Ellerston Equity Income KIS Fund

Monthly Report as at 31 May 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]	0.00%	0.00%	4.61%	7.25%	6.98%	9.37%	7.74%
Capital[1]	1.35%	-2.25%	-9.92%	-10.86%	-5.36%	-1.52%	-1.26%
Fund Net Return^	1.35%	-2.25%	-5.31%	-3.61%	1.62%	7.85%	6.48%
Benchmark**	4.20%	4.31%	12.22%	13.36%	9.62%	12.11%	8.91%
Alpha (pre-franking credits)	-2.85%	-6.56%	-17.53%	-16.97%	-8.00%	-4.26%	-2.43%

[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

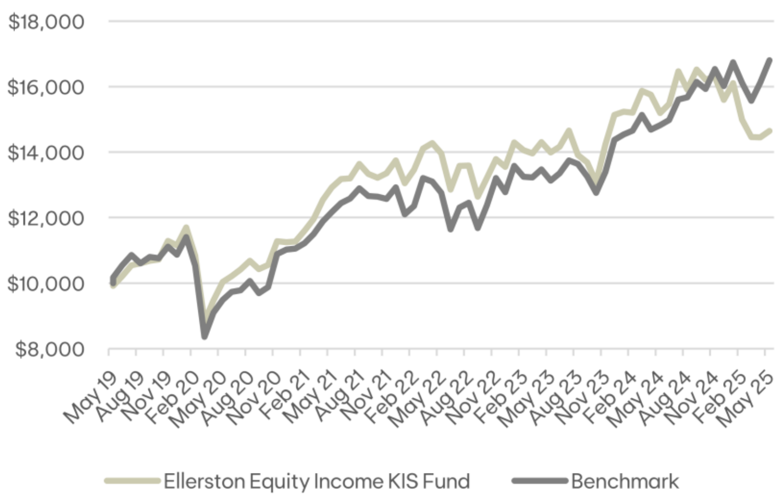
Portfolio Manager	Chris Kourtis
Investment Objective	To provide investors with returns and income growth greater than the Benchmark over rolling five-year periods.
Benchmark	S&P/ASX 200 Accumulation Index
Liquidity	Daily
Target Number of Holdings	30-40
Number of Holdings at Month End	31
Minimum Investment	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]	$56.56m
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**	**4.3**
Dividend Yield (%)	8.2	3.3
Price/Earnings (x)	18.4	19.6

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

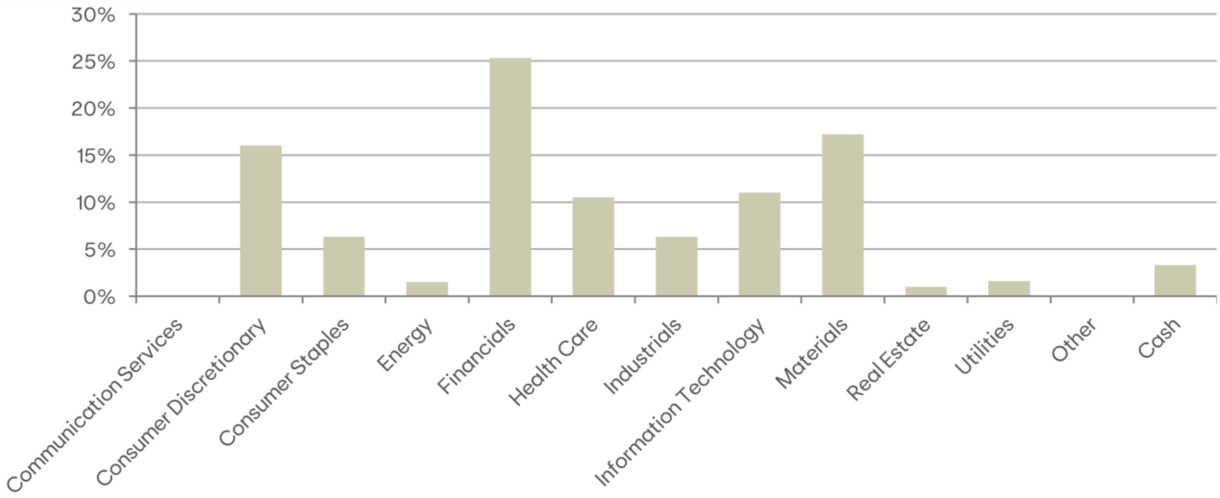
Chris Kourtis
Director & Portfolio Manager

40 years of industry experience.

Stephen Giubin
Senior Investment Analyst

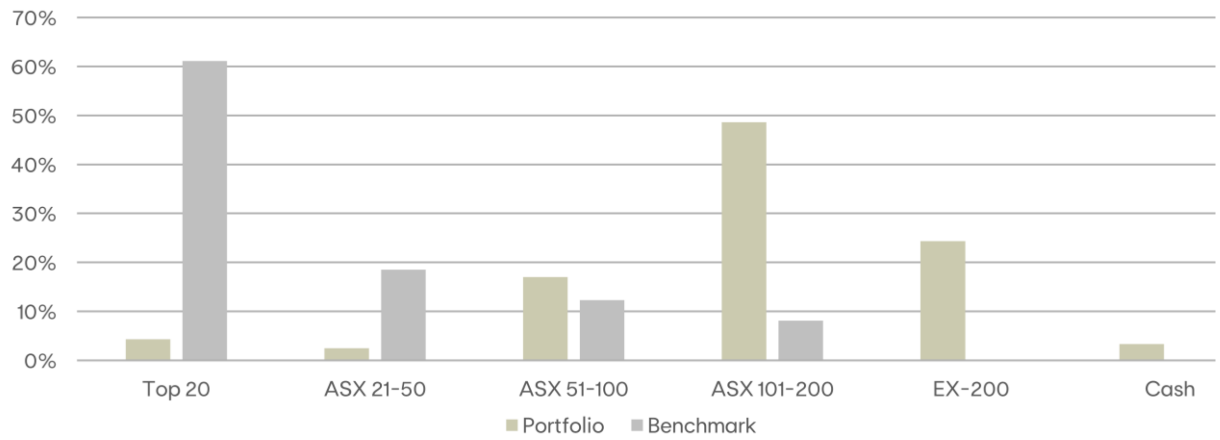
37 years of industry experience.

Sector Allocation



Source: Ellerston Capital.

Exposure by Market Capitalisation



Source: Ellerston Capital.

Top 10 Holdings*

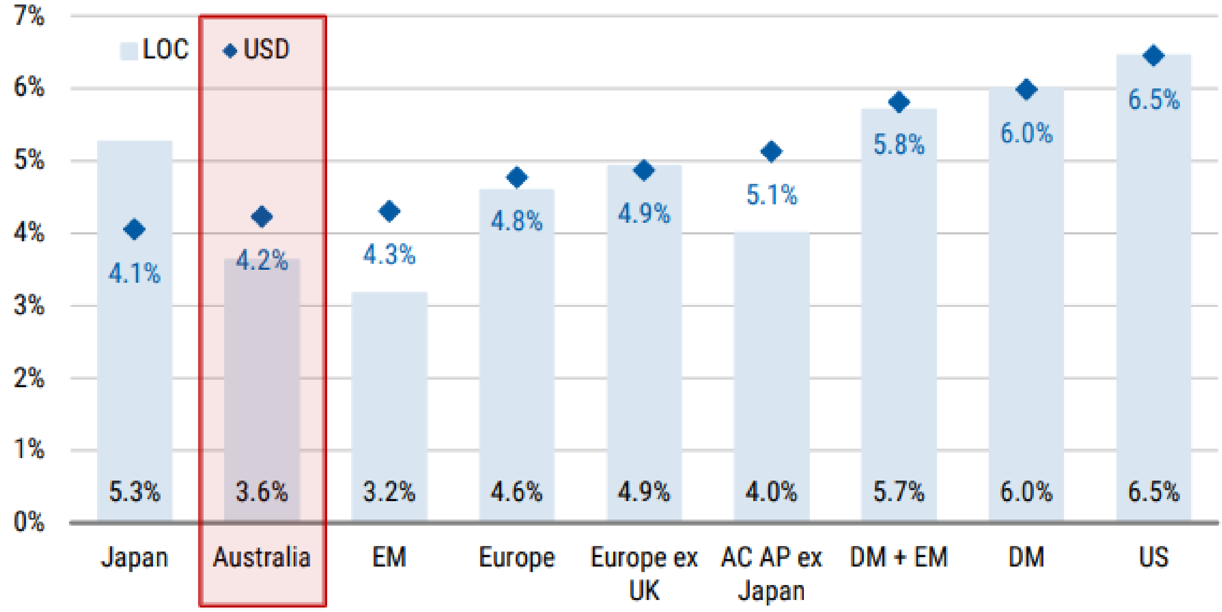
CSL
GQG Partners
Healius
Iluka Resources
IRESS
Johns Lyng Group
Liberty Financial Group
Mineral Resources
Perpetual
Premier Investments

** In alphabetical order.*
Source: Ellerston Capital

MARKET OVERVIEW

Equity markets recovered sharply from their maximum drawdown levels of early April, with global indices closing higher in May, fuelled by a de-escalation in the Trump Administration's US trade policy, especially the much larger than expected material lowering of tariff rates on Chinese goods. The MSCI World Index rose 6.0% and the MSCI Emerging Markets Index posted a return of +3.2%, with the S&P 500 rising +6.3% in local currency terms. Information Technology (+10.6%) and Communication Services (+9.0%) topped the global sector tables, with Health Care (-3.6%) the major laggard. Closer to home, the S&P/ASX200 index posted a return of +4.2%. The best sectors locally were Information Technology (+19.8%), Energy (+8.6%) and Communication Services (+5.5%).

MSCI Global Country/Regional Indices Performance for May 2025



Source: Morgan Stanley

USA

As expected, the FOMC unanimously decided to keep rates unchanged at 4.25-4.5%. Chair Powell commented that "ultimately we think our policy rate is in a good place to stay as we await further clarity on tariffs and ultimately their implications for the economy" and "our policy is modestly or moderately restrictive." Heightened volatility caused by the rapid on and off changes in the Trump Administration's tariff policy faded in May, with markets adopting a calm and carry on attitude. US equity gains were largely the product of the US-China trade deal (90 day truce and 115% tariff reduction) and strong earnings reports from Mag7 stocks - NVDA +24.1%, TSLA +22.3%, META +17.9% and MSFT +16.5%. The NASDAQ Composite index finished up 9.6%, followed by the S&P 500 (+6.3%, and within 4% of its all-time high from February), the small cap Russell 2000 Index (+5.3%), with the Dow Jones Industrial Average closing up +4.2%. The best performing sectors were Information Technology (+10.9%), Communication Services (+9.6%) and Consumer Discretionary (+9.4%). Conversely, the worst performers were Health Care (-5.6%), dragged down by United Health which fell 26.6% after suspending its forecasts and its CEO stepping down, followed by Energy (+1.0%) and Real Estate (+1.0%).

Europe

Euro-zone stocks slightly underperformed their global peers, but have maintained leadership in the CYTD, with MSCI Europe posting an impressive +12.9% return, versus the MSCI World +2.9% and the S&P500 +1.1% in local currency terms. This month, the Euro STOXX50 Index rallied by 5.4% and among the major exchanges, Germany's DAX rose 6.7%, followed by the FTSE 100 which rose +3.8% and France's CAC 40 finishing up 3.9%.

Asia

Under the surprise trade truce struck in May at a meeting in Geneva, the US lowered tariffs imposed on goods from China from 145% to 30% and China's retaliatory tariffs on US goods dropped from 125% to 10%. This raised the hopes of less extreme economic outcomes after sensible negotiations, although agreements may take some time. Asian equity markets reacted positively, with the Hang Seng outperforming (+5.9%), followed by Korea's KOSPI (+5.5%) and Japan's Nikkei (+5.3%), with China's SSE and India's SENSEX both up 1.7%.

Commodities

Commodities were generally better during the month. Brent crude bounced back 3% to US$63/barrel, with no changes to OPEC+ previous planned production increases. The iron ore benchmark price remained resilient, slipping only US$1 lower to US$97/tonne, coking coal was flat at US$191/tonne and thermal coal edged up 2% to US$103/tonne. Key base metals strengthened, with copper up 5% and aluminium rising 3%. Gold closed broadly unchanged at US$3289/oz (A$5115/oz), in line with the US greenback.

Bonds

The US 10-year bond yield finished 24bp higher to 4.40%. This was against a backdrop of the slower pace of FOMC expected rate cuts and a U-turn on fiscal consolidation, with the proposed One Big Beautiful Bill Act tax cuts. The Australian 10-year bond yield followed suit, up 14bp to 4.26% and the A$ was flat at US$0.64 against a steady US dollar.

Australia

A landslide and resounding win for the ALP at the federal election ensures implementation of a number of Labor's election promises. Notably the Housing Fund and intervention for public welfare is likely to result in a deterioration of the headline budget deficit and at the same time, is unlikely to see the productivity agenda to include broad based tax reform. As expected at the mid-May meeting, the RBA "confidently" cut the official cash rate by 25bps to 3.85%. Comments like: "Upside risks appear to have diminished as international developments are expected to weigh on the economy" and "Global trade developments are judged to be disinflationary in net terms for Australia", reinforced the dovish tone, with the Governor arguing that a 25bp cut was warranted just on domestic factors. The RBA statement which shifted from "returning", to "maintaining" inflation at target, means at least 2 more rate cuts this year should be on the cards.

Australian equities marginally underperformed developed global peers, with the S&P/ASX 200 Accumulation Index rising 4.2%. Information Technology (+19.8%), was the best performing sector, driven by Life360 (+51.9%), Technology One (+37%) and Wisetech (+21.0%). Tech stocks saw gains following Mag7 rallies in the US, as well as a number of strong local earnings releases and stock specific drivers. Energy was the next best performer, with uranium stocks leading the complex higher after the announcement that the US planned to scale up its nuclear program (Boss Energy +25.2%). Communication Services (+5.5%) and Real estate stocks (+5.0%, off the back of the rate cut), also outperformed. Utilities was the worst performing sector (+0.3%), dragged down by AGL Energy (-4.5%), followed by Consumer Staples (Treasury Wine Estates -5.6%), with the Health Care sector up 1.6%.

In May, the top stocks that made a positive contribution to the Index's return were all leaders, namely CBA (+63bp), Macquarie Group (+36bp), NAB (+34bp), Goodman Group (+25bp) and Wesfarmers (+22bp). Conversely, the bottom five stocks detracting from the Index's performance were Aristocrat Leisure (-10bp), CSL (-9bp), Rio Tinto (-7bp), Fortescue (-5bp) and Pilbara Minerals (-3bp). The ASX Small Ordinaries rose 5.8%, with the Small Resources ripping +10.1%, way ahead of the Small Industrials, which closed 4.0% higher.

COMPANY SPECIFIC NEWS

The Market Hits

Life360 (360 +51.9%)

Life360 delivered a very strong quarter, with the core business flying and beats everywhere. 1Q2025 revenue grew 32% to US$103.6m, mainly driven by strong other revenue growth. Statutory EBITDA was positive at US$4.4m (vs losses expected) and adjusted EBITDA of US$15.9m was well ahead, due to the mix of operating leverage and reduced costs. The highlight was AMR which grew 38% to US$393.0m, again well ahead of consensus forecasts of US$375.0m. Users +26% to 83.7m were in line, with International growing the fastest (+39%). Paying Circles +26%, also showed solid growth in both US (+24%) and International (+33%). Conversion rates in the US improved to 11.9% (from 11.2% in pcp and 11.7% in 4Q24). Operating cash flow grew 13% to US$12.1m and cash balances at quarter end stood at US$170m. Whilst much of the market's focus in the past year has been on advertising upside, the 1Q25 result showed good growth left in the core operations. Life360 reiterated its 2025 revenue guidance in the range of US$450-480m and adjusted EBITDA of between US$65-75m, albeit with some change in the revenue mix. Subscription revenue was modestly raised by US$5m to US$355-365m, but hardware revenue was cut by US$5m to US$40-50m. The former was driven by the strong paying circle growth in Q1, as well as an increase in annual plan prices in the US, while the latter was driven by a combination of discounting, tariff impacts and reduction in bundled offerings. Post the update, the street subsequently lifted its adjusted EBITDA by ~5% for each of 2025, 2026 and 2027 and the stock took off.

Technology One (TNE +36.8%)

TNE delivered a clean 1H25 result, comfortably ahead of consensus (PBT was a 6% beat). Management continued to step up full year guidance for PBT growth (which was raised to 13-17%). While this implied a softer 2H, the market looked through this as there appeared some expense timing issues contributing to the stronger relative 1H result. Revenue of $286m (+19% yoy beat by 3%) and ARR of $511m (+21% yoy) was consistent with guidance of $500m+.The company is targeting $1b+ ARR by FY30 (with consensus sitting at $1.14b). UK momentum also looked strong and TNE also strengthened its growing cash position, a key enabler of future M&A. The market liked the result, pushing the stock up 12.3% on the day.

Generation Development Group (GDG +34.5%)

GDG operates in three key financial market segments; managed accounts, investment bonds and research and ratings. GDG has benefitted from structural tailwinds in managed accounts, due to higher adoption as advisors increasingly seeking scale and also with investment bonds, as investors increasingly seek tax-efficient growth and alternatives to superannuation. GDG closed down 17% to $4.12 per share in April, after a mixed/soft 3Q update, with the main concern being a FUM shortfall from recently acquired Evidentia, due to timing issues with a large client transition and negative global equity markets. The stellar performance this month was driven by a positive turnaround in markets, a Labor election landslide and better market understanding of the nature of Evidentia's business. Evidentia focuses on tailored managed accounts segments, where contracts are lumpier (compared to GDG's Lonsec ready-made segment). This was evident in the 3Q update, where timing issues with a large client worth A$1.9bn in FUM was not lost by investors, given the high probability of conversion in 4Q. The Labor election win was also positive for GDG's investment bond business, with the proposed new tax on super balances above $3m, including on unrealised gains, increasing the attraction of that asset class compared to super. The additional cherry on top was the announcement that GDG and BlackRock had entered a strategic alliance to co-design and distribute Holistic Retirement Solutions tailored specifically for Australian retirees. Whilst it's early days, BlackRock bought a $25m minority stake of 1.5% in GDG. The stock has been on a tear this FY25 and after May's sharp recovery from its April lows, is up 116% for the FYTD.

Digico Infrastructure REIT (DGT +27.9%)

DGT presented at the May Macquarie conference, reinforcing that HCF certification at SYD1, DGT's largest asset representing ~50% of BV, remains on track. HMC Capital, the major shareholder and manager of DGT, saw positive leasing momentum across the Australian colocation platform and are looking to introduce capital partners across DGT's Australian assets to provide new capital for accelerated growth. DGT listed in December 2024 at a $5.00 IPO price, but hit a low of $2.32/share on 9 April, 54% below the listing, with issues around valuation, capital intensity and concerns about Big Tech's potential overestimation of AI demand. This month saw a rebound in data centre stocks locally with NEXTDC (+11%) and globally, Microsoft (+16%) and NVIDIA (+24%) to name a few, fuelling DGT's massive recovery.

Tabcorp Holdings (TAH +25.9%)

Gill McLachlan presented at the Macquarie Conference, providing a relatively encouraging update, where he commented that: "To date, there was no discernible change in consumer behaviour despite recent global macroeconomic volatility". "At our 1H25 result in February, we noted a modest improvement to the turnover trend in the wagering market. No change to this comment". Investors viewed this positively, given recent weakness across the sector, where many observers were expecting a possible downgrade. The market was also excited about the potential to roll out their 'Tap in-play' in retail venues, with regulatory approvals having been received in NSW and trial phases progressing.

The Market Misses

Nufarm (NUF -38.2%)

NUF's 1H25 result was 15% below consensus (EBITDA fell 5.8%), with balance sheet leverage deteriorating further to 4.5x. Alarmingly, Seed Technologies was a meaningful 70% miss to consensus, with EBITDA falling by 45%. The only positive in the result was Crop Protection, which benefited from higher sales volumes and improved margins from a stable COGS position. Disappointingly, Seed Technologies was impacted by weak fish oil prices (warranting a A$28m inventory write-down), lower Carinata licencing revenue and increased capital investment. Operating NPAT fell 24% due to higher D&A and interest costs. Most concerning to investors, gearing ended the half at 4.5x, well above the top end of the Board's targeted range of 1.5-2.0x. As a result, Seed Technologies (with high intangibles and book value) was placed under review, with NUF walking away from its A$100mn Omega-3 revenue target for FY25, which the market read as a reflection of NUF's re-calibrated stance on its growth outlook and volatility. The stock got absolutely smashed and closed down 30.1% on the day, and sold off further as frustrated investors had enough and exited the register.

Judo Capital Holdings (JDO -19.9%)

After restoring investor hopes post the FY23 result disappointment, JDO experienced a major setback with respect to confidence in strategic execution. Early in the month, JDO provided an underwhelming release on its financial performance, with the 3Q25 trading update showing slower (-3%) GLA growth (consistent with trends in the Mar-25 APRA data). The company guided towards GLA as at 30-Jun-25, to be in the range of $12.4-12.6bn (lowered from $12.7-13bn previously). In the current uncertain macro environment, JDO prioritised NIM and asset quality over volume, but regardless, bad debts were higher than in FY24. This was due to higher specific provisions from what they termed "idiosyncratic" exposure deterioration (from previously broadly stable). Disappointingly, loans 90 days past due increased +16bps to 2.46%. The guidance for 2H25 exit NIM of ~3.0% was broadly in line with the street, but the 3Q25 update was reflective of the challenges that JDO is facing as it attempts to scale up, with increased competition in the banking sector making it very difficult to retain customers and keeping margins under pressure.

Pilbara Minerals (PLS -17.6%)

Lithium producer PLS was sold down as the Spodumene price slumped 19% to US$580/tonne, the lowest spot price since April 2021 and a far cry from the frothy ~ US$6000/tonne price in November 2023. PLS produces a 5.2% grade Spodumene product, ~13% below the 6% grade benchmark price, underperforming its high grade and materially lower cost peer IGO, which was only down 1%.

IDP Education (IEL -12.0%)

Recent visa data for IEL's key destination markets of Australia, Canada and UK showed minor improvement on the December half, however the market remained challenged with soft data continuing, particularly in Canada and Australia. The short-term pickup in the UK, which saw 4 months of positive data, awaits the reaction to the negative UK Govt Immigration Policy White Paper in June, with further restrictions on student immigration on the cards, ahead of the critical September Semester. IEL shares continued to trade down on uncertainty in a post-election restrictive regulatory environment, negatively impacting student enrolments, with no relief in sight.

IFL (IFL -11.3%)

During the month, Bain Capital informed the IFL board that it would not proceed with making a binding offer for the company, due to the "macro uncertainty caused by the volatility in global capital markets". Given the exclusivity period, with one day to go after Bain's withdrawal, CC Capital advised that it was actively working towards making a binding bid for the company "in a few weeks". With only one credible suitor left, the $5.00 cash per share indicative proposal was at risk of being reduced, or even possibly being abandoned. The news and lack of bidding tension resulted in nervous risk/merger arbs exiting the trade, pushing the stock down 16% on the day.

FUND PERFORMANCE

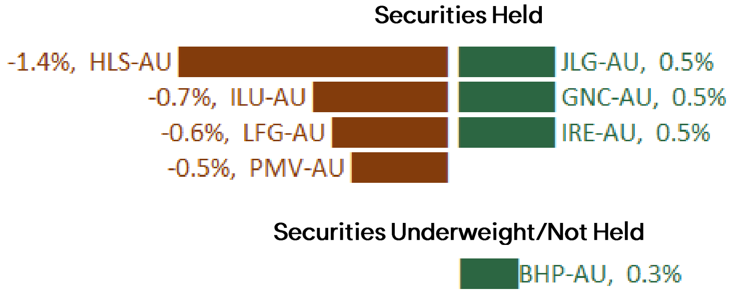
Against the backdrop of risk on, risk off behaviour driven by ever changing US tariff policy, global equities staged a miraculous V-shaped recovery from their April lows. Domestically, the ASX 200 advanced further, strengthening last month's resilient market performance. The Fund delivered a return of +1.42%, underperforming the Benchmark return of +4.20%.

Compositionally, Growth and Momentum led the way. Information Technology (+19.8%), Energy (+8.6%) and Communication Services (+5.5%), were the best performing sectors, whilst the underperformers were Utilities (+0.3%), Consumer Staples (+1.2%) and Health Care (+1.6%). The major contributors to May's benchmark return were Financials (+171bp), Information Technology (+58bp) and Real Estate (+35bp). Conversely, the major detractors were Utilities (+1bp), Consumer Staples (+5bp) and Health Care (+14bp).

Returns (%) *	Gross	Benchmark	Excess	Net
1 Month	1.42%	4.20%	-2.78%	1.35%
3 Months	-2.03%	4.31%	-6.34%	-2.25%
FYTD	-4.63%	12.22%	-16.85%	-5.31%
12 Months Rolling	-2.86%	13.36%	-16.22%	-3.61%
3 Years (p.a.)	2.40%	9.62%	-7.22%	1.62%
5 Years (p.a.)	8.79%	12.11%	-3.32%	7.85%
Since Inception (p.a.) ^^	7.48%	8.91%	-1.43%	6.48%

**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 May Attribution



Source: Ellerston Capital.

For May, the main positive contributors to the Fund's performance were overweight positions in Johns Lyng (JLG +14.9%), GrainCorp (GNC +15.5%, after posting a strong 1H result, raising guidance and lifting its buyback), IRESS (IRE +8.9%) and not owning any BHP (BHP +0.2%) which trailed. The main detractor was the large overweight position in Healius, which went ex a 41.3cps fully franked dividend, representing a 27% yield on its cum-dividend price (38% grossed up yield), and then drifted lower after it went ex. The Healius contribution was large given its portfolio size and the fact that franking credits are not included in the benchmark. However, if we look at the total return over April/May and account for the dividend and franking, it's performance was flat. Other detractors included Iluka (ILU -11.6%), Liberty Financial (LFG -5.2%) and Premier Investment (PMV -2.1%).

FUND ACTIVITY

Fund activity in May was relatively subdued. We took profits by trimming Bapcor, IAG, Mirvac and Seek. The proceeds were used to re-introduce quality business CSL to the portfolio (a stock we know well) having totally exited the shares 3 years ago at much higher levels. Endeavour Group was also acquired for the first time, a bombed-out drinks and hospitality staple which has halved over the past three years, offers a 4.5% dividend yield and has been significantly de-rated. We also strengthened existing positions in Johns Lyng and Perpetual.

NEW STOCKS ADDED	STOCKS EXITED
• CSL • Endeavour Group	• None

INCREASED	DECREASED
• Johns Lyng • Perpetual	• Bapcor • Insurance Australia Group • Mirvac Group • Seek

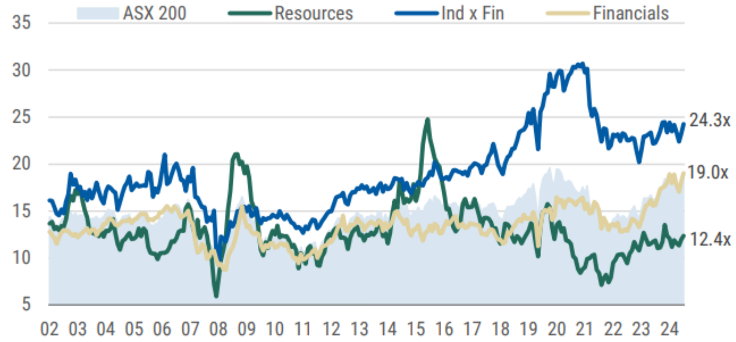
FUND STRATEGY AND OUTLOOK

The radical on and off again nature of US tariff policy which has been the root of generating major global economic uncertainty and driven heightened volatility in all risk assets has abated for the time being. As the month progressed, tariff rates on China were surprisingly lowered from an average of ~113% to ~27%, EU tariff rates were initially lifted to 50%, then suddenly reversed back to 10%, just to add to confusion, but at the same time reducing the risks to global growth. The tariffs were declared illegal by the US court of international trade, however the Trump administration was undeterred by the ruling, expecting either to prevail on appeal or employ other presidential powers to ensure the tariffs go into effect. Either way, it's likely to end up in the Supreme court, adding to uncertainty.

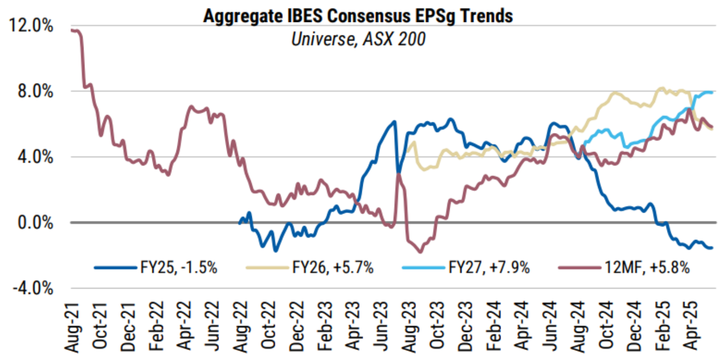
Given all of the tariff tantrums, the Fed has been relatively calm and in "wait and see" mode, requiring for more clarity on trade policy and its medium-term impact on inflation and growth. For the time being, Powel seems comfortable with two proposed interest rate cuts as its baseline in calendar 2025.

In terms of Valuations, the ASX 200 12MF P/E currently stands at 18.6x, trading at near a two standard deviation above the long-term average (14.7x since 1992). Earnings across the forecast years have been revised marginally lower at the aggregate level, with consensus now forecasting -1.5% growth for FY25, +5.7% and +7.9% for FY26/27, respectively.

The 12M forward PE of the Industrials ex-Financials at 24.3x



Annual Consensus EPS Growth Trends FY25-27



Source: Morgan Stanley

Apart for the changes highlighted in the Activity Section, our strategy remains as per last month. Domestically, the market's reaction to the ALP election victory was totally muted, overshadowed by Trump's de-escalation of draconian tariff policy and the 0.25% RBA rate cut. As we have emphasised previously, markets do not like uncertainty and today is possibly the most uncertain world geopolitically, economically and in terms of polices since the 1930s. Given the above backdrop, despite the recent calm, we would expect equity market volatility to return, coupled with wide dispersion of share price returns. Current investor momentum behaviour, index changes and market dynamics are throwing up major dislocations and mis-pricing of stocks in our investable universe, but also attractive investment opportunities for the patient and from this point, those with a longer-term mindset.

The forecast grossed up Dividend Yield for the Fund now sits at 10.7%, compared to the grossed-up Market Dividend Yield of 4.3%.

Contact Us

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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.

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