Ellerston Equity Income KIS Fund

Monthly Report as at 30 June 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	12 Months Rolling	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^^
Income pre-franking[1]	4.55%	4.61%	8.77%	8.43%	10.18%	8.39%
Capital[1]	-3.34%	-2.10%	-12.93%	-3.56%	-2.45%	-1.79%
Fund Net Return^	1.21%	2.51%	-4.16%	4.87%	7.73%	6.60%
Benchmark**	1.41%	9.50%	13.81%	13.56%	11.85%	9.03%
Alpha (pre-franking credits)	-0.20%	-6.99%	-17.97%	-8.69%	-4.11%	-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
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%
Platform Availability	HUB24, Netwealth, Praemium
Lonsec Rating[2] SQM Rating[2]	Recommended Superior / 4.25 Stars

[1]Of the investment return above the Benchmark, after recovering any underperformance in past periods.
[2]Lonsec Rating assigned 15 November 2024. SQM Rating assigned 11 October 2024.

The Team

Chris Kourtis
Director & Portfolio Manager

40 years of industry experience.

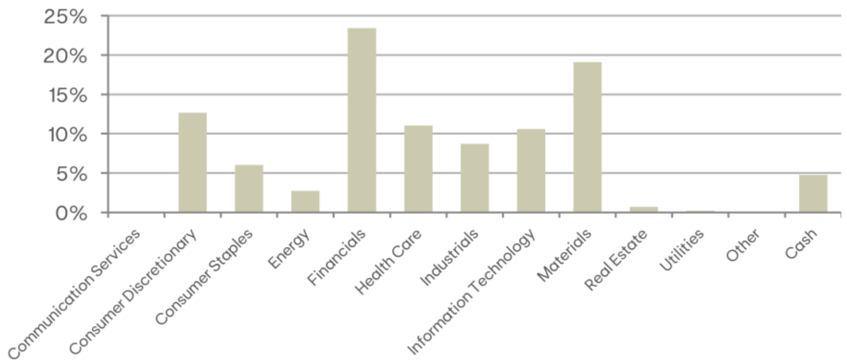
Stephen Giubin
Senior Investment Analyst

37 years of industry experience.

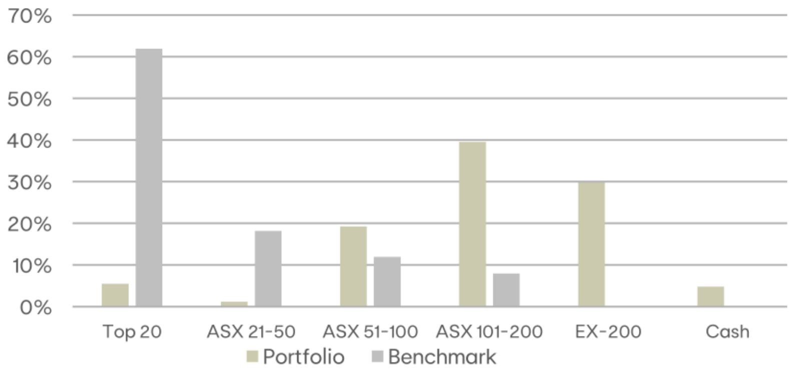
FY26(e) Key Portfolio Metrics	Fund	Benchmark
Grossed Up Dividend Yield (%)	**5.9**	**4.3**
Dividend Yield (%)	4.8	3.3
Price/Earnings (x)	14.2	18.7

Source: Ellerston Capital.

Sector Allocation



Exposure by Market Capitalisation



Source: Ellerston Capital.

Top 5 Holdings*

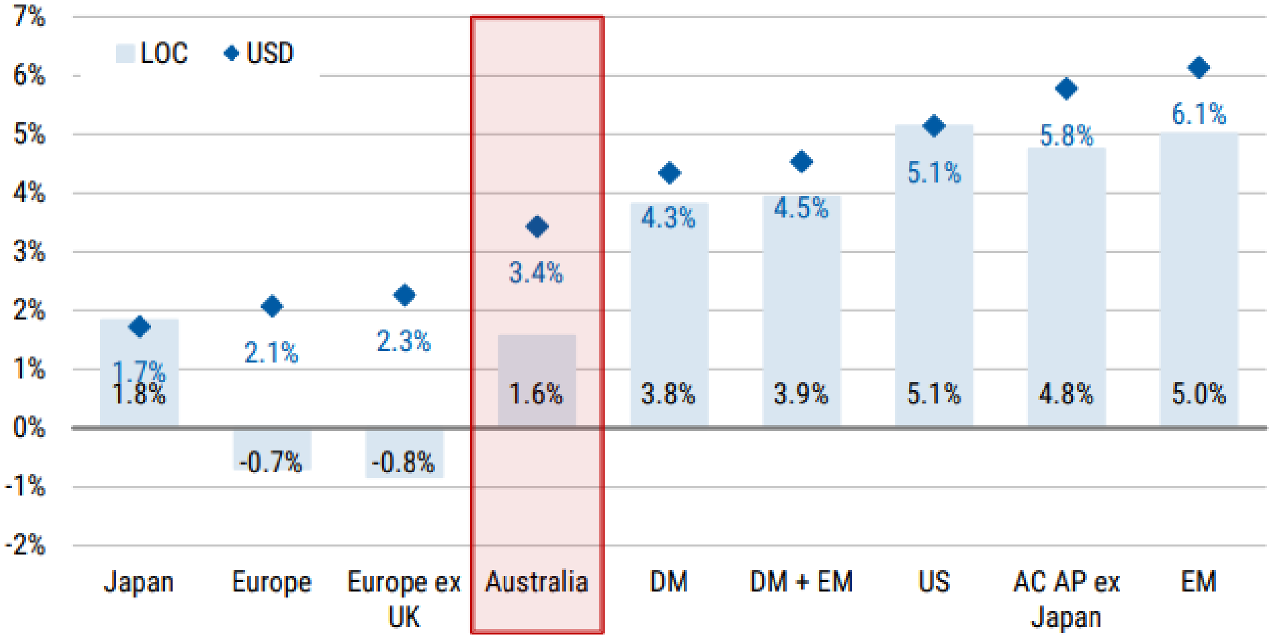
IRESS
Johns Lyng
Mineral Resources
Perpetual
Premier Investments

** In alphabetical order.*
Source: Ellerston Capital

MARKET OVERVIEW

The month of June was dominated by escalating tensions in the Middle East as Israel and Iran bombarded each other, driving material and swift reactions in financial markets. The heightened volatility proved to be short lived as the US intervened with air strikes on key Iranian nuclear facilities, as tariff policy took a back seat. The MSCI World Index rose 3.8% (the Nikkei led the charge, +6.8%), with the MSCI Emerging Markets Index posting a return of +5.0%. The S&P 500 rallied off its lows to deliver a solid +5.1% return in local currency terms, closing at an all-time high. Information Technology (+9.1%) and Communication Services (+6.9%) topped the global sector tables, with Consumer Staples (-2.5%) the major laggard. Closer to home, the S&P/ASX200 index posted a return of +1.4. The best sectors locally were Energy (+9.0%), Financials (+4.3%) and Real Estate (+1.7%).

MSCI Global Country/Regional Indices Performance for June 2025



Source: Morgan Stanley

USA

As expected, the FOMC unanimously left rates unchanged at 4.25%-4.5% and continued to pencil in two rate cuts in 2025, saying uncertainty over tariff policy and its economic outlook was still high, but had diminished. The FOMC downgraded their estimates for economic growth this year while lifting their forecasts for unemployment and inflation. Chair Powell said the committee continued to expect tariffs to work their way into final prices, but that it would take time. "Ultimately the cost of the tariff has to be paid and some of it will fall on the end consumer." "We know that's coming and we just want to see a little bit of that before we make judgments prematurely." The NASDAQ Composite index topped the tables, finished up 6.6%, followed by the small cap Russell 2000 Index (+5.3%), the S&P 500 (+5.1%), with the Dow Jones Industrial Average closing up +4.5%. The best performing sectors were Information Technology (+9.8%), Communication Services (+7.3%) and Energy (+4.8%). Conversely, the worst performers were Consumer Staples (-1.9%), followed by Real Estate (-0.2%) and Utilities (-0.3%).

Europe

Euro-zone stocks underperformed their global peers, but have maintained leadership CYTD, with MSCI Europe posting an impressive +11.3% return, versus the MSCI World +6.6% and the S&P500 +6.2% in local currency terms. This month, the Euro STOXX50 Index dropped by 1.1% and among the major exchanges, the FTSE 100 was flat, Germany's DAX fell 0.4% and France's CAC 40 finished down 0.9%.

Asia

Late in the month, the US and China finally agreed on a framework trade deal after a month-long tariff war. China confirmed that the US would lift "restrictive measures", while Beijing would "review and approve" items under export controls, a reprieve from the May Geneva meeting which seemingly stalled. Asian equity markets reacted positively. Korea's KOSPI heavily outperformed (+13.9%) following the appointment of new president Lee Jae-myung, whose agenda was to build a "flexible, pragmatic government", announcing that an emergency economic task force would be "activated immediately". Japan's Nikkei (+6.8%) was the next best performer, followed by the Hang Seng (+ 4.1%), with China's SSE up 3.6% and India's SENSEX the laggard at +3.5%.

Commodities

Commodities were generally better during the month. Brent crude was volatile given the Iran/Israel war, with the price initially spiking 23% to US$79/barrel until the US attacked Iran's nuclear facilities, causing crude to crash to $67/barrel. The iron ore benchmark price slipped marginally to US$94/tonne, coking coal fell by 9% to US$174/tonne and thermal coal edged up 6% to US$110/tonne. Key base metal prices strengthened, with aluminium up 6% and copper rising 5%. Gold closed broadly unchanged at US$3303/oz (A$5023/oz), despite the 3% fall in the US greenback.

Bonds

The US 10-year bond yield finished 18bp lower to 4.22%. This was against a backdrop of delayed tariffs, a cooling in Middle East risks and signs the US economy and consumer was proving resilient amid subdued inflation. The Australian 10-year bond yield followed suit, 16bp lower to 4.16% and the A$ was 3% higher at US$0.66, in line with the weaker US dollar.

Australia

Recent domestic economic data continues to signal a fading of growth momentum, with a weaker Q1 GDP figure and headline monthly CPI rising 2.1% in May, moderating from the 2.4% print in April. Given the run of softer growth data, it is likely that the RBA should deliver a rate cut on 8 July, with the market already pricing in a 25bps cut to 3.6%.

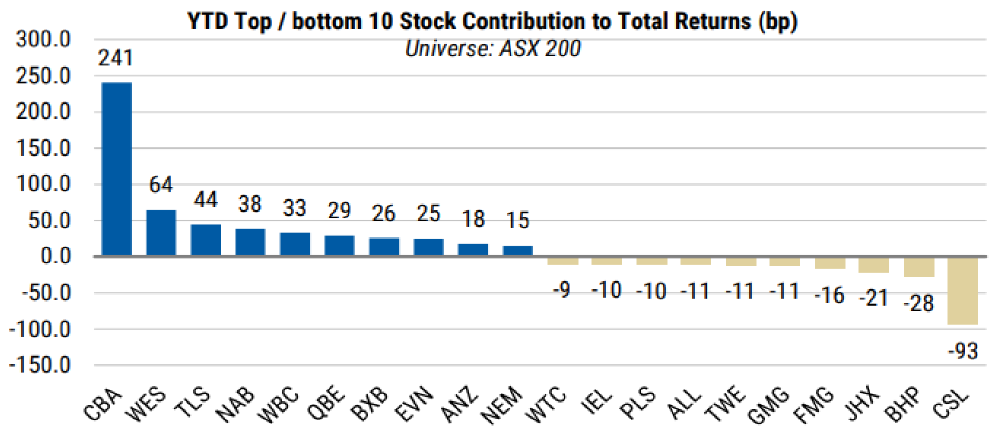
Australian equities underperformed developed global peers, with the S&P/ASX 200 Accumulation Index rising 1.4%. Energy (+9.0%), was the best performing sector, driven by uranium stocks Paladin Energy (+29.3%), Deep Yellow (+24.2%) and Boss Energy (+17.6%) as well as Santos (+16.2%, which received a $36bn bid by a consortium led by Abu Dhabi's state-owned oil company, ADNOC). Financials were the next best performer with ZIP (+54.7%) providing a surprisingly strong trading update. Real Estate (+1.7%) and Communication Services stocks (+1.6%) also outperformed. Materials was the worst performing sector (-3.1%), dragged down by gold stocks, followed by Consumer Staples (Treasury Wine Estates -7.5%, following yet another downgrade), with the Health Care sector down 1.0%.

In June, the top stocks that made a positive contribution to the Index's return were all leaders, namely CBA (+58bp), Macquarie Group (+20bp), Westpac (+18bp), NAB (+16bp), and Santos (+14bp). Conversely, the bottom five stocks detracting from the Index's performance were BHP (-30bp), CSL (-14bp), Northern Star (-13bp), Evolution Mining (-8bp) and Rio Tinto (-8bp). The ASX Small Ordinaries rose 0.8%, with the Small Resources down 2.8%, way behind the Small Industrials, which closed 2.5% higher.

The S&P/ASX 200 total return in FY25 was +13.8%, with the contributions being +10.0% from price return and +3.8% from dividends. PE expansion of +13.2% offset the -3.2% drag from earnings, mainly from Resources. Within the FY25 scorecard, Financials contributed +9.2%, though Banks contributed +7.0% of that, with CBA's +4.6%, the largest single stock contributor. Industrials (+1.8%) and Discretionary (+1.5%) sectors played the supporting cast, conversely Materials (-0.5%) , Health Care (-0.5%) and Energy (-0.5%) were the largest negative contributors.

For FY25, the highest and lowest returns in the Top 50 were Sigma Healthcare (+135%) and Treasury Wine Estate (-34%), respectively. In the Mid-Cap space, Technology One (+122%) was the best performer and IDP Education (-75%) was the worst.

CBA was the largest contributor to total returns in FY25 of 457bps and 241bp in the CYTD.



Source: Morgan Stanley

COMPANY SPECIFIC NEWS

The Market Hits

Zip Co (ZIP +54.7%)

ZIP provided a surprisingly strong trading update for May, with volumes up more than 40% in the US (in US$), a continuation of the strong performance in April (40%+). The ANZ business also continued to perform well, although no figures were provided. Management's guidance upgrade was ahead of consensus expectations, reaffirming ZIP's continued momentum. The prevailing state of the US subprime consumer, a key target consumer cohort for ZIP's US growth ambitions, has proven resilient with positive spending growth and improving delinquency trends. The company strengthened its outlook heading into FY26, alleviating investor concerns regarding its operational performance in the current macro environment.

Paladin Energy (PDL +29.3%) / Deep Yellow (DYL +24.2%)

The spot uranium (U308) price rose 9% this month, up 21% for the June quarter, following President Trump's plan to aggressively scale up US nuclear energy as a power source, positioning it as a national security priority. The headline goal was to increase US nuclear capacity from 100GW to 400GW by 2050, a move that would add ~150Mlbs per year of uranium demand, doubling today's global market from the US alone. Also driving prices this month was the Sprott Physical Uranium Trust's upsized US$200m Prospectus Offering of Trust Units, with the net proceeds of the raising used solely to acquire physical uranium in the form of uranium oxide in concentrates. This, coupled with big tech companies Meta and Alphabet striking nuclear supply agreements adding to the power needs of their artificial intelligence and datacentres, provided the necessary catalyst. Locally listed uranium companies PDN and DYL accordingly tracked their global peers' performance.

Brickworks (BKW +25.0%)

In a deal that had been decades in the making, the proposed merger of Brickworks (BKW) with Washington H Soul Pattinson & Company (SOL) provided a neat solution that will simplify the corporate structure, remove cross-shareholdings (in place since 1969) and significantly expand the free float, all in a tax-effective manner. It was a win-win transaction, with SOL also up 14%.

James Hardie Industries (JHX +17.7%)

JHX's merger with US outdoor decking company AZEK announced back in March, was completed on 30 June. JHX will now shift its primary listing to the NYSE, after shareholders in AZEK approved the $14 billion cash and stock combination buyout, which infuriated many Australian shareholders. Shareholders were concerned that they had no vote on the transaction and felt that Hardie's were significantly over-paying, given the acquisition metric of 20.8x EV/EBITDA versus JHX trading on 12.4x. The 7% move on the last trading day in June saw JHX stock finally trade 4% above its pre-merger stock price, with all eyes on how management will execute and extract the promised synergies, as they integrate AZEK.

The Market Misses

IDP Education (IEL -52.9%)

Following another material downgrade to guidance by IEL early in the month, driven by weaker student placement and IELTS volumes, the stock collapsed 48% on the day of the announcement, falling close to its original IPO price of $3.40 from a decade ago. FY25 EBIT guidance of $115-$125m was a midpoint -30% miss vs. consensus of $171m. The company now expects FY25 volumes to be down 28-30% yoy for Student Placement and down 18-20% for Language Testing, both well below prior market estimates. FY25 Q3 YTD Visa issuance growth yoy was tracking as follows: Australia -10%, UK -9%, Canada -65% and US -27%. Post incorporating the new FY25 guidance and given subdued revenue recovery prospects, potential market share losses in student placements, offset by the 5% opex cost out, the street downgraded FY25-26E EPS by a whopping -35% and -60% respectively. Management's constrained visibility over the student pipeline and on Government policy did not fill investors with confidence, so the shares continued their downward spiral.

West African Resources (WAF -19.8%) / Emerald Resources (EMR -17.5%) / Regis Resources (RRL -13.2%)

The gold price stalled this month, with a more conducive Iran outcome post the truce and encouraging tariff discussions, especially with China. Whilst gold closed up only 0.4% (-1.8% in A$), after May's 10.5% move in listed gold stocks, investors took profits. WAF and EMR have been outperformers, but given their higher sovereign risk characteristics (with mines in Burkina Faso and Cambodia respectively), investors de-risked and both stocks were major underperformers this month. RRL's performance had more to do with a recent analyst site visit to its Duketon (100%) and Tropicana (30%) gold mining operations. It became evident that the optionality of the Duketon mine for a life extension would require more capex for the fourth underground mine. This was to replace the wind down in its open pit production expected around 2028 and to maintain the current ~200-250kozpa operating rate, which requires gold prices to hold current record levels.

Domino's Pizza Enterprises (DMP -17.8%)

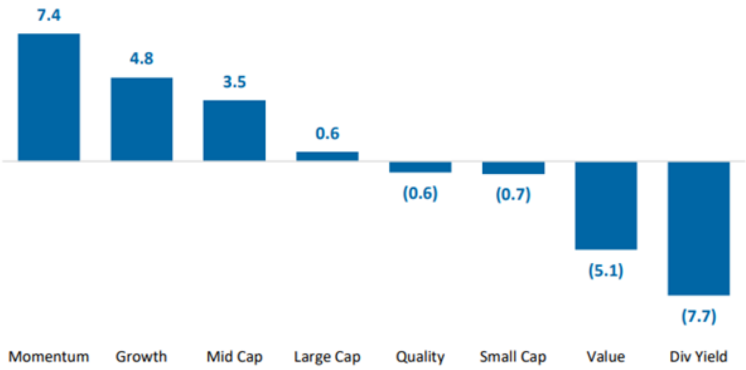
Following a string of downgrades, further leadership and management changes in Japan troubled investors. Restructuring and execution risks continue to plague Dominos post Don Meij leaving late last year and his sister leaving in mid-May. New CEO/MD Mark van Dyck seems to be making the right noises, but the turnaround will take time, and the market is concerned about DMP's $705m net debt position (plus $626m of lease liabilities), as the company focuses on profitability of stores and shrinks its business.

FUND PERFORMANCE

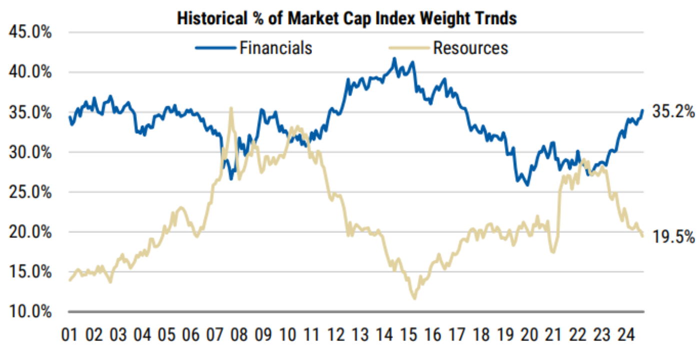
Leading equity markets have recovered ~25% after the shock of the Liberation Day tariff fuelled meltdown and their April 7th lows. Against the backdrop of a fast-evolving trade war, Middle East conflicts, recession jitters, as well as concerns about ballooning US budget deficits, the S&P 500 climbed to a new all-time high, first recorded back in February. Domestically, the ASX 200 also advanced further, strengthening last month's resilient performance and reaching a new intra-month high of 8592. The Fund delivered a return of +1.21% for June, broadly in line with the benchmark return of +1.41% and this capped off a disappointing year.

In FY25, compositionally, Growth as a style outperformed Value by 10.0%, largely due to Value's higher Resources exposure dragging performance. Despite the volatility induced tariff tantrum, Momentum was an even stronger factor, outperforming Value by 12.0%. ***High Dividend Yields were the worst factor for the second year in a row, underperforming by 7.7%.*** This has not helped our cause. CBA's index weight continued to grow, finishing at 12%. Across the four fiscal quarters, CBA index weight within the ASX200 grew on average by 2.1%, with an average weight of 11.5% within the June quarter. **As such, the spread between the Financials and Resources index weights increased by +7.4%pts in FY25, to 15.8%, the largest gap since 2018.**

Relative Factor Returns in FY25 (percentage points)



Spread between Financials and Resources



Source: Macquarie Research

For the month of June, Energy (+9.0 %, driven by a 5.0% rise in the oil price and takeover offer for Santos), Financials (+4.3%) and Real Estate (+1.7%), were the best performing sectors, whilst the underperformers were Materials (-3.1%), Consumer Staples (-2.3%) and Health Care (-1.0%). The major contributors to June's benchmark return were Financials (+147bp), Energy (+31bp) and Consumer Discretionary (+12bp). Conversely, the major detractors were Materials (-56bp), Health Care (-10bp) and Consumer Staples (-9bp).

Month of June Attribution

For June, the main positive contributors to the Fund's performance were overweight positions in Johns Lyng Group (+24.3%, after receiving a non-binding indicative offer from Pacific Equity Partners), Liberty Financial (+13.9), GQG Partners (+7.6%) and not owning any BHP (-3.9%). This month's detractors included overweight positions in IRESS (-7.6%), Healius (-10.3%), Myer (-12.3%) and not owning CBA (+5.0%).

FUND ACTIVITY

Fund activity in June was relatively subdued. We added a new holding, Amcor which we have previously held and know well. Amcor shares are currently trading at Covid levels, on a PE of 11.5x and paying a 5.6% dividend yield. We funded AMC by taking some profits in GQG Partners and in GrainCorp, both which rallied sharply off their April 2025 lows.

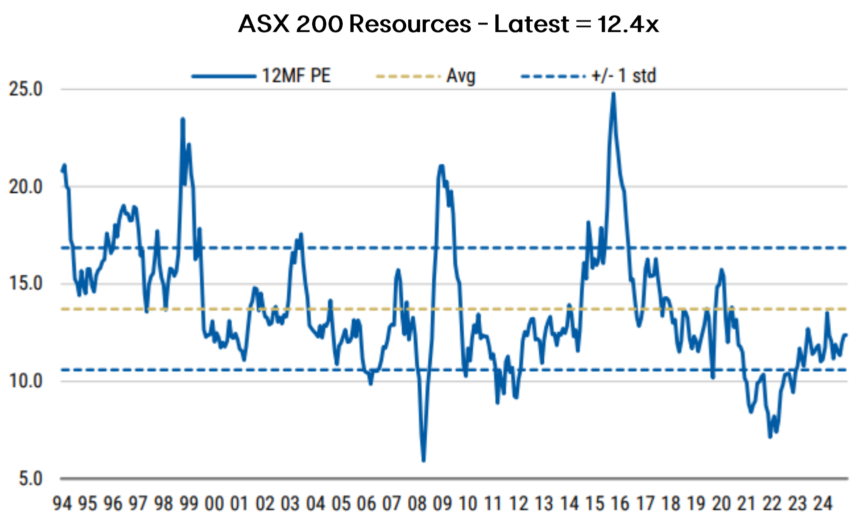
FUND STRATEGY AND OUTLOOK

A relative sense of calm prevailed in risk assets towards the end of June, that preceded wild swings in the first half of 2025 lashing financial markets amid President Trump's fast evolving trade war, recession fears in the US and heightened Middle East tensions (now easing). No one could have faulted investors for jumping ship and de-risking back then, however with the surprising ~25% V-shape recovery since "Liberation Day", they would have left a lot on the table.

Trump's $3.3 trillion tax and spending cut bill ($4.5trn tax cuts, $1.2trn spending cuts) narrowly passed the Senate with a majority of one vote (JD Vance casting the tie-breaking majority vote). The "One Big Beautiful Bill" now goes back to the House, although it remains to be seen if more spending cuts and the heavy cuts in social security programs get through. Federal Reserve chair Powell recently stated that the US would have cut interest rates further this year in the absence of the tariff imbroglio, with odds still for a September rate cut, followed by November and December.

Domestically, economic growth generally disappointed, inflation continued to track lower (the May CPI Indicator showed welcomed progress), retail sales data remained sluggish, and the labour market stayed tight (with unemployment steady at 4.1%). The market is expecting the RBA to cut two more times this calendar year (August and November), but a more front-loaded 25bp rate cut at the next RBA meeting in July cannot be ruled out.

With tariff deferrals, the US consumer showing resilience and signs the Chinese economy is bottoming out, commodities have rolled with the punches of macro and geopolitical uncertainty. We believe financial flows can lift commodity prices higher in the near term (oil to remain volatile given Iran-Israeli tensions, depending on how the geo-politics plays out). Lithium prices have now bottomed and the ASX Resources sector is screening cheap vs. historical bands, this follows major underperformance by the likes of leading Top 20 heavyweights BHP and Fortescue.

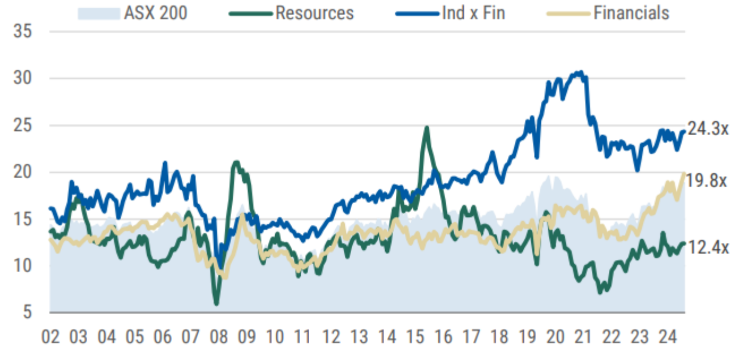


Source: Morgan Stanley

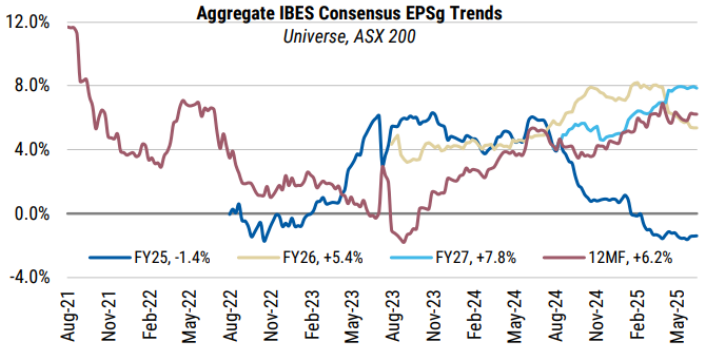
In terms of Valuations, Multiples remain relatively elevated, as the earnings pulse remains muted ahead of the Reporting Season. The ASX 200 12MF P/E currently stands at 18.9x, two standard deviations above the long-term average (14.7x since 1992) and well above the 10 year average of 16.1x. Earnings remain challenged, with little change on prior month levels and the market's dividend yield has now fallen to 3.4%, well below the historical average of 4.4%.

That said, over the past decade, the month of July has typically been a very strong month for ASX equity returns and pending interest rate cuts should offer relief.

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



Annual Consensus EPS Growth Trends FY25-27



Source: Morgan Stanley

As we have emphasised previously, markets do not like uncertainty and given the above macro backdrop, despite the recent calm, we would expect equity market volatility to return, coupled with continued 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. However, we would expect some mean-reversion and this dislocation is presenting many medium term attractive investment opportunities.

Interest rates cuts expected domestically and by the Fed, should be particularly supportive of the more cyclical stocks/sectors, which over the past 18 months, have significantly underperformed. This environment going forward should suit our portfolio positioning.

For the new 2026 Financial Year, the forecast grossed up Dividend Yield for the Fund now sits at a more normal 5.9%, compared to the grossed-up Market Dividend Yield of 4.3%.

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.

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