



Ellerston Capital

Monthly Newsletter February 2025

Founded on Discovery

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Funds in Focus

Funds	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception* (p.a.)
Ellerston Australian Emerging Leaders Fund	-3.3%	-1.3%	22.4%	7.7%	-	3.9%
Ellerston Fixed Income Target Return Fund	0.1%	0.9%	-	-	-	0.9%
Ellerston JAADE Australian Private Assets Fund (Retail)	-	1.6%	12.1%	5.9%	11.0%	16.4%

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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ECL News and Insights

Join our Director and Portfolio Manager, [Chris Kourtis](#), for refreshments and hear his insight and outlook on Australian Markets.



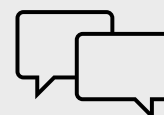
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The Case for India



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2025 Market Outlook with James Barker



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Monthly Market Update

Market Overview

Escalating geopolitical tensions, a public Trump-Zelensky stoush in the oval office, on and off tariff threats, softening US economic data and fears of fading US "exceptionalism" drove market volatility higher. The MSCI World Index fell 0.9%, underperforming the MSCI Emerging Markets Index which posted a small positive return of +0.8% (due to MSCI China rallying 11.6%) in local currency terms. Not surprisingly, defensive sectors such as Consumer Staples (+4.5%) and Real Estate (+2.8%) topped the global sector tables, with Consumer Discretionary (-7.0%) the laggard. The S&P 500 was down 1.5% and on the home front, the S&P/ASX200 succumbed to broad based pressure, posting a loss of 3.8%. Domestically, the best sectors were also defensives, namely Utilities (+3.2%), Communication Services (+2.6%) and Consumer Staples (+1.5%).

Australia

As expected, the long awaited first RBA rate cut finally arrived, with the RBA lowering the cash rate 25bp to 4.10%. Despite lowering official rates, Governor Michele Bullock adopted a fairly hawkish tone. The board's justification for the February cut was based on lower inflation and "subdued growth in private demand". The Board's message for the near-term was that policy "has been restrictive and will remain so after this reduction". So, it's too early to call this cut the start of an easing cycle, given the macro uncertainties in terms of domestic fiscal policy commitments, an expected Federal Election this May, Fed monetary policy and global trade policy backdrop.

Australian equities underperformed most developed global peers, with the S&P/ASX 200 Accumulation Index finishing down 3.8%, but not before setting a new all-time high at 8,556 (closing at 8,172), reducing the FYTD return to +7.6%. Defensive sectors were favoured despite Health Care performing poorly. Utilities (+3.2%) was the best performing sector, driven by APA Group (+8.2%) and Origin Energy (+4.7%), followed by Communication Services (Telstra +7.3%) and the Consumer Staples sector which was led by A2 Milk Company (+35.3%, post delivering a very strong 1H result and lift in guidance).

Information Technology was the worst performing sector, dragged down by WiseTech Global (-27.7%), followed by Health Care (Polynovo -31.6% and Cochlear -19.0%) and Real Estate, due to Lifestyle Communities (-18.9%) and Goodman Group (-14.1%).

In February, the top stocks that made a positive contribution to the Index's return were Computershare (+13bp), Telstra (+13bp), Brambles (+6bp), A2M (+6 bp) and Bluescope Steel (+5bp). Conversely, the bottom five stocks detracting from the Index's performance were NAB (-57bp), Goodman Group (-40bp), CSL (-37bp), WiseTech (-26bp) and Westpac (-25bp). The ASX Small Ordinaries fared better than the broader benchmark with a return of -2.8%. Within the ASX Small Ordinaries, Small Industrials closed down 2.5%, outpacing the Small Resources at -3.7%.

USA

US economic activity softened, with Q1 GDP tracking at 1.4%. Key data on US consumption also slowed in retail sales, services and consumer confidence. US tariffs on Canada (25%), Mexico (25%) and China (additional 10%) take effect on 4 March and no doubt with it, retaliatory responses from those countries are expected. To top the Trump-Zelensky showdown, President Trump sided with Russia on the war in the Ukraine, angering European leaders. Given the uncertainty created by the US administration tariff imposts and their economic implications, equities sold off towards month end, with the S&P 500 falling 1.3%, followed by the Dow Jones Industrial Average (-1.4%) and the NASDAQ Composite index (-3.9%, as DeepSeek continued to weigh on the US tech market). The small cap Russell 2000 Index was the clear laggard, finishing down 5.3%. The best performing sectors were Consumer Staples (+5.7%), Real Estate (+4.2%) and Energy (+4.0%), with the worst performing sector being Consumer Discretionary (-9.4%), followed by Communication Services (-6.3%) and Industrials (-1.4%).

Europe

European stocks outperformed global indices for the third month in a row. The Euro STOXX50 Index advanced by 3.5%, after the strong January performance of 8.1%. Among the major exchanges, Germany's DAX closed up 3.8%, followed by France's CAC 40 and FTSE 100, both posting a return of +2.0%.

Asia

China's National Committee of the Chinese People's Political Consultative Conference (CPPCC) and the National Peoples Congress will meet in March and their deliberations will be key to the country's economic recovery. Expectations are for more stimulus, with its budget deficit to move towards 4% of GDP, an all-time high.

Asian markets were mixed, with the Hang Seng the standout performer, rising 13.4%, led by Alibaba's collaboration with Apple to introduce AI features for phone users in China. This helped invigorate the heavy component of Chinese tech companies in the HK index. China's SSE closed up 1.8% and Korea's KOSPI ended 0.6% higher, with both India's SENSEX and Japan's Nikkei in sharp negative territory down 5.5% and 6.1%, respectively.

Commodities

The feature of commodity markets was the weakening oil price, with Brent Crude down 4% to US\$73/barrel as hopes of a resolution of the Russia-Ukraine conflict could lift Russian sanctions and OPEC+ overproducing above its quotas in the month of February. Thermal coal continued to weaken, falling 16% to US\$102/tonne (-25% CYTD), coking coal remained steady at US\$186/tonne and iron ore benchmark prices edged down 2% to US\$104/tonne. Gold hit another all-time high of US\$2956, before retreating 3% to the highest monthly close of US\$2858/oz (A\$4602/oz), continuing to be fuelled by tariff uncertainty and Bitcoin volatility. The base metals complex squeezed higher, with copper up 5%, nickel up 2% and aluminium up 1%. The alumina market continued to adjust lower and dropped a further 10% to US\$472/tonne, now down 41% from its recent all-time high of US\$805/tonne.

Bonds

The US 10-year bond yield finished 32bp lower to 4.22%, against a backdrop of softer economic data and weaker consumer sentiment. The Australian 10-year bond yield also edged down by 13bp to 4.30% and the A\$ was flat at US\$0.62, in line with the US dollar.



Net Returns		1M (%)	3M (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)	S.I.* (% p.a)	APIR Code / Inception Date
Australian Equity	Ellerston Australian Emerging Leaders Fund	-3.3	-1.3	22.4	7.7	-	-	3.9	ECL6748AU 13/8/21
	S&P/ASX Small Ordinaries Accumulation Index	-2.8	-1.5	7.3	2.1	-	-	-0.5	
	Excess Return	-0.6	0.1	15.1	5.5	-	-	4.3	
	Ellerston Equity Income KIS Fund	-7.0	-8.1	-1.5	3.6	6.7	-	7.2	ECL7259AU 1/5/19
	S&P/ASX 200 Accumulation Index	-3.8	-2.6	9.9	9.2	8.9	-	8.5	
	Excess Return	-3.2	-5.5	-11.4	-5.6	-2.2	-	-1.3	
	Ellerston Australian Micro Cap Fund	0.1	1.2	23.7	4.2	10.9	-	14.1	ECL0984AU 1/5/17
	S&P/ASX Small Ordinaries Accumulation Index	-2.8	-1.5	7.3	2.1	5.6	-	6.4	
	Excess Return	2.9	2.7	16.3	2.1	5.4	-	7.7	
Fixed Income	Ellerston Fixed Income Target Return Fund	0.1	0.9	-	-	-	-	0.9	ECL4489AU 30/8/24
	Ellerston Fixed Income Target Return Fund Benchmark	0.3	0.8	-	-	-	-	1.7	
	Excess Return	-0.2	0.1	-	-	-	-	-0.8	
International Equity	Ellerston Global Mid Small Cap Fund - Class A	-1.7	-2.6	6.3	3.9	8.3	-	10.5	ECL8388AU 1/3/17
	MSCI World Mid Cap Index	-1.0	1.6	16.2	10.5	10.8	-	11.0	
	Excess Return	-0.7	-4.2	-9.9	-6.7	-2.5	-	-0.5	
	Ellerston India Fund	-7.2	-14.6	-0.4	7.9	8.4	-	8.1	ECL0339AU 4/5/17
	MSCI India Net Return Index	-7.7	-9.8	-1.8	10.6	12.5	-	10.5	
	Excess Return	0.6	-4.8	1.4	-2.7	-4.1	-	-2.4	
Private Assets	Ellerston JAADE Australian Private Assets Fund (Retail)**	-	1.6	12.1	5.9	11.0	-	16.4	ECL2707AU 5/7/19
	Note: The Ellerston JAADE fund results are reported quarterly and therefore are updated as at 31 December 2024								



		Return Type	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
Australia	S&P/ASX 50	Total	-3.8	-2.7	0.3	9.9	10.1	8.8	7.3
	S&P/ASX 200	Total	-3.8	-2.6	0.6	9.9	9.2	8.9	7.5
	S&P/ASX 200 Industrial	Total	-3.9	-2.5	0.7	14.9	11.3	8.7	7.4
	S&P/ASX 200 Resources	Total	-3.2	-2.9	0.3	-5.7	2.5	9.8	8.3
	S&P/ASX Small Ordinaries	Total	-2.8	-1.5	1.7	7.3	2.1	5.6	6.5
	S&P/ASX Small Industrials	Total	-2.5	-2.4	0.7	6.6	3.7	4.4	6.1
	S&P/ASX Small Resources	Total	-3.7	1.1	4.3	9.4	-2.4	10.6	8.5
	MSCI Australia Value	Net	-3.8	-3.5	0.0	3.3	8.9	9.6	5.4
	MSCI Australia Growth	Net	-4.0	-2.3	0.4	14.6	11.3	7.5	8.8

ASX 200 Sectors	Energy	Total	-5.2	-2.1	-2.3	-15.0	3.6	2.6	0.8
	Utilities	Total	3.2	1.1	0.7	19.9	14.4	8.4	8.4
	Financials	Total	-4.4	-2.8	1.4	24.8	16.7	12.5	7.3
	Materials	Total	-2.9	-3.6	1.0	-3.7	2.6	11.4	10.1
	Industrials	Total	1.4	5.1	4.8	17.5	12.8	7.3	9.2
	Real Estate	Total	-6.4	-8.0	-2.0	8.0	4.6	3.7	6.0
	Consumer Discretionary	Total	-3.1	3.0	3.8	15.0	13.0	12.6	10.8
	Health Care	Total	-7.7	-6.5	-4.7	1.0	4.0	0.8	10.1
	Information Technology	Total	-12.3	-12.6	-8.6	13.3	16.1	14.9	13.5
	Consumer Staples	Total	1.5	2.8	2.2	1.6	0.7	2.6	5.7
	Communication Services	Total	2.6	1.1	5.1	9.6	8.9	10.3	1.4

Local Currency

World	MSCI World Index	Net	-1.0	0.5	2.5	16.5	11.5	14.5	10.3
	MSCI EM (Emerging Markets)	Net	0.7	3.6	2.3	14.1	3.9	6.5	5.7
	MSCI AC World Index ex Australia	Net	-0.7	0.9	2.5	16.4	10.6	13.7	9.8
	MSCI World Mid Cap	Net	-1.6	-2.5	2.3	12.1	6.8	11.0	7.9

Americas	S&P 500	Net	-1.3	-1.1	1.4	17.9	12.0	16.3	12.4
	Dow Jones Industrial Average	Net	-1.5	-2.1	3.2	13.8	10.5	13.1	10.9
	NASDAQ Composite	Net	-3.9	-1.8	-2.3	17.7	11.7	17.7	-
	Russell 2000	Total	-5.3	-10.9	-2.9	6.7	3.3	9.4	7.2

Asia Pac	Hang Seng Index	Net	13.4	18.5	14.7	45.3	4.2	0.7	2.7
	Nikkei 225 Stock Average	Net	-6.1	-2.6	-6.8	-3.8	13.7	13.7	8.7
	MSCI AC Asia ex Japan	Net	1.3	3.5	2.2	17.3	3.9	6.2	5.5
	MSCI India	Net	-7.1	-10.8	-9.3	-1.0	10.4	16.1	10.2

		SPOT	1M (%)	3M (%)	CYTD (%)	1Y (%)	3Y (% p.a)	5Y (% p.a)	10Y (% p.a)
FX	U.S. Dollar per Australian Dollar	0.6219	-0.3	-4.5	0.4	-4.5	-5.0	-0.7	-2.3
	Euro per Australian Dollar	0.5979	-0.3	-3.1	0.0	-0.6	-2.5	0.4	-1.5
	British Pounds per Australian Dollar	0.4939	-1.6	-3.6	-0.1	-4.1	-3.0	-0.4	-0.3
	Japanese Yen per Australian Dollar	93.7097	-3.0	-4.2	-3.7	-3.8	3.9	6.1	0.0

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Disclaimer

The net return figure is calculated after fees and expenses. Past performance is not a reliable indication of future performance.

*Since Inception

** 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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Find out more.

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