

# Ellerston Fixed Income Target Return Fund – Class A Units

Monthly Report as at 31 July 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	-0.2%	0.2%	1.7%	2.7%
Net ^	-0.2%	0.1%	1.5%	2.3%
Benchmark*	0.3%	0.8%	1.6%	3.1%
Alpha **	-0.5%	-0.7%	-0.1%	-0.8%

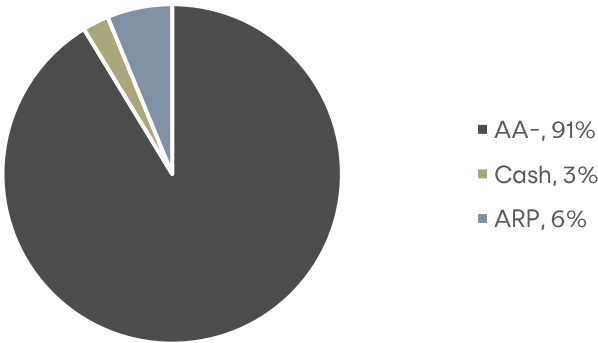
^ The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.

\* Benchmark: RBA 6m TD Index. ^^ Inception date 30 August 2024 \*\* Alpha is return generated from Net returns comparatively to the Benchmark.

## Key Information

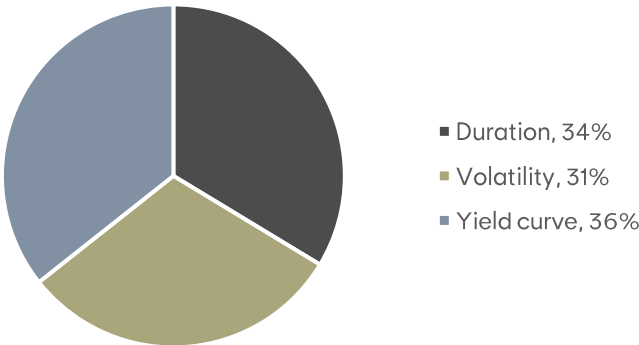
Portfolio Manager(s)	Vimal Gor & Thomas Ciszewski
Investment Objective	The investment objective of the Fund is to generate a 2.5% (net) return over the Reserve Bank of Australia (RBA) 6m Term Deposit (TD) Index over the medium to long term.
Benchmark	RBA 6m TD Index
Liquidity	Daily
Minimum Investment	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 - \$9.9756 Net Asset Value - \$9.9656 Redemption - \$9.9556 Fund Size - \$ 35,220,860

## Fund Positioning of Portfolio



Source: Ellerston Capital.

## Fund Positioning of ARP Overlays



Source: Ellerston Capital.

## Portfolio Characteristics

Yield to Maturity/Call	3.83%
Running Yield	5.13%
Modified Duration	2.26
Weighted Average Maturity (Years)	2.34
S&P Credit Rating	AA-
Number of Securities	1

Spread Duration 2.21

Source: Ellerston Capital.

## COMMENTARY

### *Portfolio Changes*

The Ellerstun Fixed Income Target Return Fund (EFIT) base portfolio is primarily composed of Australian major bank FRNs maturing in 2–5 years, rated AA-. Adjustments were made in July, with the portfolio's current yield at approximately 4.54%.

Our quantitative fixed income strategies were also rebalanced to emphasise those best positioned for the current environment. The risk premia portfolio continues to actively manage duration, anticipate rate moves through the easing cycle, navigate yield curve shifts, and hedge against abrupt central bank policy changes via long volatility positions.

### *Forward Policy Outlook*

At its July meeting, the FOMC held rates steady, but for the first time in decades, two members dissented in favour of an immediate cut. Following the July US employment report, which showed the labour market weaker than earlier data suggested, markets priced in a 25bp cut for September and nearly two additional cuts by year-end.

Fed Chair Powell has resisted further easing until there is greater clarity on the inflationary effects of tariffs, drawing strong criticism from President Trump. The President will soon appoint a new Fed voting member and will select the next Chair in 2026, with expectations for a more dovish policy stance ahead.

### *Australia*

The RBA surprised markets by holding rates steady in July. Its statement cited the need for caution given the limitations of monthly data compared with quarterly releases. However, subsequent figures showed a larger-than-expected rise in unemployment and inflation coming in below forecasts. An August cut was quickly priced in, and the RBA's caution was widely questioned by market commentators.

### *Portfolio Profile*

We expect central banks to continue easing through the remainder of 2025 and into 2026, with the pace of cuts dependent on the inflationary impact of tariffs.

The investment team anticipates US bond yields will fall sharply if hard data confirms the weakening trend seen in surveys. We continue to see the best risk-adjusted returns in high-quality Australian investment-grade bank FRNs, which also provide superior liquidity compared with lower-ranking assets. Our curve-steepening exposure in G3 rates is maintained via alternative risk premia total return swaps, strategies designed to perform well in an economic downturn or if yield curves continue to normalise as term premiums are priced in. The portfolio remains defensively positioned in line 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.

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Find out more:

### Contact Us

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Should investors have any questions or queries regarding the Fund, please contact our Investor Relations team on 02 9021 7701 or [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com).

All holding enquiries should be directed to our registry, Automic Group on 1300 101 595 or [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au).

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