and strong fee-based income, reflecting solid underlying demand. Asset managers and insurers also benefited from increased market activity, creating a conducive environment for capital deployment and earnings growth. The combination of healthy earnings reports and supportive monetary policy underpinned the sector's robust performance during the month.

Health Care underperformed in November amid global challenges. Investor sentiment weakened due to potential regulatory changes in major markets, including ongoing debates around pricing reforms in the U.S. and shifting healthcare policies in Europe. Slower growth in high-margin drugs and reduced funding in biotechnology also contributed to its decline during the month.

The Materials sector also faced challenges in November. China's weaker-than-anticipated industrial output and subdued construction activity in Europe led to lower demand for materials. Additionally, the sector was impacted by a temporary slowdown in markets for electric vehicles and silicon carbide semiconductors. Despite these headwinds, some segments showed resilience, supported by steady demand in energy-related materials and chemicals.

PORTFOLIO COMMENTARY

The Ellerston Global Mid Small Cap Fund increased 6.09% net during the month compared to the MSCI World Mid Cap (AUD) Index which was up by 6.57% over the same period. The weaker Aussie dollar was a material benefit to returns due to the unhedged nature of the portfolio.

The portfolio's top contributors Core Scientific, GFL Environmental and TKO Group added 272 bps to performance while TKH Group, Nexans and Digital Bridge detracted 110 bps during the month.

Core Scientific (+1.10%) is a leader in digital infrastructure for bitcoin mining and high-performance computing. The company held its third-quarter earnings call on 6 November, discussing plans to more than double its contracted high-performance computing over the next three years to become one of the largest independent AI data centre businesses globally. This was followed by government approval for its power purchase agreements and land leases in Texas, which buoyed investor sentiment given the solid industry outlook and the company's expansion.

GFL Environmental (+0.82%) is the fourth-largest diversified environmental services company in North America, providing a comprehensive range of solid waste management, liquid waste management, and soil remediation services in Canada and more than half of the U.S. states. The company exceeded market expectations for both revenue and profitability in its third-quarter results on 6 November, boosting its stock performance. Management confirmed that the sale of its Environmental Services business was progressing well with a minimum of C\$6bn of net proceeds expected upon completion. Proceeds will be targeted towards paying down \$3.5bn of debt and likely share buybacks.

TKO Group (+0.80%) is a premium sports and entertainment company, including UFC, the world's premier mixed martial arts organisation, and WWE, the global leader in sports entertainment. TKO delivered robust results in early November with full year expectations now trending towards the top end of its guided range for both revenue and EBITDA. It should complete the \$3.25bn acquisition of PBR, On Location and IMG in the first half of 2025 at which point it will also commence a \$2bn share buyback.

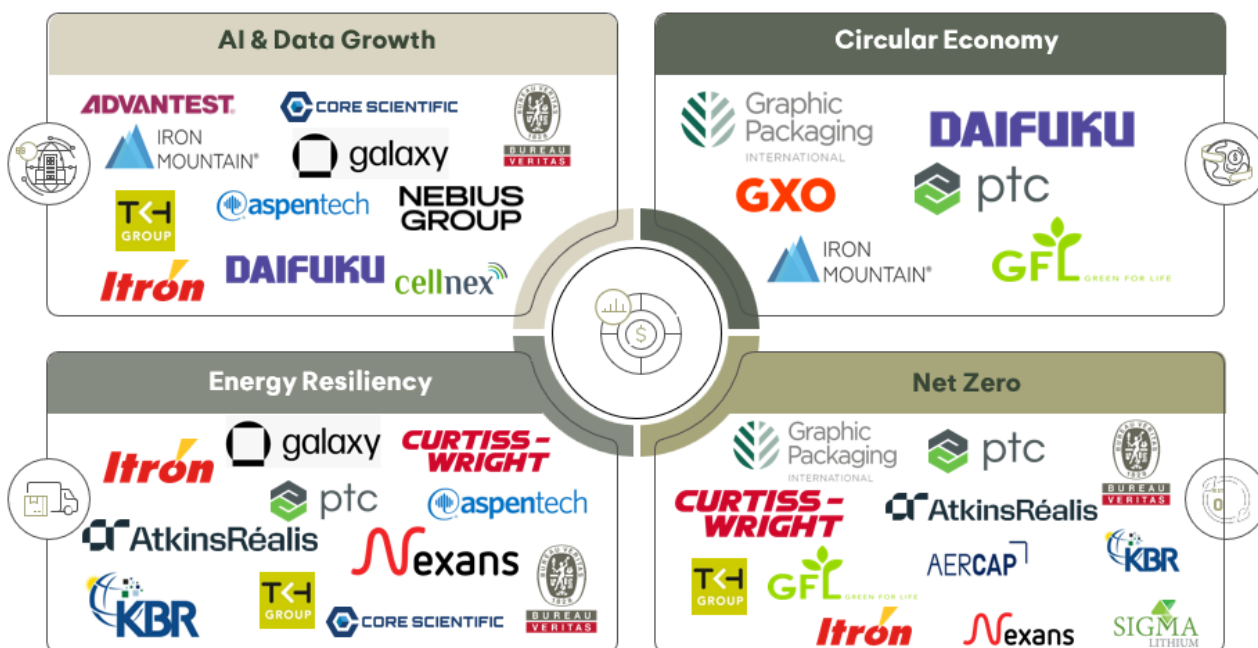
TKH Group (-0.40%) is a Dutch technology company specializing in integrating hardware and software to enhance automation, digitalization, and electrification across various industries including Smart Vision, Smart Manufacturing, and Smart Connectivity. The company provided its third quarter update on 11th November, with lower-than-expected results and downgraded full-year guidance. Investor disappointment was reflected in the declining stock price.

Nexans (-0.38%) is a French company leading in advanced cable and connectivity solutions, designing and installing cables that support renewable energy transition and efficient energy and data transmission globally. The company's third-quarter results, released on 30 October, showed revenue below expectations due to weak demand in certain markets. We remain positive on the business, given electrification megatrends and its strong backlog.

Digital Bridge is a leading global alternative asset manager dedicated to investing in digital infrastructure. The company reported results in early November and despite reporting solid capital inflows, full year guidance was lowered as a timing push out of new closings in its most recent fund will impact results. While fee revenue was up 16%, the performance lagged expectations and there seems to be growing friction in fee margins. As such we have exited the position for the time being until we get a better view on profitability metrics relative to the digital investment opportunity.

In November, we trimmed and added to a number of positions to take advantage of share price moves. We initiated two new positions, which are Galaxy Digital Holdings, a New York-based financial services and investment management firm specializing in digital assets and blockchain technology, and Vail Resorts, a network of the best destination and close-to-home ski resorts which owns and operates 42 premier mountain resorts across North America, Australia, and Switzerland. These were funded with exits from Option Care Health (need to see where earnings level out post drug price changes) and Soitec.

We continue to have differentiated exposure to some pretty powerful long term thematic which should drive long term compounding benefits to us all as investors. These include AI and the growth in data as Industrial IoT and large language networks such as ChatGPT and next generation applications drive data demand, companies that enable our push to a circular economy, companies helping to improve the resilience of our energy grids as the world looks to electrify and companies which are levered to the multi trillion-dollar spending required for our "Road to Net Zero".



Source: Ellerston Capital

These businesses as well as idiosyncratic opportunities in the Fund should provide solid absolute and relative returns over the long term as secular and structural business drivers help mitigate earnings risk in times of economic uncertainty. As always, we thank you for your continued support and look forward to providing further updates in the future.

Regulatory Guide (RG240) Fund Disclosure Benchmark – Periodic Reporting (monthly)

- **Net Asset Value of the Fund and Redemption Price of Units**

Please refer to details on page one.

- **Any changes to key service providers including any change in related party status.**

There have been no changes to key service providers, including any change in related party status.

- **Net returns after fees, costs and relevant taxes**

Please refer to details on page one.

- **Any material changes to the Fund's risk profile and strategy**

There have been no changes to the Fund's risk profile and strategy.

- **Any material changes related to the primary investment personnel responsible for managing the Fund.**

There have been no changes to the primary investment personnel responsible for managing the Fund.

Find out more:

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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.

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