

Ellerston Capital

Monthly Newsletter December 2024

Founded on Discovery

Info@ellerstoncapital.com
02 90217701



Monthly Returns – Top 3 Performers

Fund	1 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception* (p.a.)
Ellerston Asia Growth Fund (Hedge Fund)	5.7%	29.6%	-	-	15.4%
Ellerston India Fund	2.8%	30.8%	12.1%	12.6%	10.9%
Ellerston Australian Absolute Return Fund	0.7%	11.3%	-3.4%	2.0%	5.3%

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

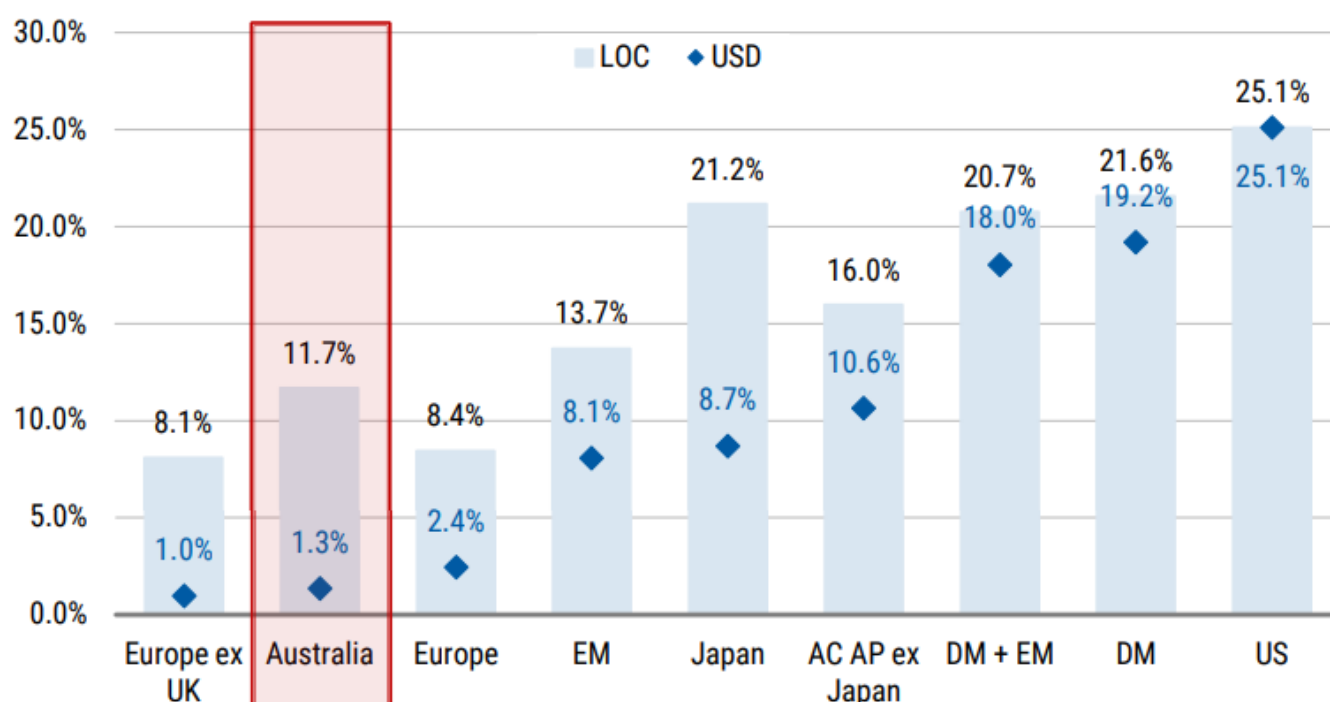
Market Overview

Global equities sold off towards year end as markets reacted to further disappointing stimulus out of China and a more hawkish tone from the US Federal Reserve.

The Fed revised inflation projections and dot plots higher after the PPI, CPI and non-farm payroll prints all came in higher than expected, causing the market to price in a slowing easing cycle.

Reversing the trend throughout 2024, the MSCI Emerging Markets Index rose 1.2%, outperforming the MSCI World Index which fell 1.9% in local currency terms. Consumer Discretionary (+3.1%) and Communication Services (+2.6%) topped the global performance sector table, with Real Estate (-7.3%) being the laggard. The S&P 500 dropped 2.4% and domestically, the S&P/ASX200 lagged again, posting a loss of -3.2%, with the best sectors being Consumer Staples (+0.6%), Utilities (+0.4%) and Industrials (+0.3%).

MSCI Global Country/Regional Indices Performance for CY 2024



Australia

Australian stocks fell in December, as reduced expectations for Fed hikes in 2025 and a resulting 40bp spike in bond yields were key drivers of year-end volatility.

The RBA's December meeting held the cash rate at 4.35%, as widely expected, but the outlook commentary was more on the dovish side compared to its November statement. The RBA noted "while underlying inflation is still high, other recent data on economic activity have been mixed, but on balance, softer than expected in November." Hence, "some of the upside risks to inflation appear to have eased." The RBA added "wage pressures have eased more than expected in the November SMP". It certainly increases the probability of a cut at the next meeting in February, but of course, will be data dependant.

Australian equities underperformed most developed global peers, with the S&P/ASX 200 Accumulation Index closing down 3.2%, reducing the calendar year 2024 return to +11.4%. In December, Consumer Staples (+0.6%) was the best performing sector, driven by Bega Cheese (+9.3%), followed by Utilities (AGL +0.8%) and the Industrials sector which was led by Auckland International Airport (+10.5%) and Computershare (+6.5%).

The worst performing sectors were Real Estate (due to the rise in bond yields), with REITs dragged down by HMC Capital (-20.0%), Lendlease Group (-13.0%) and Mirvac (-11.2%). Materials, pressured by Liontown Resources (-28.1%), Coronado Global Resources (-17.3%) and Alcoa Corporation (-16.2%) followed suit.

For the final month of the year, the top stocks that made a positive contribution to the Index's return were Transurban Group (+11bp), Computershare (+5bp), Telstra Group (+3bp), De Grey Mining (+2bp) and Coles Group (+2bp). Conversely, the bottom five stocks detracting from the Index's performance were CBA (-36bp), ANZ Group Holdings (-31bp), NAB (-24bp), BHP (-21bp) and Goodman Group (-15bp). The ASX Small Ordinaries closed down 3.1% marginally better than the broader benchmark return of -3.2%. Within the ASX Small Ordinaries, both the Small Industrials and Small Resources closed down 3.1%.

USA

The FOMC cut the Fed Funds rate by 25 bps to the 4.25% to 4.50% range as expected, although Chair Powell noted "today was a closer call but we decided it was the right call." The Fed surprisingly indicated that it would only lower twice more in 2025. According to the closely watched "dot plot" matrix of individual members' future rate forecasts, this hawkish move was deemed negatively by financial markets. The key takeaway from Chair Powell's press conference was that there will be a slower pace of rate cuts ahead. Currently expectations are for no rate cut in January.

Against this backdrop, the NASDAQ Composite index outperformed, rising 0.6%, but the S&P 500 (-2.4%) and the Dow Jones Industrial Average (-3.0%) sold off, with the small cap Russell 2000 being the clear laggard, finishing down 8.3%. This capped off a 25.0% return for the S&P500 in 2024, with Large Caps outperforming Smalls by 11.5%.

Only three S&P 500 sectors closed in positive territory, namely Communication Services (+3.6%, with Broadcom rallying 25.2% after it reported 4Q24 earnings which smashed expectations), Consumer Discretionary (+2.4%) and Information Technology (+1.2%), with the worst performing sectors being Materials (-10.7%), Energy (-9.5%) and Real Estate (-8.6%).

Europe

The ECB made a fourth rate cut of 25bps in December, which was no surprise and left the door open for further easing to support a struggling economy amid heightened political risks, particularly in France.

The Euro STOXX50 Index bucked the global sell off and actually finished the month up 1.9%. Among the major exchanges, France's CAC 40 closed up 2.1%, followed by Germany's DAX which rose 1.4%, with the FTSE 100 posting -1.3% return. Danish healthcare market darling Novo Nordisk stood out during the month by slumping -21.9% after the company revealed disappointing results from its highly anticipated late-stage trial for its next-generation obesity drug CagriSema.

Asia

The Central Economic Work Conference (CEWC) held its annual meeting which sets the national agenda for the Chinese economy and its financial and banking sectors. In short, policymakers saw boosting domestic demand, especially household consumption, as their top policy priority for 2025. To achieve this aim, policymakers intend leveraging up the central government to boost fiscal spending. Fiscal policy will be more proactive, by increasing the budget deficit and increasing ultra-long Treasury bond and special local government bond quotas. Additionally, monetary policy will aim to be "moderately loose." Post the CEWC, rumours quickly spread that China could raise its budget deficit to 4% of GDP in 2025, the highest on record, but there has been no confirmation as yet.

The CEWC meeting and a weaker Yen (BoJ stood pat) saw Asian markets generally rebound. Japan's Nikkei rose 4.5% after BOJ Governor Ueda hinted to a longer time line before interest rates were lifted and the Hang Seng rose 3.3%, followed by China's SSE at +0.5%. India's SENSEX was down 2.1% and the clear laggard was Korea's KOSPI, which closed 2.3% lower, not helped by President Yoon Suk Yeol briefly imposing Martial Law and the current tumultuous political situation.

Commodities

Commodities were generally weaker, the exception being oil, with Brent Crude rising 4% to US\$75/barrel, partly due to the fall of the Assad government in Syria which was supportive of Tehran. Both iron ore and coking coal retreated 4% to US\$101/tonne and US\$194/tonne respectively, weighed down by a weaker China steel price environment. The base metals complex edged lower, with nickel down 4%, aluminium 3% lower and copper falling 2%. The supply led tightness in bauxite and alumina continued, driving the alumina price to a new all-time high of US\$805/tonne in early December, before it tumbled 17% to US\$672. The gold price (buffered by China boosting official reserves for the first time in 6 months) was relatively steady, only down 1% to US\$2625/oz, however with the 5% fall in the local currency, bullion rose to an all-time high of A\$4240/oz.

Bonds

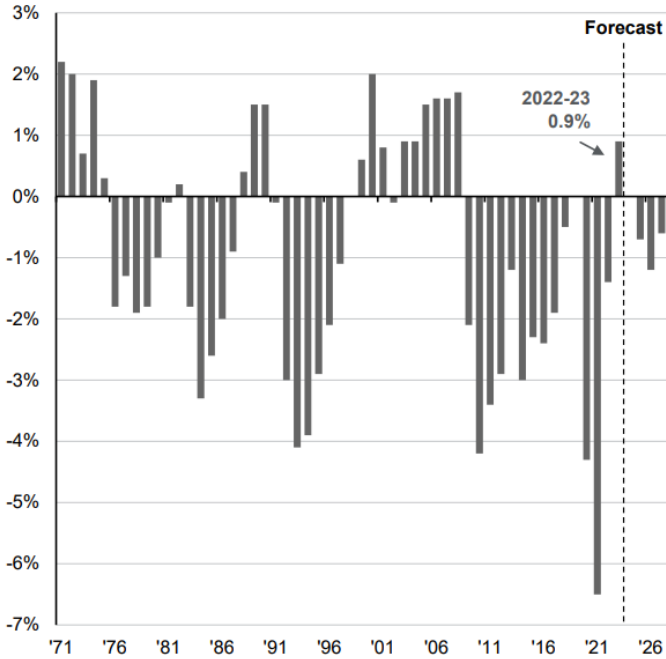
The US 10-year bond yield finished 40bps higher to 4.57%, following a more hawkish outlook by the Fed, with the median FOMC participants assuming only two 25bps rate cuts in 2025. The Australian 10-year bond yield was relatively steady, edging up 3bps at 4.37%. The A\$ fell 5% to US\$0.62, due to the stronger US dollar and after Domestic Q3'24 GDP came in well below expectations (0.3%QoQ vs 0.5% expected).

Charts of the Month

Economic growth and composition of GDP

Commonwealth budget surplus/deficit

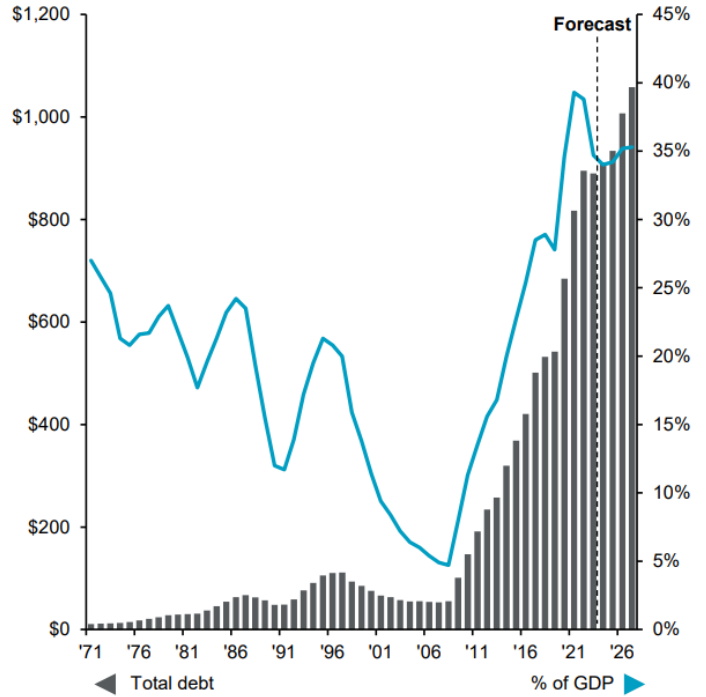
% of GDP, 2023-24 budget



Source: Australian Treasury, J.P. Morgan Asset Management. *Guide to the Markets – Australia*. Data as of 13/12/24.

Commonwealth gross debt

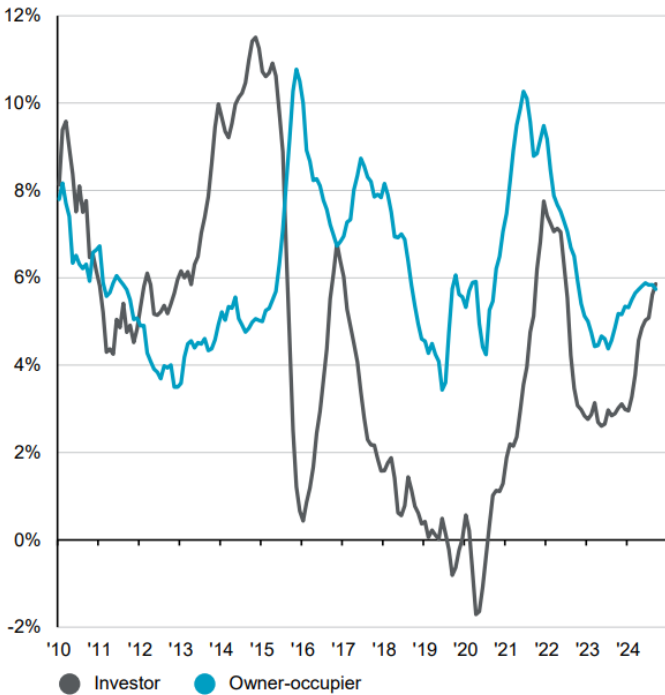
2023-24 budget, end of fiscal year, AUD billions



Residential real estate financing

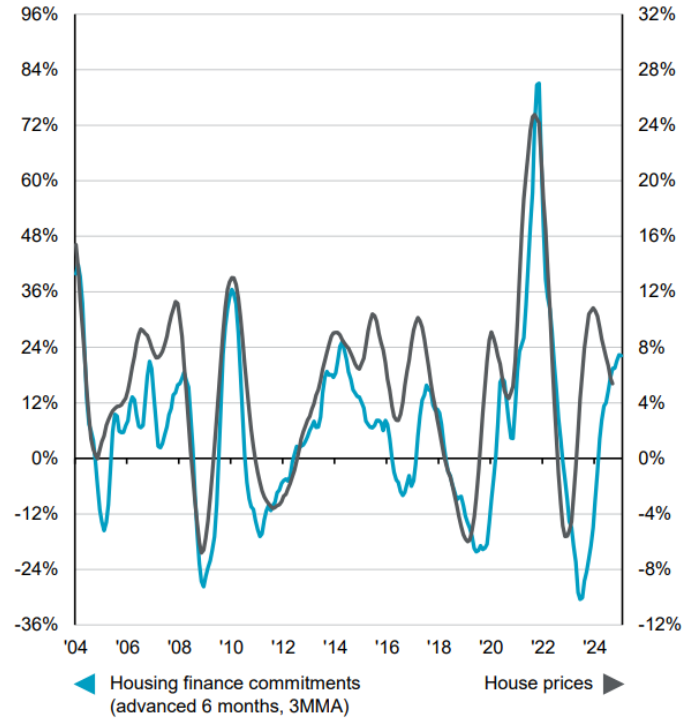
Mortgage lending

3-month annualised growth rate



Housing finance and house prices

Year-over-year



Source: Australian Bureau of Statistics, J.P. Morgan Asset Management; (Right) RPD CoreLogic. House price is the year-over-year change in the hedonic index for national dwelling prices. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – Australia*. Data as of 13/12/24.



		Return Type	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P/ASX 50	Total	-3.0	-0.8	11.7	11.7	8.9	8.2	8.3
	S&P/ASX 200	Total	-3.2	-0.8	11.4	11.4	7.4	8.1	8.5
	S&P/ASX 200 Industrial	Total	-3.1	2.3	21.3	21.3	8.0	8.4	8.4
	S&P/ASX 200 Resources	Total	-3.2	-11.2	-14.9	-14.9	5.5	6.8	9.3
	S&P/ASX Small Ordinaries	Total	-3.1	-1.0	8.4	8.4	-1.6	4.0	7.3
	S&P/ASX Small Industrials	Total	-3.1	-0.4	12.1	12.1	-0.8	3.3	6.8
	S&P/ASX Small Resources	Total	-3.1	-2.7	-2.0	-2.0	-3.3	7.6	9.6
	MSCI Australia Value	Net	-3.6	-4.6	3.5	3.5	9.9	8.7	6.5
	MSCI Australia Growth	Net	-2.7	2.9	19.5	19.5	7.6	7.1	9.8
ASX 200 Sectors	Energy	Total	0.3	-5.4	-13.9	-13.9	10.1	-0.6	1.3
	Utilities	Total	0.4	1.6	17.5	17.5	16.4	7.6	9.8
	Financials	Total	-4.1	5.9	33.7	33.7	14.7	12.1	8.4
	Materials	Total	-4.5	-11.9	-13.7	-13.7	4.2	8.8	11.3
	Industrials	Total	0.3	3.3	15.1	15.1	8.3	4.9	9.4
	Real Estate	Total	-6.1	-6.2	16.3	16.3	2.4	4.4	7.4
	Consumer Discretionary	Total	-0.8	2.1	23.9	23.9	6.5	10.8	11.8
	Health Care	Total	-1.9	1.9	7.5	7.5	1.2	3.3	11.6
	Information Technology	Total	-4.4	0.9	49.9	49.9	9.3	15.0	15.0
	Consumer Staples	Total	0.6	-5.4	-1.1	-1.1	-1.5	2.2	6.0
	Communication Services	Total	-3.8	2.2	6.1	6.1	3.4	9.0	1.8
Local Currency									
World	MSCI World Index	Net	-1.9	1.9	21.0	21.0	7.8	12.0	10.6
	MSCI EM (Emerging Markets)	Net	1.2	-4.4	13.1	13.1	1.6	4.5	6.0
	MSCI AC World Index ex Australia	Net	-1.6	1.3	20.4	20.4	7.0	11.2	10.1
	MSCI World Mid Cap	Net	-4.7	0.1	13.8	13.8	3.2	8.3	8.4
Americas	S&P 500	Net	-2.4	2.3	24.5	24.5	8.4	14.0	12.5
	Dow Jones Industrial Average	Net	-5.2	0.8	14.4	14.4	6.9	9.9	10.8
	NASDAQ Composite	Net	0.5	6.3	29.3	29.3	7.9	17.2	-
	Russell 2000	Total	-8.3	0.3	11.5	11.5	1.2	7.4	7.8
Asia Pac	Hang Seng Index	Net	3.3	-4.9	22.7	22.7	-1.4	-3.4	1.8
	Nikkei 225 Stock Average	Net	4.5	5.3	20.9	20.9	13.3	12.7	10.3
	MSCI AC Asia ex Japan	Net	1.3	-4.5	16.2	16.2	1.5	4.4	5.7
	MSCI India	Net	-1.6	-9.4	14.4	14.4	12.5	16.7	12.1



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	0.7	-0.3	11.3	-3.4	2.0	3.5	5.3	ECL0013AU 3/6/13
	RBA Cash Rate	0.4	1.1	4.4	3.2	2.0	1.8	1.9	
	Excess Return	0.4	-1.4	7.0	-6.6	-0.0	1.7	3.4	
Australian Equity	Ellerston Australian Share Fund	-4.2	-6.4	0.1	2.1	6.2	7.1	8.2	ECL0005AU 31/9/09
	S&P/ASX 200 Accumulation Index	-3.2	-0.8	11.4	7.4	8.1	8.5	9.7	
	Excess Return	-1.0	-5.6	-11.4	-5.3	-1.9	-1.4	-1.5	
	Ellerston Overlay Australian Share Fund	-4.0	-6.3	-0.9	0.2	4.6	6.1	6.7	ECL0012AU 1/7/11
	S&P/ASX 200 Accumulation Index	-3.2	-0.8	11.4	7.4	8.1	8.5	9.1	
	Excess Return	-0.9	-5.5	-12.3	-7.2	-3.5	-2.4	-2.4	
	Ellerston Equity Income KIS Fund	-4.3	-5.6	3.0	4.3	6.9	-	8.2	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	-3.2	-0.8	11.4	7.4	8.1	-	8.7	
	Excess Return	-1.2	-4.8	-8.4	-3.1	-1.1	-	-0.5	
	Ellerston Australian Micro Cap Fund	-0.5	-0.4	25.3	-0.3	9.6	-	14.2	ECL0984AU 28/4/17
	S&P/ASX Small Ordinaries Accumulation Index	-3.1	-1.0	8.4	-1.6	4.0	-	6.3	
	Excess Return	2.6	0.6	16.9	1.2	5.6	-	7.8	
	Ellerston Australian Emerging Leaders Fund	-0.7	7.7	35.9	4.0	-	-	4.3	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	-3.1	-1.0	8.4	-1.6	-	-	-1.0	
	Excess Return	2.4	8.7	27.5	5.6	-	-	5.2	



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	-2.0	7.1	15.9	-0.1	8.3	-	10.9	ECL8388AU 28/2/17
	MSCI World Mid Cap Index	-0.8	9.1	22.0	6.7	9.8	-	10.9	
	Excess Return	-1.2	-2.0	-6.1	-6.9	-1.6	-	-0.1	
	Ellerston Global Mid Small Cap Fund - Class B	-2.0	7.1	15.8	-0.0	-	-	8.9	ECL3306AU 18/8/20
	MSCI World Mid Cap Index	-0.8	9.1	22.0	6.7	-	-	12.3	
	Excess Return	-1.2	-2.0	-6.1	-6.7	-	-	-3.3	
	Ellerston Asia Growth Fund (Hedge Fund)^	5.7	6.1	29.6	-	-	-	15.4	ECL1411AU 1/6/23
	MSCI Asia ex Japan (non-accumulation)	5.3	3.5	21.0	-	-	-	11.8	
	Excess Return	0.4	2.6	8.6	-	-	-	3.7	
	Ellerston India Fund	2.8	6.0	30.8	12.1	12.6	-	10.9	ECL0339AU 4/5/17
	MSCI India Net Return Index	2.1	-0.6	22.6	13.2	15.4	-	12.6	
	Excess Return	0.7	6.6	8.3	-1.1	-2.8	-	-1.6	
Private Assets	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 08/01/2025, 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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Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 90217701
info@ellerstoncapital.com

Find out more.

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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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