Ellerston Equity Income KIS Fund

Monthly Report as at 31 March 2025

APIR Code: ECL7259AU | ARSN 662 683 123

Concentrated portfolio of 30-40 Australian listed securities that display stable and growing dividend streams.

Looks beyond traditional "income sectors" (e.g., banks and telecoms), recognising "cyclical sectors" are now experiencing structural shifts towards the provision of more reliable income.

Aims to provide investors with returns and income growth greater than the Benchmark over rolling five-year periods.

Performance Summary

Performance	1 Month*	3 Months	FYTD	12 Months Rolling	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^^
Income pre-franking[1]	0.06%	0.06%	4.60%	6.90%	10.15%	9.60%	7.96%
Capital[1]	-3.55%	-7.31%	-11.11%	-15.79%	-9.31%	0.79%	-1.52%
Fund Net Return^	-3.49%	-7.25%	-6.51%	-8.89%	0.84%	10.39%	6.44%
Benchmark**	-3.39%	-2.80%	3.93%	2.84%	5.62%	13.24%	7.77%
Alpha (pre-franking credits)	-0.10%	-4.45%	-10.44%	-11.73%	-4.78%	-2.85%	-1.33%

[1]Indicative and preliminary in nature. Subject to change pending potential distribution calculations.
^The net return figure is calculated after fees & expenses, assuming all distributions are reinvested.
**The 1-month Income pre-franking figures in Jan, Feb, Apr, May, July, Aug, Oct and Nov include accrued but not distributed income, as the Fund only distributes quarterly where available.*
*** S&P/ASX 200 Accumulation Index. ^^Inception date is 1 May 2019. Past performance is not a reliable indication of future performance.*

Key Information

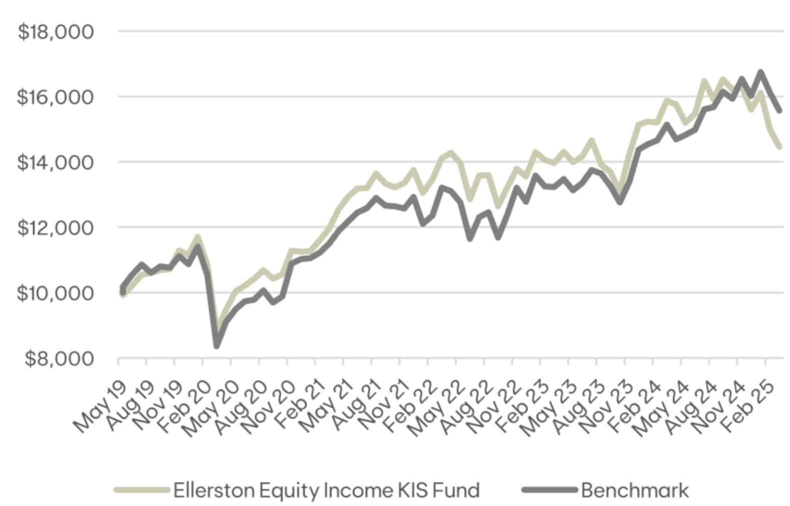
Portfolio Manager	Chris Kourtis
Investment Objective	To provide investors with returns and income growth greater than the Benchmark over rolling five-year periods.
Benchmark	S&P/ASX 200 Accumulation Index
Liquidity	Daily
Target Number of Holdings	30-40
Number of Holdings at Month End	31
Minimum Investment	Initial investment - $10,000 Additional investment - $5,000
Distribution Frequency	Quarterly (where available)
Management Fee	0.70% p.a.
Performance Fee[1]	10.00%
Buy/Sell Spread	0.25% / 0.25%
Strategy FUM[2]	$63.25m
Platform Availability	HUB24, Netwealth, Praemium
Lonsec Rating[3] SQM Rating[3]	Recommended Superior / 4.25 Stars

[1]Of the investment return above the Benchmark, after recovering any underperformance in past periods.
[2]Funds invested across all Equity Income KIS strategies.
[3]Lonsec Rating assigned 15 November 2024. SQM Rating assigned 11 October 2024.

FY25(e) Key Portfolio Metrics	Fund	Benchmark
Grossed Up Dividend Yield (%)	**10.7**	**5.1**
Dividend Yield (%)	8.2	3.9
Price/Earnings (x)	17.2	17.9

Source: Ellerston Capital.

Growth of $10,000 Investment



Fund Performance shown is net of fees, assuming all distributions are reinvested.
Past performance is not a reliable indication of future performance.
Source: Ellerston Capital.

The Team

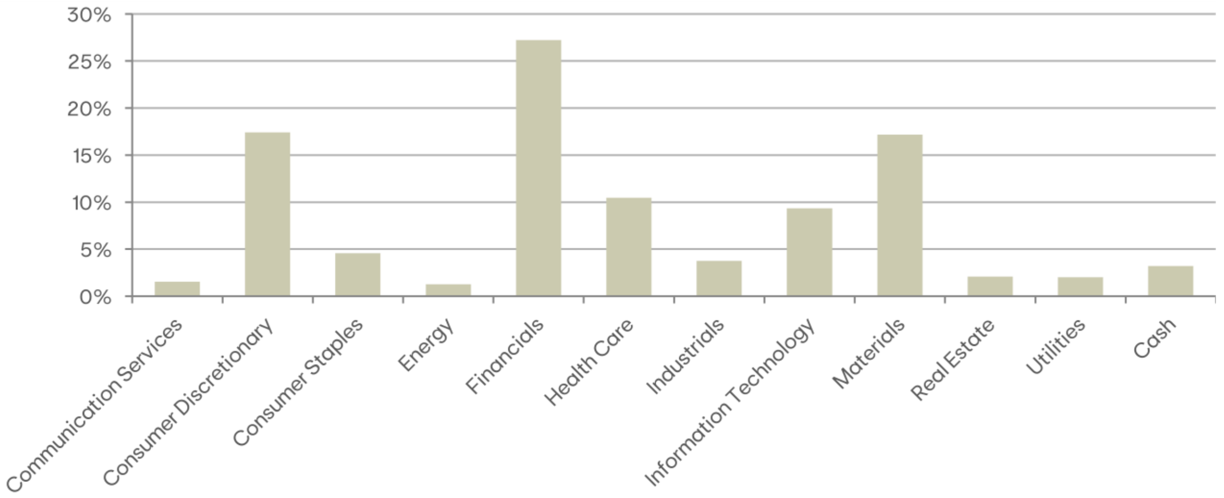
Chris Kourtis
Director & Portfolio Manager

40 years of industry experience.

Stephen Giubin
Senior Investment Analyst

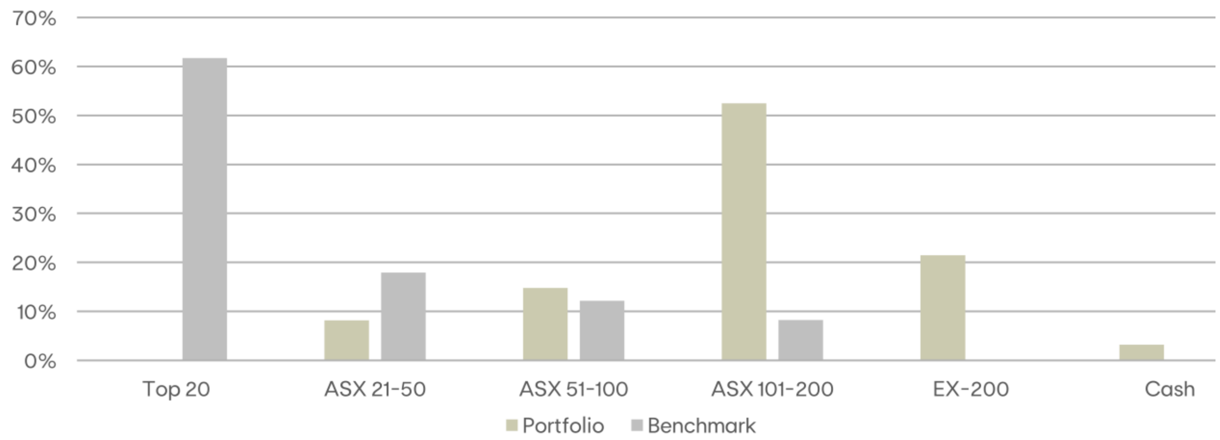
37 years of industry experience.

Sector Allocation



Source: Ellerston Capital.

Exposure by Market Capitalisation



Source: Ellerston Capital.

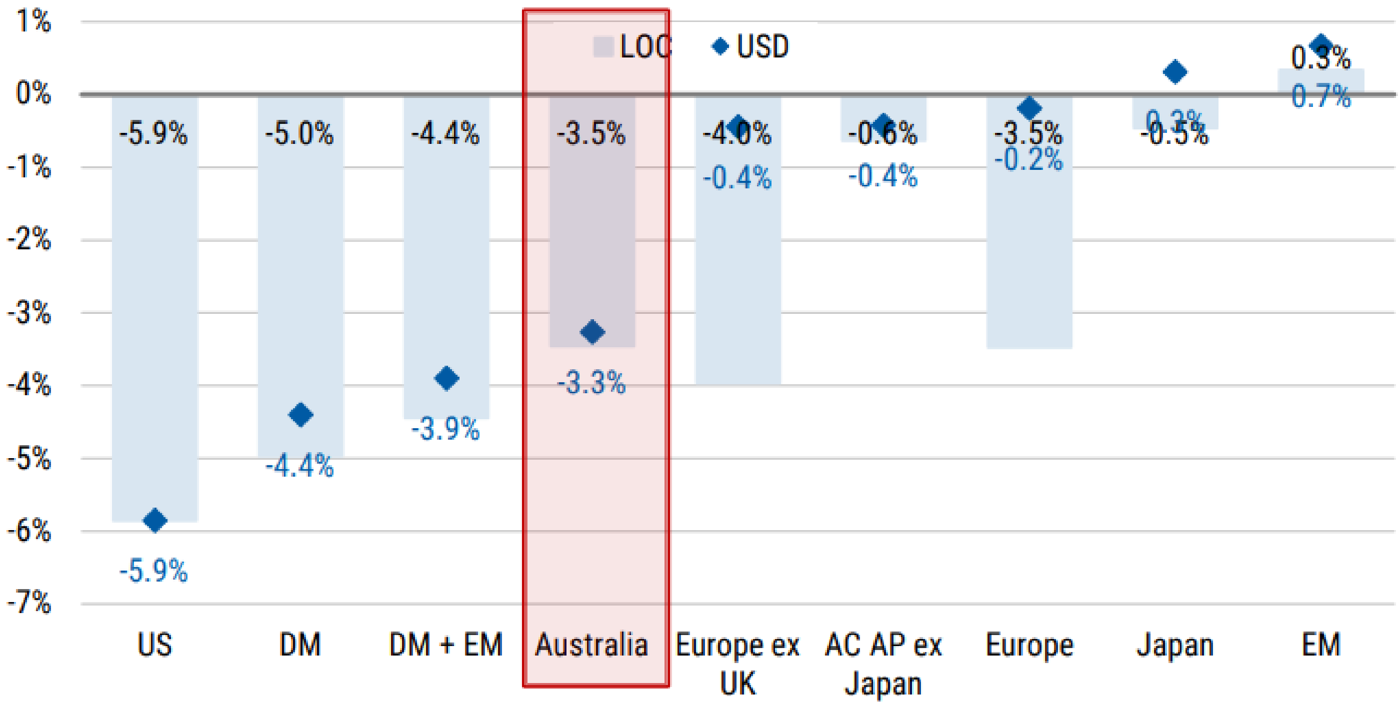
Top 10 Holdings*
Bapcor
GQG Partners
Graincorp
Healius
Iluka Resources
IRESS
Liberty Financial Group
Mineral Resources
Perpetual
Premier Investments

** In alphabetical order.*
Source: Ellerston Capital

MARKET OVERVIEW

Escalating geopolitical tensions, more tariff threats and softening key US economic data drove market volatility higher. The MSCI World Index fell 5.0%, underperforming the MSCI Emerging Markets Index which posted a modest return of +0.3% in local currency terms. Energy (+4.0%) and Utilities (+1.7%) topped the global sector tables, with Information Technology (-9.1%) the major laggard. The S&P 500 was down 5.6% and on the home front, the S&P/ASX200 succumbed to broad based selling pressure, posting a loss of 3.4%. Domestically, the best sectors included Utilities (+1.5%), Materials (-0.3%) and Consumer Staples (-1.5%).

MSCI Global Country/Regional Indices Performance for March 2025



Source: Morgan Stanley

USA

Given emerging recession fears and the uncertainty created by the US administration tariff imposts (and their yet to be felt economic implications), US equities sold off, with the Dow Jones Industrial Average falling 4.1%, followed by the S&P 500 (-5.6%) and the small cap Russell 2000 Index (-6.8%). The NASDAQ Composite index was the clear laggard, finishing down 8.1%. The best performing sectors were Energy (+3.9%), Utilities (+0.3%) and Health Care (-1.7%), with the worst performing sector being Consumer Discretionary (-8.9%), followed by Information Technology (-8.8%) and Communication Services (-8.3%).

Europe

Fund flows continued to pour into Europe, with Euro-zone stocks outperforming global peers for the fourth month in a row. The Euro STOXX50 Index took a short-term breather and pulled back by 3.8%, after the strong January and February performance of 8.1% and 3.5% respectively. Among the major exchanges, Germany's DAX fell 1.7%, followed by FTSE 100 posting a -2.0% return, with France's CAC 40 down 3.9%.

Asia

China's National Peoples Congress met in March, reinforcing ambitious GDP growth targets of "around 5%" for 2025, also announcing a broad fiscal expansion of 1.5-2% of GDP to support ongoing growth. Kick starting consumption is a top priority, so the CNPC gave local governments more autonomy and available funds to facilitate inventory destocking. The emphasis was on boosting high-quality growth and supporting the private sectors, vowing to deepen the opening-up of domestic markets. Given domestic and external growth headwinds, the government may need to roll out additional policy support this year to achieve its stretch growth target.

Asian equity markets surprisingly bucked the trend and outperformed, with India's SENSEX the standout performer, rising 5.8%, followed by the Hang Seng at +1.1%, China's SSE up 0.5%, Korea's KOSPI ended 2.0% lower, with Japan's Nikkei again the laggard, down 3.3%.

Commodities

The feature of commodity markets was the strength in Gold which set an all-time high of US$3123/oz (A$4990z/oz) as investors sought its safe haven allure, with Trump's tariff imbroglio in the eyes of the market having gone from bad to worse, to totally unpredictable. Brent Crude was up 3% to US$75/barrel, as hopes of a Trump engineered resolution of the Russia-Ukraine conflict ebbed and flowed. Thermal coal edged higher by 1% to US$103/tonne, coking coal weakened by 9% to US$169/tonne and the iron ore benchmark price remained steady at US$104/tonne. The base metals complex squeezed higher, with copper up 3% (Comex now above US$5.00/lb), nickel up 3% and aluminium down 3%. The alumina market continued to adjust lower and dropped a further 20% to US$378/tonne, now down 53% from its recent all-time high of US$805/tonne.

Bonds

The US 10-year bond yield was flat (finished 1bp lower to 4.21%), against a backdrop of softer economic data and much weaker consumer sentiment (with the reading of the University of Michigan survey for March showing that overall sentiment fell again in the month, to a more than two-year low). The Australian 10-year bond yield also edged up slightly by 9bp to 4.39% and the A$ was 1% higher at US$0.63, given a slightly weaker US dollar.

Australia

As expected, the RBA left the cash rate at 4.10%. The messaging was largely unchanged from its prior meeting where it cut rates for the first time in four years, but commentary was more forward looking than in recent meetings. While the RBA acknowledged that inflation was declining and wage pressures had eased a bit more than expected, there was further emphasis on the need to see inflation "sustainably" at its midpoint target. Market expectations are for a further cut in May, with the global growth and inflation outlook clearly a key swing factor, and something the RBA has signalled it will respond to as required.

In the downdraft, Australian equities fared relatively better than developed global peers, with the S&P/ASX 200 Accumulation Index finishing down 3.4%, which followed a sharp sell-off on the last day of trading, reducing the FYTD return to +3.9%. Defensive sectors were again favored, despite Health Care performing poorly. Utilities (+1.5%) was the best performing sector, driven by high yielding APA Group (+7.0%), followed by Materials (predominantly all Gold Stocks +13.0%) and the Consumer Staples sector which was led by Collins Foods (+2.4%).

Information Technology was again the worst performing sector, dragged down by Nuix (-16.6%), followed by Consumer Discretionary (with Light & Wonder -20.7%, after Aristocrat Leisure escalated its legal fight with a second amended complaint regarding copyright infringement and a trade dress case against LNW's Jewel of the Dragon game and Tabcorp -16.9%). Real Estate came under pressure due to Digico Infrastructure REIT (down a whopping -28.9%).

In March, the top stocks that made a positive contribution to the Index's return were Evolution Mining (+9bp), Rio Tinto (+8bp), Northern Star Resources (+7bp), QBE Insurance (+6 bp) and Newmont Corporation (+6bp). Conversely, the bottom five stocks detracting from the Index's performance were Macquarie Group (-45bp), CBA (-40bp), Goodman Group (-24bp), James Hardie Industries (-22bp) and Aristocrat Leisure (-21bp). The ASX Small Ordinaries fell 3.6% and with the Small Resources closing up 4.6%, driven by the strong contribution from gold stocks, materially outpacing the Small Industrials which fell -6.7%.

COMPANY SPECIFIC NEWS

The Market Hits

Gold Stocks (+13.0%)

The top 10 performers in the month of March were all gold companies, which ranged from Spartan Resources (SPR +44.7%, with a $2.4bn market cap now) to Vault Minerals (VAU +9.9%). These moves were driven by the 9% move in the physical gold bullion price to an all- time high of US$3123/oz (A$4997/oz), as investors sought the safe haven commodity, with Trump's tariff malaise having gone from bad to worse, to unpredictable. Notable gold companies which rallied included SPR, which agreed to be acquired by Ramelius Resources (RMS) for ~$2.4bn via a $0.25/share cash and 0.6957 RMS scrip offer for every SPR share. West African Resources (WAF +33.7%) reported a better than forecast set of CY24 financial results, with a NPAT beat of 27%. Gold Road Resources (GOR +18.9%) also received an approach (which has been rejected) by its Gruyere mine JV partner Gold Fields of South Africa. The acquisition price for GOR was $2.27 cash, plus a variable cash amount equal to the proportionate value of each Gold Road shareholder's interest in the shares (~17%) that Gold Road holds in De Grey Mining (DEG). As a reminder, DEG is in the process of being acquired by Northern Star resources.

Healius (HLS +8.6%)

HLS provided details at its end of March 2025 Investor Day relating to the use of proceeds from the sale of its Lumus Imaging business, coupled with a strategic review of the operating business and updated the market for YTD trading conditions. Proceeds from the asset sale will be used to pay a $300m Special Dividend of 41.3c per share (fully franked), as well as pay back all existing outstanding debt. HLS outlined its T27 strategy to return to high-single-digit EBIT margins by Jun-27 and provided a trading update for its pathology business for Jan/Feb, with volumes up 45 % and revenue up 6.2%, better than expected. The announcement was received well, with the dividend to be paid after the completion of the Lumus sale in May, which at $1.395/share as at 31 March, represents a dividend yield of 29.6% fully franked (or 42.3% grossed up).

The Market Misses

Clarity Pharmaceuticals (CU6 -40.7%)

CU6 is a clinical stage radiopharmaceutical company focused on the treatment of serious diseases. The Company is a leader in innovative radiopharmaceuticals, developing Targeted Copper Theranostics based on its SAR Technology Platform for the treatment of cancers in children and adults. The stock continued to sell off after peaking at $8.79 in September 2024 due to slowing radio pharma deal volumes. The 1H25 result highlighted the reduction in liquid assets to $111m from $137m as at 30 June 2024, with the prospect of a potential capital raise given CU6 currently has no sales revenue and is unlikely to earn any revenue before CY27 when its first product could get be approved. Pre-revenue biotech's have a tendency to underperform in risk-off periods, with the shares closing at $2.11.

Zip Co. (ZIP -34.6%)

Despite firming up guidance for at least $147m in EBITDA for FY25 and an expectation of an improving ANZ revenue margin, the shares sold off sharply given deteriorating consumer sentiment and uncertainty in the key US market. There remain ample growth opportunities in the US, with a further boost coming from Pay in 8, technology partnerships and Pay in Z. ZIP's US business drove a 39% TTV increase, with momentum continuing to build into 2H25. Active customers rose to 4.22m in a 100m+ addressable market, showing a 32% surge in usage, driven by expanded merchant partnerships and credit limit increases fuelling growth. The Pay-in-8 rollout is set to further accelerate TTV. After a deliberate FY24 slowdown, ANZ's 2Q25 TTV rose 0.4% (10% in the month of December), with transactions up 7.5%. New offerings including Zip Plus and personal loans drove the recovery, while the book's yield improved to 18.6%, delivering a 6.9% excess spread. Management remains cost disciplined, with cash opex growing 10% on a like-for-like basis. Net bad debt write-offs also fell from 1.8% to 1.6% of TTV, with provisions for expected losses rising $32m, signalling a more conservative approach. In the upshot, the market was more concerned by the tough consumer discretionary macro backdrop and the shares slumped.

HMC Capital (HMC -31.8%)

HMC is an alternative asset manager aiming to provide capital-lite exposure to scalable real asset strategies across real estate, private equity, energy transition, value-add infrastructure, and private credit. HMC's stock price peaked at $12.54/share in late November last year, following a number of deals, including the Sigma Healthcare/Chemist Warehouse transaction and the Digico Infrastructure REIT IPO. Since then, the stock has de-rated significantly, predominantly with Digico (HMC holds ~19%) trading 40% below its issue price at $5.00 in December, as well as the recent underwhelming trading performance of its listed entities.

Digico Infrastructure REIT (DGT -28.9%)

DGT listed in December 2024 at a $5.00 IPO price, and was admitted to the ASX/S&P 200 on 21 March. DGT owns a 100% interest in 13 data centre sites in Australia and in the US, valued at ~A$4bn and its portfolio is weighted ~60% Australia and ~40% US. DGT's portfolio is weighted ~77% by value to its two largest assets, SYD1 (i.e. Global Switch Australia) with a BV of ~A$1.95bn (i.e. ~49%) and CHI1(US) with a BV of ~A$1.1bn (~28%). DGT is managed by HMC, after acquiring its assets at a lofty ~21x EBITDA. DGT is relying on EBITDA growth from rate increases, higher utilisation and project completions. Data centres have been a crowded long trade as an AI beneficiary, however recent moves by Microsoft to pull back on building data centres in the US has raised concerns about Big Tech's potential overestimation of AI demand. DGT's more established peers have also been under selling pressure in March, with the likes of NEXTDC falling 15% and US Eqinix down 10%. However, it's a hard pill to swallow for investors who euphorically forked out $5.00/share in December, to see the stock close at $3.00 this month, 40% lower!

Paladin Energy (PDN -25.7%)

PDN resumed operations at the Langer Heinrich Mine after a temporary suspension caused by extreme rainfall in Namibia. The weather event disrupted mining activities, delayed equipment mobilization and affected ore processing due to water saturation. While no significant damage occurred to the processing plant, road and infrastructure repairs were necessary. PDN expects improvements in the second half of 2025 as it continues to advance mining operations and intends to provide further updates at its March 2025 quarterly activities report, but has withdrawn FY25 production guidance. At the same time, the company announced that it does not expect the LHM to achieve nameplate run-rate guidance of 6Mlb by the end of CY2025. After a number of set-backs with its ramp up, the news wasn't what investors wanted to hear and they voted with their feet, tramping on the stock which closed down 12% on the announcement, with the shares continuing to fall for the rest of the month.

Helia Group (HLI -25.2%)

HLI, the provider of lenders mortgage insurance, said it was almost certain to lose its largest and most lucrative contract after CBA entered exclusive negotiations with a rival. If those negotiations are successful, HLI anticipates its current Supply and Service contract with CBA (due to expire on 31-Dec-25) will not be renewed. For perspective, the Lenders Mortgage Insurance business, underwritten under the CBA contract, represented ~44% of GWP in FY24. HLI noted the financial impact of losing the CBA contract would occur from 2026 and "emerge gradually over time." In February, HLI delivered a solid +26% performance, driven by a surprise special dividend of 53cps on top of its 16cps final and increased its buyback to $200m from $100m which investors liked, seemingly putting aside any lingering concerns regarding the CBA contract renewal. Well this month it all unravelled, with HLI tanking 26% on the day of the announcement.

James Hardie Industries (JHX -24.0%)

James Hardie sold off sharply after the company announced a definitive agreement to acquire leading US Chicago based decking and exteriors company, AZEK for US$8.75bn. (inc. debt $386m) using a combination of $4.4bn script and $3.9bn in cash, representing a ~37% premium to AZEK's previous closing price of $41.39/share. Upon completion of the transaction, AZEK shareholders would own 26% of the combined company. The deal is subject to normal regulatory approval conditions and AZEK shareholder approval, expected to close in 2H CY 2025. Operationally both companies have strong secular growth track records whilst operating within a cyclical industry. Post the US$350m "at least" of synergies, the deal seems to stack up and is consistent with Hardie's aspirational growth strategy, but is not without execution risk. The rationale being that it provides a larger addressable market which complements Hardie's core competency. JHX management have outlined that ~55% of contractors do both siding and decking work, increasing the value proposition to customers/contractors. The market's main concern however was the high multiple paid, with an AZEK deal multiple of ~21.5x EBITDA at 1.75x Hardie's multiple (12.0x EV/EBITDA at the time of announcement) for a similar secular growth market penetration business with an equally strong track record. Observers also took a dim view of potentially lower ROIC rates, JHX shareholder dilution and increased balance sheet leverage in the short term. This, all at a time of heightened macro uncertainty in the US. On the positive side, the arguable M&A overhang was now known, and time will tell whether the acquisition will bear fruit (given most offshore acquisitions have not). The company did say it expects cash EPS accretion in the first full year post-close (i.e. FY27e). Further, a committed US$500m on-market buyback to be completed over 12mths post deal completion (i.e., CY2026) was reaffirmed, providing some reassurance, but all in vain.

Mesoblast (MSB -22.2%)

MSB raised $260m at $2.50/share In January to fund the US commercial launch of Ryoncil® for steroid-refractory acute graft-versushost disease (SR-aGvHD) in pediatric patients. Funding will be used to expand commercial manufacturing activities in preparation for product uptake, working capital and general purposes. MSB will also fund the development and acceleration of the 2ND phase 3 study in inflammatory chronic lower back pain, with recruitment currently ongoing. As noted in the comments above relating to Clarity Pharmaceuticals, despite the $3m revenue in 1H25, pre-revenue biotech's always underperform in risk-off periods. MSB stock price finished the month at $1.96/share, 22% below the issue price of the capital raise.

Pinnacle Investment Management (PNI -21.8%)

PNI sold off sharply by 23% reflecting bearish markets and very weak February fund performance within some of its flagship funds in key affiliates, coupled with the expectation that strong 1H25 banked affiliate performance fees were unlikely to be replicated in 2H25E. As one of Australia's leading private credit managers, Metrics (which PNI had invested in years ago) received much negative attention in the press lately given the sectors explosive growth. An adviser group that recently recommended clients redeem funds also weighed on sentiment. PNI's profit was ~80% skewed to equities in FY19, but after many years of investing in private markets and fixed income, this skew should approach ~50% in FY26. None the less, PNI's shares have correlated with High Yield credit spreads (inverse), and as spreads have expanded, PNI shares have pulled back.

Pro Medicus (PME -21.1%)

Despite PME continuing to win contracts, securing US$336m in FY25 across its market segments with cloud driving growth, the stock de-rated significantly during March. Management commentary suggested contract momentum is yet to slow and their pipelines are refilling, with Military healthcare contracts remaining a key growth target. The company has hired a lobbyist to navigate potential military dealings. During the month, PME secured two new contracts, including Trinity Health, representing the largest deal to date. The Trinity Health contract has a minimum value of A$330m over 10 years, with implementation scheduled to begin in Sept-25 and the roll-out to be phased over 18 months. At the full run-rate of contracts won in 1H25, PME expects its market share to settle around ~9% in FY27. While there is potential for increased penetration of the US addressable market, even after a 30% sell-off in the share price from its intra-month February high of $297 (giving it a market cap of over $30bn), this is captured in PME's lofty current valuation of 100 times Price/Revenue.

FUND PERFORMANCE

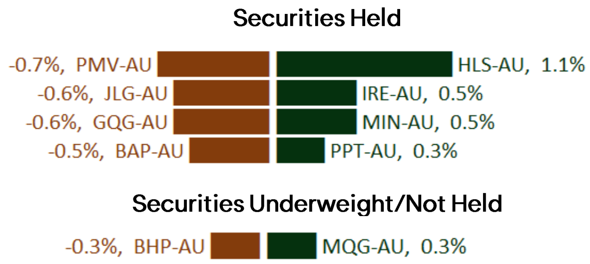
In what proved to be another down month for global equities, driven by fear and US tariff "tantrum" uncertainty, the Fund return of -3.41% was broadly in line with the Benchmark return of -3.39%.

Defensives were, unsurprisingly, outperformers in a risk-off falling market. For the month of March, Utilities (+1.5%), Materials (-0.3%) and Consumer Staples (-1.5%) were the best performing sectors, whilst the underperformers included Information Technology (-9.7%), Consumer Discretionary (-6.1%) and Real Estate (-4.9%). The major contributors to February's benchmark return were Utilities (+2bp), Consumer Staples (-5bp) and Materials (-7bp). Conversely, the major detractors were Financials (-133bp), Consumer Discretionary (-49bp) and Health Care (-45bp).

Returns (%) *	Gross	Benchmark	Excess	Net
1 Month	-3.41	-3.39	-0.02	-3.49
3 Months	-7.06	-2.80	-4.26	-7.25
FYTD	-5.97	3.93	-9.91	-6.51
12 Months Rolling	-8.20	2.84	-11.04	-8.89
3 Years (p.a.)	1.69	5.62	-3.93	0.84
5 Years (p.a.)	11.34	13.24	-1.90	10.39
Since Inception (p.a.) ^^	7.44	7.77	-0.33	6.44

**The return figures are calculated using the redemption price 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. Returns of the Fund may include audited and un-audited results. Past performance is not a reliable indicator of future performance. ^^Inception date is 1 May 2019.*

Month of March Attribution



Source: Ellerston Capital.

For March, the main positive contributors to the Fund's performance were overweight positions in Healius (HLS +8.6%, after delivering an upbeat trading update, articulating their margin recovery strategy and confirming a whopping 41.3 special fully franked special dividend ($300m) to be paid by the end of May - with the franking is worth 17.7 cps - refer details in our market hits section), Mineral Resources (MIN +5.5%), IRESS (IRE +2.9%) and Perpetual (PPT +1.0%). This month's main detractors included overweight positions in Premier Investments (PMV -12.2%), Johns Lyng (JLG -16.1%), GQG Partners (GQG -9.4%) and Bapcor (BAP -10.8%).

FUND ACTIVITY

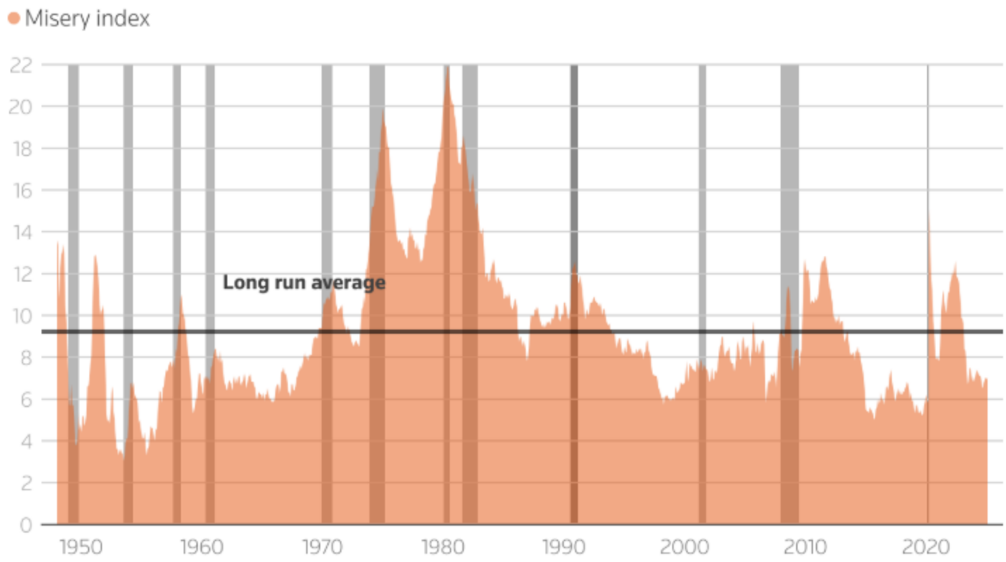
Fund activity in March was relatively subdued. We trimmed Dexus, Mirvac Group and Orica, with the funds used to increase a number of existing positions, namely Ampol, Johns Lyng Group and Mineral Resources.

NEW STOCKS ADDED	STOCKS EXITED
• None	• None

INCREASED	DECREASED
• Ampol	• Dexus
• Johns Lyng Group	• Mirvac Group
• Mineral Resources	• Orica

FUND STRATEGY AND OUTLOOK

At the time of writing, we approach the 2 April 'liberation day' tariffs and their impacts with a degree of trepidation, expecting bad news, but the question is how bad and how will the market behave over the medium term. As we enter a classic Adam Smith "beggar-thy-neighbour" economic backdrop, how will trade partners decide to hit back and will it lead to a full-blown global trade war, which is inflationary and will curb growth. The prospect of stagflation is a reasonable assumption, albeit premature. Some of us remember and lived through the stagflation era through the mid-1970s to early 1980's. This was a unique period when a surge in the so-called 'misery index', combining unemployment with inflation rates, still stands out in charts of the postwar period (see below). It was caused by OPEC dramatically raising oil prices by choking back supply, a scenario unlikely currently.



Source: Reuters, US Bureau of Labor Statistics

Underscoring further tensions, recent reports that China has taken steps to restrict local companies from investing in the US, in a move that could give Beijing more leverage for potential trade negotiations with the Trump administration. Branches of China's top economic planning agency, the National Development and Reform Commission, have been instructed in recent weeks to hold off on registration and approval for firms that are looking to invest directly into the US.

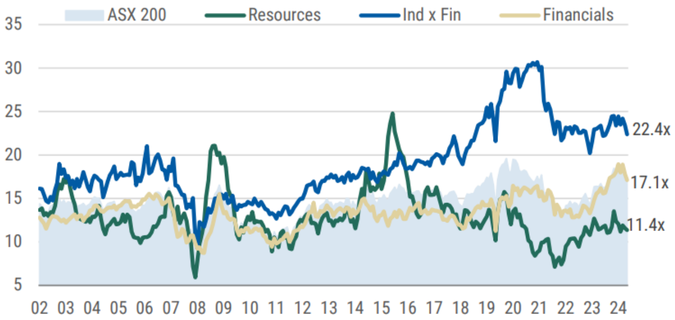
The market is bracing itself to deal with the US administration's April 2 announcements on reciprocal tariffs, at a time when US sentiment indicators are showing a rapid cooling and there is growing concern over the possibility of recession.

Australia appears relatively well positioned to weather increased risks around reciprocal tariffs and global trade, yet the ASX 200 has underperformed all major markets since the US election, with 8 out of the 11 ASX sectors having underperformed their US peers (Healthcare, REITs being the most notable). Time for some catch up?

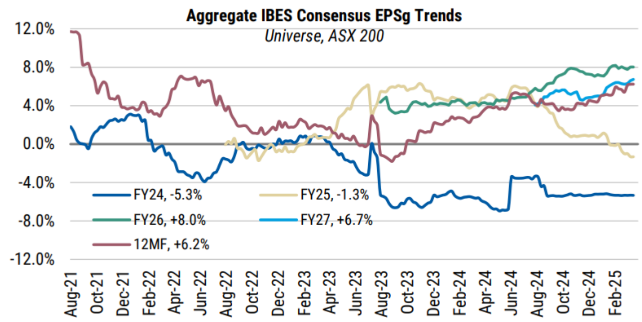
Relative to all of the recent fireworks in the foreground, the Fed has occupied a less consequential spot in the background. At its March FOMC meeting, Governor Powell cited potential tariff impacts as being 'transitory' and deemed risks to recession as 'not high' and to date, is comfortable with two proposed interest rate cuts as the baseline in 2025. If economic data points were to weaken enough for the FOMC to start worrying about unemployment rates trending higher, more rate cuts will be required and may not come as late as they were behind the curve in March 2022, when they raised rates by 25bps to 0.5%, a year after inflation had been soaring (the horse had bolted).

In terms of Valuations, the domestic market 12MF P/E currently stands at 16.9x in March, trading at the top one standard deviation above the long-term average (14.7x since 1992). The largest sector de-rate this calendar year has been in Health Care, 1.5 times lower to 25.7x, a 12% discount to its 10Yr average, and while Banks are trading 0.5 P/E pts lower at 17.6x, they remain 28% above 10Yr average levels. Broader aggregate consensus growth estimates have remained under pressure, with FY25e sitting at -1.3%, while outer years growth was stable at +8.0% and +6.7% for FY26/27.

The 12M forward PE of the Industrials ex-Financials at 22.4x



Annual Consensus EPS Growth Trends FY24-27



Source: Morgan Stanley

As we emphasised previously, markets do not appreciate uncertainty and today is possibly the most uncertain world geopolitically, economically and in terms of polices since the 1930s. In the meantime, expect heightened volatility, which will continue to throw up mis-pricing investment opportunities.

The expected grossed up Dividend Yield for the Fund now sits at 10.7%, compared to the grossed up Market Dividend Yield of 5.1%.

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.

Ellerston Capital