

Monthly Report as at 30 April 2025

APIR Code: ECL4489AU



Fixed Income Target Return strategy with strong focus on generating returns throughout the market cycle.



Targets a low correlation to growth assets (and credit returns) through the cycle, but aims to increase protection during times of market weakness.



Dynamic risk allocation framework balances trade-offs between alpha sources and defensiveness.

Performance Summary

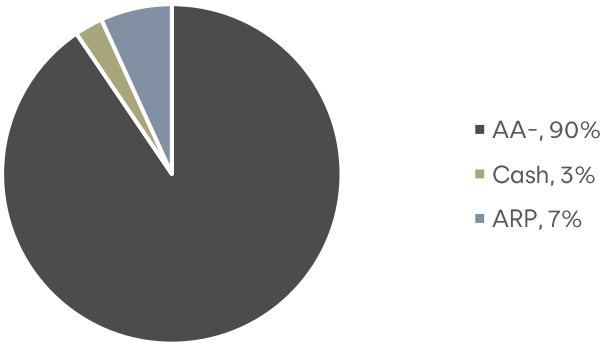
Performance	1 Month	3 Months	6 Months	Since Inception ^^
Gross	0.71%	1.47%	2.66%	2.50%
Net ^	0.67%	1.35%	2.42%	2.19%
Benchmark*	0.27%	0.81%	1.69%	2.28%
Alpha **	0.40%	0.54%	0.73%	-0.09%

^ The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.
* Benchmark: RBA 6m TD Index. ^^ Inception date 30 August 2024 ** Alpha is return generated from Net returns comparatively to the Benchmark

Key Information

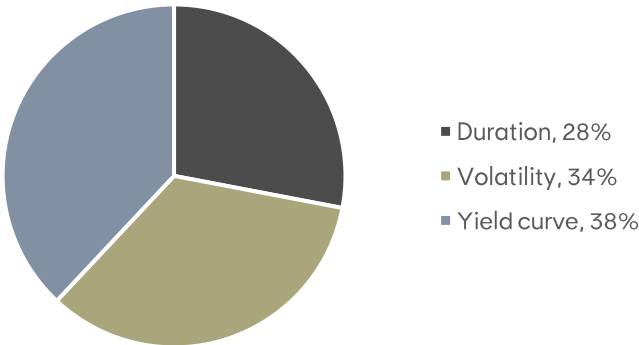
Portfolio Manager(s)	Vimal Gor & Thomas Ciszewski
Investment Objective	The investment objective of the Fund is to generate a 2.5% (net) return over the Reserve Bank of Australia (RBA) 6m Term Deposit (TD) Index over the medium to long term.
Benchmark	RBA 6m TD Index
Liquidity	Daily
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Aims to distribute quarterly.
Management Fee	0.45% p.a. of the Net Asset Value of Units.
Buy/Sell Spread	0.10%/0.10%
Class A Unit Prices & Fund Size	Application – \$9.9993 Net Asset Value – \$9.9893 Redemption – \$9.9793 Fund Size – \$ 38,906,941

Fund Positioning of Portfolio



Source: Ellerston Capital.

Fund Positioning of ARP Overlays



Source: Ellerston Capital.

Portfolio Characteristics

Yield to Maturity/Call	3.97%
Running Yield	4.94%
Modified Duration	0.17
Weighted Average Maturity (Years)	2.68
S&P Credit Rating	AA-
Number of Securities	12

Spread Duration 2.16

Source: Ellerston Capital.

COMMENTARY

Portfolio changes

The EFIT base portfolio is comprised of Australian major bank FRNs maturing in 2-5 years, rated AA-. The base portfolio was largely held constant in April. The base portfolio current yield is ~4.94%.

Our quantitative fixed income strategies were also held steady. However, in response to heightened market volatility, we implemented hedges to mitigate risk. The risk premia portfolio continues to manage duration exposure, anticipate rate movements during the easing cycle, navigate yield curve shifts, and hedge against abrupt central bank policy changes through long volatility strategies.

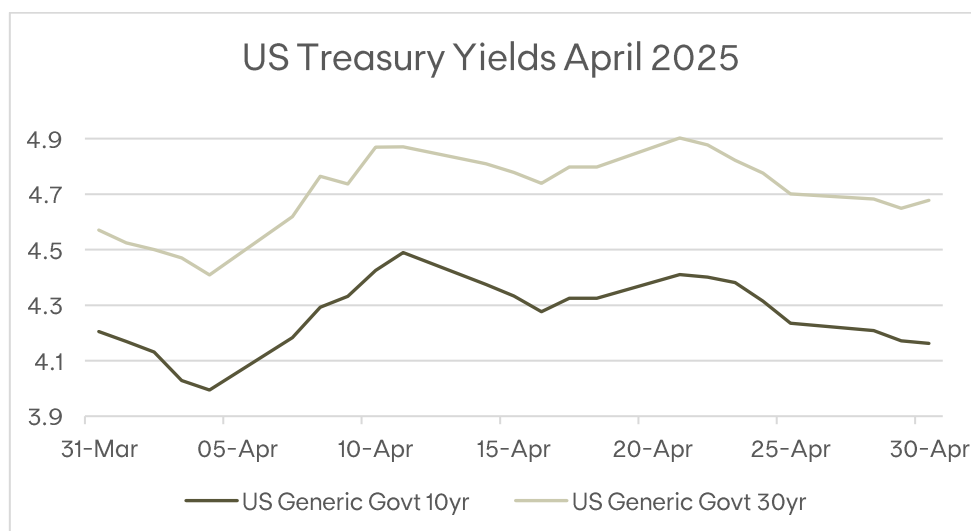
Interest Rate Movements

The Trump administration's liberation day tariff announcement on April 2nd, had the unintended consequence of undermining the US dollar and treasuries as the preeminent safe-haven assets. The cross-market volatility in 2025 has been driven by disruptions from the Trump administration, which has challenged the global economic order and established norms. While some policy shifts were expected after the November election, the extent of proposed trade protectionism significantly exceeded market expectations. The Liberation Day tariff regime, in particular, raised fears of a stagflationary shock combining slower growth with rising prices.

Equity markets experienced a steep four-day selloff of 12.4% following the Liberation Day press conference. Subsequently a sharp rebound occurred after a 90-day pause on reciprocal tariffs was announced. Traditionally defensive assets like US Treasury bonds and the US dollar sold off after initial rallies, reflecting eroded investor confidence in US assets. Commodities also declined due to concerns about economic contraction.

Relatively modest headline benchmark returns for April understated the underlying market turmoil, with S&P 500 realized volatility in April exceeding 50. This level has occurred only three other times in the past two decades: during the global financial crisis in 2008–2009, the Eurozone debt crisis in 2011, and the COVID-19 shock in 2020. In each case, major indices fell between 10 and 30 percent.

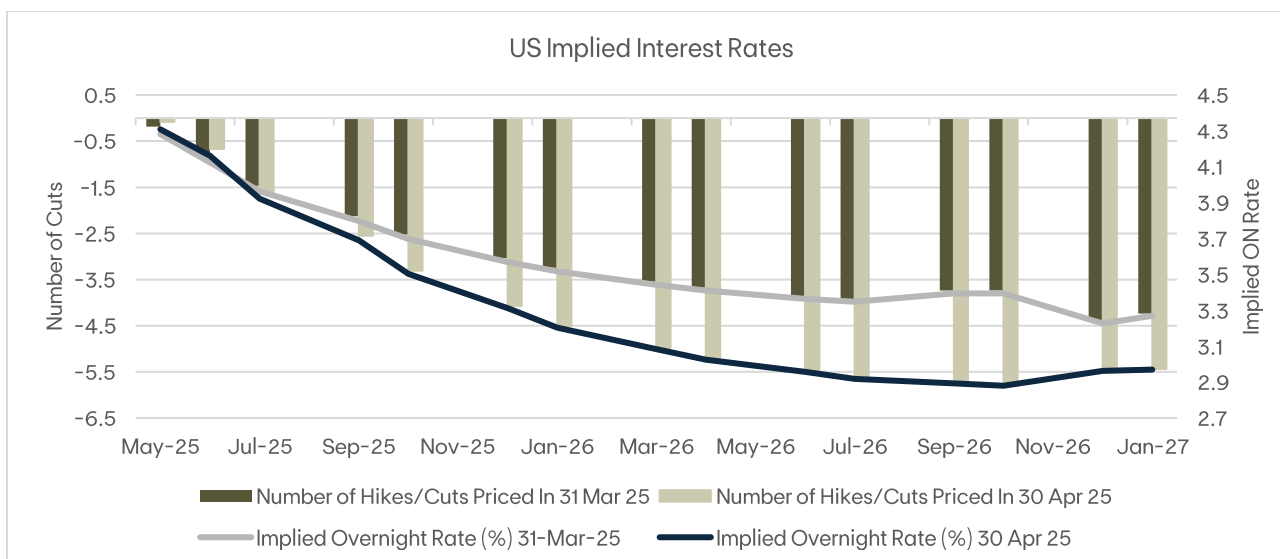
US 30-year treasury yields rallied over 50bps in less than a week as worries spread that foreign holders of US assets would unwind some of their holdings. Market data suggested that the steep increase was due to forced unwinding of leveraged positions by hedge funds requiring greater margin to hold their position, but the threat of disorder in the US treasury market caused Trump to pause his newly unveiled reciprocal tariff regime. Below is a chart of US 10 and 30-year treasury yields in April.



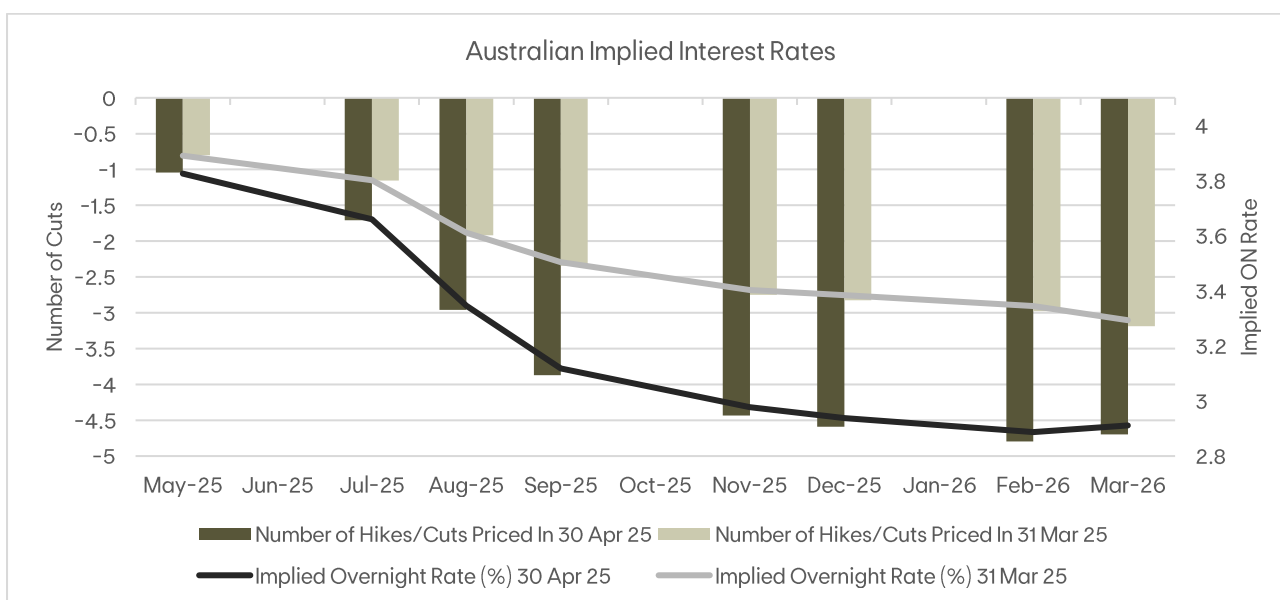
Source: Bloomberg, Ellerstion Capital

At month end, interest rate markets were pricing in up to 5.5 interest rate cuts in the US and 4.5 in Australia over the next 15 months. The speed and pace of the cuts are dependent whether an economic growth slowdown causes the unemployment rate to continue its rise over 4.5% and if central banks look through the inflationary effects as one off.

The expected number of cuts in US and Australia and the implied policy rates between the start and end of April.



Source: Bloomberg, Ellerston Capital



Source: Bloomberg, Ellerston Capital

Yield Curve Movements

U.S. 2- and 10-year Treasury yields declined in April, while the 30-year yield rose. The yield curve initially steepened sharply, continuing the trend from February as risk assets sold off, but flattened as markets rallied into month-end. Uncertainty surrounding U.S. administration policies has driven a higher term premium and supports further steepening ahead.



Source: Bloomberg, Ellerstion Capital

Forward Policy Outlook

The Fed's next rate cut could come as early as June or as late as September. Forward-looking indicators are already troubling, with global shipping container demand sharply declining amid a potential collapse in U.S.-China trade, comparable only to the 2020 pandemic disruptions. However, the hard data the Fed relies on has yet to reflect the full impact of the tariff policy. Economic data will be closely watched in May; a sharp slowdown could prompt a June cut, while more stable data may delay easing until inflation shows a clearer downward trend.

Australia

Australian economic data continues to point to a softening in activity. While the inflationary impact of recent global trade developments remains unclear, several scenarios suggest price pressures may be limited domestically. With the federal election now complete, political considerations no longer constrain the Reserve Bank of Australia (RBA). As a result, the RBA is expected to ease with a rate cut in May, followed by two additional cuts between July and September.

Portfolio Profile

Central banks will continue easing over the rest of the year. Tariff policy and the ensuing trade war could cause a large growth shock that would supersede worries about their inflationary impact. The investment team believes that US rates markets could see yields drop substantially if growth falls dramatically.

The investment team believes that positioning the portfolio in high-quality Australian investment-grade (IG) bank floating rate notes (FRNs) offers the highest risk-adjusted returns. We also value the high liquidity profile of these bonds compared to lower-ranking assets.

The curve steepening profile in G3 rates has been maintained through alternative risk premia total return swaps. These strategies are designed to perform positively in the event of an economic downturn or if rate curves continue to normalize with term premiums being priced in. The overall portfolio positioning remains defensive and aligned with the EFIT mandate.

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.

Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
info@ellerstoncapital.com

Find out more:

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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