Ellerston Equity Income KIS Fund

Monthly Report as at 31 July 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]	0.00%	5.34%	9.27%	8.62%	10.39%	8.44%
Capital[1]	9.83%	7.31%	-10.40%	-2.38%	-1.04%	-0.32%
Fund Net Return^	9.83%	12.65%	-1.12%	6.24%	9.35%	8.11%
Benchmark**	2.36%	8.17%	11.81%	12.33%	12.26%	9.31%
Alpha (pre-franking credits)	7.47%	4.48%	-12.93%	-6.09%	-2.91%	-1.20%

[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

41 years of industry experience.

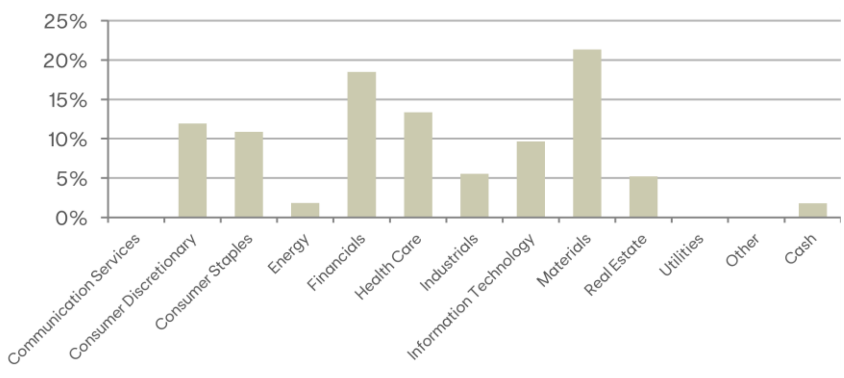
Stephen Giubin
Senior Investment Analyst

38 years of industry experience.

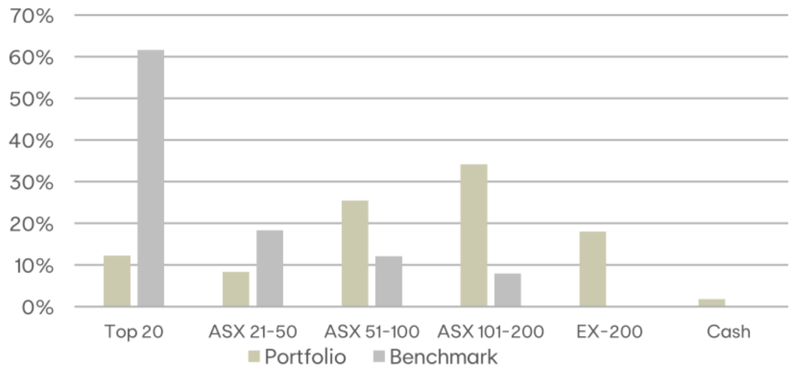
FY26(e) Key Portfolio Metrics	Fund	Benchmark
Grossed Up Dividend Yield (%)	**5.9**	**4.2**
Dividend Yield (%)	4.7	3.2
Price/Earnings (x)	15.7	19.2

Source: Ellerston Capital.

Sector Allocation



Exposure by Market Capitalisation



Source: Ellerston Capital.

Top 5 Holdings*

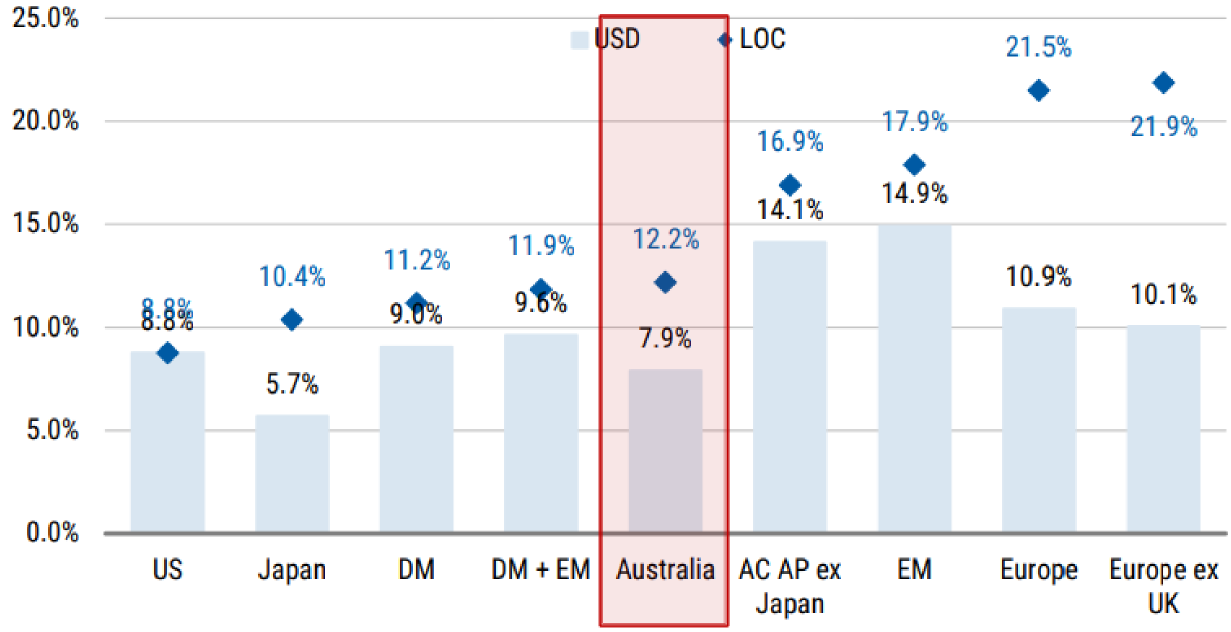
CSL
IRESS
Liberty Financial Group
Perpetual
Premier Investments

** In alphabetical order.*
Source: Ellerston Capital

MARKET OVERVIEW

As the new FY26 opened, July saw global equity markets continue their upward trend, dominated by Trump's tariff deals and the second-guessing of US monetary policy. The MSCI World Index rose 2.0%, whilst the MSCI Emerging Markets Index posted a credible return of +3.4%. The S&P 500 delivered a solid +2.2% return in local currency terms, closing at another monthly all-time high, as the US earnings season rolled on. Meta and Microsoft smashed it out of the park, whilst the Apple Q2 update underwhelmed, as did Amazon's Q3 guidance. On the MSCI World Index, Information Technology (+4.3%), continued to dominate and Energy (+3.4%) also topped the global sector tables, with Health Care (-2.2%) the major laggard. Closer to home, the S&P/ASX200 index returned +2.4% for the month of July and the best sectors locally were Health Care (+9.1%), Energy (+5.7%) and Utilities (+5.1%).

MSCI Global Country/Regional Indices Performance for July CYTD



Source: Morgan Stanley

USA

As expected, the FOMC left official rates unchanged at 4.25%-4.5%, with two dissenters this time. Chair Powell told reporters that interest rates were in the right place to manage continued uncertainty around tariffs and inflation, with "many, many uncertainties left to resolve" and "it doesn't feel like we are very close to the end of that process". On the tariff front this month, the US made 15% baseline deals with the EU, Japan and South Korea, whilst China was still left in limbo, with a truce deadline set for August 12th. Towards month end, the Administration then surprisingly hit a host of countries with new tariff imposts, some more favourable, some (such as with Canada and India) worse than the baseline. In the upshot, the NASDAQ Composite index topped the tables again, finishing up 3.7%, followed by the S&P 500 (+2.2%), the small cap Russell 2000 Index (+1.7%), with the Dow Jones Industrial Average closing up only +0.2%. The best performing sectors were Information Technology (+5.2%), Utilities (+4.9%) and Industrials (+3.0%). Conversely, the worst performers were Health Care (-3.3%), followed by Consumer Staples (-2.4%) and Materials (-0.4%).

Europe

Euro-zone stocks again underperformed their global peers, but have maintained leadership CYTD, with MSCI Europe posting an impressive +13.0% return (led by Germany), versus the MSCI World +8.7% and the S&P500 +8.6% in local currency terms. For July, the Euro STOXX50 Index was up by 0.4% and among the major exchanges, the FTSE 100 was up 4.3%, France's CAC 40 rose 1.5% and Germany's DAX finished up a modest +0.7%.

Asia

Asian markets were dominated by July's Politburo meeting in China, which acknowledged resilient 1H GDP growth (5.3% YoY), but also highlighted ongoing risks, thus calling for continued supportive macro policies. However, disappointingly, the meeting didn't roll out any major new policy stimulus, while emphasising the implementation of already announced policy support measures. These included accelerating issuance of the remaining quota of government bonds which followed earlier issuance in 1H 2025, keeping liquidity high and lowering average funding costs further. These measures were aimed to support innovation, consumption, SMEs and trade activities. As for the much-focused anti-involution campaign, the meeting emphasised its importance and largely followed previous policy tones, although there was nothing new or any official guidelines presented. In trade, US and Chinese officials agreed to seek an extension of their 90-day tariff truce following two days of what both sides described as constructive talks in Stockholm, aimed at defusing an escalating trade war. It is now up to Trump to extend the truce beyond the 12 August deadline.

Asian equity markets reacted positively, with Korea's KOSPI outperforming (+5.7%), followed by China's SSE (+4.1%), the Hang Seng (+3.1%), Japan's Nikkei (+1.4%) and India's SENSEX being the laggard at -2.8%.

Commodities

The Chinese Politburo readout underwhelmed commodity traders, but the anti-involution measures had a positive impact on lithium, rare earths and iron ore. Commodities were generally better during the month. Brent crude was up 8% to $72/barrel after Trump announced that he was shortening the timeline for Moscow to agree to a ceasefire to 12 days and reiterated his threat to impose new crippling economic sanctions. After briefly touching US$105/tonne, the iron ore benchmark price finished 5% higher at US$99/tonne, coking coal rose 6% to US$183/tonne and thermal coal edged up 5% to US$115/tonne. Key base metal prices weakened, with aluminium down 2% and copper falling 5%. Spodumene prices had a wild roller coaster ride from US$605/tonne to US$850/tonne, before finishing at US$695/tonne, up 15% and rare earths NdPr were also stronger, rising 19%. Gold closed broadly unchanged at US$3290/oz (A$5117/oz), despite the 3.5% rise in the US greenback.

Bonds

The US 10-year bond yield finished 15bp higher to 4.37%. This was against a backdrop of tariff uncertainty, a surprisingly resilient US economy and stubborn inflation, with rate cuts pushed out. The Australian 10-year bond yield followed suit, 10bp higher to 4.26% and the A$ was 2% lower at US$0.64, in line with the rebound in the US dollar.

Australia

In a very surprising move, the RBA decided to hold fire on a third interest rate cut for 2025 in July, with the shock decision blindsiding most market watchers. In terms of key economic data, Australian retail sales spiked 1.2% m/m in June, way above consensus forecasts at +0.4%, from May's +0.5%. Discounting activity was partly responsible for the flurry of spending activity as the ABS noted that "mid-year sales events increased spending on discretionary items like furniture, electrical goods and clothing items". The June quarter CPI trimmed mean came in at 2.7%, the lowest since 2021, broadly matching the RBA's forecast from May, confirming that inflation was under control. Combined with the labour market having eased only gradually and with the unemployment rate relatively low, the likelihood of a 25bp cut on 12 August seems a lay down misère.

Australian equities outperformed developed global peers, with the S&P/ASX 200 Accumulation Index rising 2.4%. The key theme of the month was the rotation from leaders (this time Banks -1.3%) to laggards, a phenomenon that often occurs at the start of any new financial year. Health Care (+9.1%), was the best performing sector, driven by biotech stocks Clarity Pharmaceuticals (+74.8%), Mesoblast (+43.8%) and Neuren Pharmaceuticals (+22.5%). CSL index heavyweight (+13.1%) also helped drive the sector along. PME (+13%) and RMD (+8%) were also strong outperformers. Energy was the next best performer with Whitehaven Coal (+18.6%, after delivering a surprisingly strong trading update) and Woodside (WDS +13%), followed by Utilities (+5.1%) and Information Technology (+5.0%). Resources (+4.5%) generally had a strong month, supported by a rise in commodity prices. The strength in Industrial resources was relatively broad, with solid gains across Iron Ore (FMG +16%) and Lithium (MIN +33%, PLS +20%). Gold on the other hand (-6.9%) underperformed last month, despite a small rise in the Gold price. The underperformance was driven by NST (-16%) and EVN (-9%), although NEM (+11%) rallied after posting an earnings beat and increasing its share buyback. Uranium also underperformed due to lower spot prices and major operational issues (BOE -63%, PDN -23%).

Financials fared poorly this month and were in fact the worst performing sector (-1.0%), dragged down by the banks (Macquarie -5.0% and CBA -3.7%), followed by Consumer Staples (+0.6%) and the Industrials sector (+2.0%).

In July, the top stocks that made a positive contribution to the Index's return were all leaders, namely CSL (+59bp), BHP (+50bp), Woodside Energy (+22bp), ANZ (+18bp), and Fortescue (+16bp). Conversely, the bottom five stocks detracting from the Index's performance were CBA (-45bp), Northern Star (-16bp, post a disappointing update guiding to higher costs and capex), Macquarie Group (-16bp), NAB (-6bp) and Evolution Mining (-5bp). The ASX Small Ordinaries rose 2.8%, with the Small Resources down 3.0%, way behind the Small Industrials, which closed 5.3% higher.

COMPANY SPECIFIC NEWS

The Market Hits

Clarity Pharmaceuticals (CU6 +74.8%)

CU6 is a clinical stage radiopharmaceutical company and leader in innovative treatments, developing Targeted Copper Theranostics based on its SAR Technology Platform for targeting cancers in children and adults. CU6 announced that it had successfully completed recruitment for their Co-PSMA trial at St Vincents Hospital Sydney, taking place in the 3Q. The study is evaluating the performance of its CU6's diagnostic product, 64Cu-SAR-bisPSMA, in comparison to standard-of-care (SOC) 68Ga-PSMA-11 for the detection of prostate cancer recurrence in patients with a low prostate specific antigen. Investors liked the immediacy of the possible justification of CU6's product, which would help it to break into the PSMA PET scan market and grow to a meaningful share. The surge in the share price enabled CU6 to tap investors for $203m in new equity, refilling its coffers at $4.20/share versus the $2.50/share it traded at the end of June.

Mesoblast (MSB +43.8%)

MSB develops allogeneic (off-the-shelf) cellular medicines for the treatment of severe and life-threatening inflammatory conditions. Its major cell therapy Ryconcil, is used for the treatment of steroid-refractory acute grafts versus host disease in paediatric patients 2 months and older and is the first FDA approved mesenchymal stromal cell (MSC) therapy. MSB reported encouraging June quarter revenue of US$13.2m, with the commercial launch of Ryconcil from 28 March, performing in line with expectations. The real excitement was around the onboarding of more than 25 transplant centres since product launch, with the company expecting to complete the onboarding process across all 45 priority transplant centres in the September quarter. These account for approximately 80% of US paediatric transplants. June quarter total revenue of just US$14.8m (with US$1.6m royalty) was recorded, however the cash burn for the period was US$16.6m, with net cash of ~US$40m. This seems disproportionate to MSB's $3.2bn market capitalisation and constant reliance on external capital. Investors were very happy with the 35% rise in the shares on the day of the announcement.

Iluka Resources (ILU +35.5%)

The announcement that the US Department of Defence had entered into a 10-year agreement with MP Materials which established an NdPr floor price commitment of US$110/kg, compared to China spot prices at half that price, caught all investors by surprise. This major development supported Iluka's rare earths strategy of advocating for independent pricing mechanisms not linked to the Asian Metals Index and saw ILU's stock leap by 23% on the day. ILU's Eneabba Rare Earth Refinery in WA, which is currently being built and expected to be commissioned in 2027, is a major beneficiary of the ex-China RE supply chain, which is now starting to expand beyond Japan. ILU has previously disclosed that it has had ongoing discussions with multiple Auto OEMs for both heavy and light rare earths, with pricing independent of the Asian Metals Index, whereby parties would set floor and ceiling prices for the contract term. The MP Materials/DoD agreement has effectively put a line in the sand and made investors appreciate that at a US$110/kg NdPr floor price, it would value the Eneabba RER at $2bn plus and deliver an equity IRR of 51%, rather than the zero value implied in ILU's share price at the time.

Mineral Resources (MIN +32.6%)

MIN shares experienced a rollercoaster ride following a 60% slump in FY25. The severe selloff in the past 12 months was driven by several concerns. These included issues with commissioning their flagship 35Mtpa Onslow iron ore project and haul road following a one in forty-year severe rain event in January, pressure on its major commodities (with iron ore and spodumene down 12% and 38% respectively), doubts over how quickly the balance sheet can be de-levered and governance issues. Post a recent field trip for investors and analysts showcasing their operations, MIN has made significant progress by allaying investor concerns in terms of key issues with the haul road and with improved iron-ore production. MIN also took several commendable steps to improve governance during the quarter, with the appointment of two high quality, highly financially literate NEDs, and the engagement of King & Wood Mallesons to review their governance framework. New independent Chairman, Malcolm Bundey has been well received, as have the two new well-regarded independent directors who are committed to strengthening governance, risk management and Board oversight. MIN's July update showed strong operating momentum for the June quarter, with Onslow on track and finishing FY25 strongly. Importantly, the project achieved commercial production as of 30 June and is cashflow positive, with excellent cost performance during the quarter (FOB cost A$57/t vs consensus at A$65/t, respectively). The quarterly beat on all fronts, which generally drove earnings and valuation upgrades across the street for FY26, with the balance sheet also seen as manageable.

Clearly, strong moves this month in the iron ore price (+5%) and spodumene (+15%) recovering off recent cyclical lows, also played a significant part in driving the MIN share price up an impressive +33%.

AMP (AMP +27.0%)

While AMP's 2Q25 Australia Wealth Management (AWM) AUM of $141.6bn was broadly in-line with consensus, the stronger net flows of +$679m vs consensus of -$133m (post pension payments), its best level in seven years, is what got investors excited. This was led by strong flows in their North platform and improving flows in Superannuation & Investments, driven by retention initiatives, launch of digital advice, and rollout of Lifetime Super. AMP's Platforms business (59% of AWM) has now done five consecutive quarters of net inflows with confidence improving and it's about time!

The Market Misses

Boss Energy (BOE -62.7%) / Paladin Energy (PDN -23.0%)

BOE had pre-reported that it achieved FY25 production guidance, however just days after its MD had quit, the production report was overshadowed by disappointing FY26 guidance, with lower volumes at its flagship Honeymoon mine, much higher costs and significantly more capex than was previously expected. FY26 cash cost guidance was +22% versus consensus, driven by the expected decline in average tenor and an optimised lixiviant chemistry, mainly to decrease pH from 1.4 to 1.3 and capex of $56-62M, more than double expectations driven by wellfield development. The major concern for investors was BOE flagging that they had identified potential "challenges" to achieving nameplate capacity of 2.45Mlbs, due to potential for less continuity for mineralisation and leachability, which also questioned the "blue sky" ability to expand to 3.3Mlbs via the Gould's Dam and Jason's deposits. It was a case of run for the hills, with the stock collapsing 44% on the day. Fellow U3O8 producer PDN also disappointed, with FY26 guidance of 4.0-4.4 Mlbs of output, ~10% below expectations and production costs of US$44-48/lb, 18% higher than consensus. PDN has a history of disappointment, but fared better than BOE, falling a mere 12% on its quarterly report release.

Lifestyle Communities (LIC -36.6%)

Surprising the market and the company, LIC was dealt a significant setback by the Victorian Civil and Administrative Tribunal (VCAT), which determined that despite the concept of deferred management fees being legitimate, LIC's DMF in residential site agreements breached the Residential Tenancies Act 1997 (VIC), and were therefore void and un-enforceable. LIC intends to appeal the VCAT decision, which stated the DMF was permissible, but not in its current form (i.e. where the fee amount is not quantified at the time of contract signage). If unsuccessful, the value of the DMF payable could be written down to zero (~ $1.44 NTA post tax), with some risk of a repayment of previously collected DMF (~$0.27 NTA post tax). This compares to a starting NTA of ~$7.15 per share pre the judgement. In addition, a lengthy appeal has impacted investor confidence, as well as potentially impacting future sales. LIC fell 37% on the announcement, ~50% more than the potential hit to the NTA given the uncertainty.

HMC Capital (HMC -29.6%)

HMC sunk 17%, when it announced they were abandoning its plan to build a $2bn renewables generation and storage empire, but instead put the energy portfolio under review and parted ways with the HMC Energy Transition Fund's head. HMC stated that it was having a wide range of discussions with investors and evaluating a range of options in relation to the energy transition portfolio, including merging with another fund. This is the second such move in two months, after it abandoned plans to convert its flagship unlisted vehicle (HMC Capital Partners Fund 1) into a closed fund to chase private equity assets, after investor feedback. This time shareholders abandoned HMC, which is now down 64% CYTD and is friendless.

Bapcor (BAP -22.8%)

BAP's FY25 trading update was a large miss to consensus, with NPAT guidance of $81-82m coming in 15% below, but more disappointingly, 2H25 proforma of NPAT $35.5-36.5m was ~30% below. FY25 revenue declined in all segments ex-Trade (+1.4%). Trade saw much tougher conditions in May/June and the retail operating environment remained challenging, with Specialist Wholesale undergoing significant change and disruption following store closures. The market has known for some time that BAP is a business in turnaround mode under new management, however, it now remains unclear how much of the cost-out benefit will need to be reinvested in order to achieve the turnaround and when the net benefits will be realised to the bottom line. The weakness in Trade was the most disturbing and the shares sold off sharply on the update.

FUND PERFORMANCE

Against the backdrop of relatively subdued offshore markets which continue to flirt with all-time highs, domestic equities also squeezed higher, finishing up 2.36% for the month, lifting the CYTD25 total return for the ASX to +8.9%. In the month of July, just ahead of the domestic reporting season, the Health Care (+9.1%), Energy (+5.7%) and Utilities (+5.1%) sectors were the best performers (CSL was the largest contributor at 59bp to the 236bp benchmark return), whilst the Financials (-1.0%), Consumer Staples (+0.6%) and Industrials (+2.0%) sectors fared the worst. The major contributors to July's benchmark return were Health Care (+82bp), Materials (+74bp) and Consumer Discretionary (+25bp). Conversely, the only detractor was Financials (-36bp).

Pleasingly, the new 2026 Financial Year has kicked off very strongly and the Fund's net return of +9.83% significantly outperformed the benchmark return of +2.36%. This is the highest monthly alpha since the inception of the Fund. We were assuaged to see many of our high conviction stocks rebound sharply after being sold off so aggressively to unsustainable levels, especially throughout the June Quarter, where we held our nerve and selectively added to these holdings.

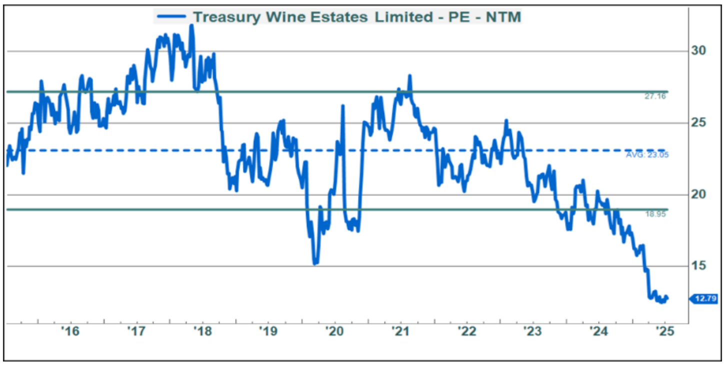
Month of July Attribution

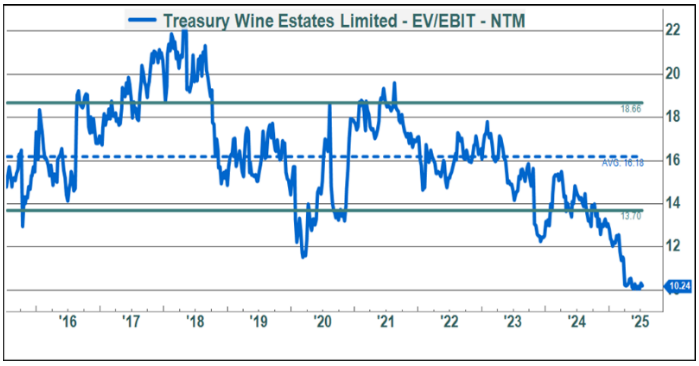
For July, the main positive contributors to the Fund's performance were overweight positions in Mineral Resources (+32.6%), Iluka Resources (+35.5%), Perpetual (+16.4%), Johns Lyng (+23.0%) and Liberty Financial Group (+15.6%). Not owning any CBA (-3.7%), following a record-setting June was also a major contributor. This month's detractors included overweight positions in Healius (-1.9%) and IRESS (-0.8%).

FUND ACTIVITY

The Fund was highly active during July, taking advantage of extraordinary price volatility exhibited in a number of portfolio stocks. We took profits and totally exited our large active overweight position in Johns Lyng after the shares surged 23.0% post confirmation of receiving a $4.00 per share cash takeover offer from Pacific Equity Partners (via a scheme of arrangement). Other activity centred on de-risking select key resources positions, namely Iluka and Mineral Resources, following their massive price recoveries in the month of July. We also jettisoned remnant positions in Origin Energy, Seek and Super Retail Group. The significant release of additional funds were deployed in topping up Dexus, IGO and Orora. The bulk of the proceeds were rotated into laggards BHP, Aurizon and Treasury Wine Estates, all stocks that we know well and have held in the portfolio before.

TWE was re-introduced after a long absence in the Fund - the loss of one of the company's key US distributors (RNDC) in its important Californian market, yet another subtle profit downgrade and fears that the new incoming CEO would re-base/kitchen sink earnings following continued US and China weakness have continued to weigh on the stock. These factors have driven the shares to a 10 year low of $7.57 and a PER of 12x and EV/EBIT of 10x, the lowest rating since being spun out of Fosters.





Source: FactSet

Arena REIT (ARF), which operates a real estate asset portfolio, predominantly comprising early learning centres (90%) and healthcare (10%), with a weighted average lease expiry of 18 years, a 5% dividend yield and growing at a target rate of 3-5% p.a., was included for the first time.

The one disappointing result for the month was in Bapcor. BAP's FY25 trading update was a large miss to consensus, with NPAT guidance of $81-82m coming in 15% below, but more concerning to us was 2H25 proforma of NPAT $35.5-36.5m, some ~30% below. FY25 revenue declined in all segments ex-Trade (+1.4%), with different headwinds facing the segments. Trade experienced much tougher conditions in May/June, with the groups exit rate into FY26 weakening materially post the April 25 Investor Day. The market has known for some time that BAP is a business in turnaround mode under new management. However, post the update, it became unclear to us how much of the cost-out benefit will need to be reinvested and when the net benefits will flow through to the bottom line. Given BAP's scale and the fact that it operates in what has historically been considered a very non-discretionary category, their release was extremely surprising and disappointing, leading us to conclude that management's turnaround will take much longer than we had previously anticipated. Concerns also emerged relating to the company's accounting and audit practices, which was also news to us. BAP disclosed certain accounting issues dating back as far as 2021 (which weren't previously identified and dealt with by the board, or its auditors). Further, the lack of explanation around why three directors (especially Mark Bernhard) resigned with immediate effect, was disturbing, making the near-term outlook even more uncertain. On that basis, despite screening cheap vs its US peers, we exited the entire position.

FUND STRATEGY AND OUTLOOK

In terms of global trade, there was a raft of announcements, with new tariffs unveiled on 70 countries just ahead of the tariff pause. The extended pause for China and Mexico, which are consequential deals yet to be done, are clearly important outcomes for global growth. Given implementation schedules due to freight and paperwork, the impacts on the US and to supply chains will take time before any potential "transitory" inflation kicks in.

The big news was the surprisingly weak US payrolls report for July, announced on 1 August, which has shifted the balance of risks for the Fed. The downward revision to May and June data of -258,000 has altered the path of payrolls growth, which is much softer than was the case following June's release. Headline payrolls growth was +73,000, but more importantly, the substantial downward revisions pushed the three-month trend down to +35,000, its lowest level since June 2020. The unemployment rate bounced back up to 4.2% as household employment contracted by -260,000, mainly in the Education and Government sector. Participation in recent months from younger workers prevented the unemployment rate from pushing higher.

The market has now pulled forward their baseline call for a 25-bps cut from the FOMC to September following weak economic data points, with the results of the employment report likely to shift the FOMC's assessment of the balance of risks to the outlook. While a September rate cut has now become more likely, it is not a certainty and will be key data dependent.

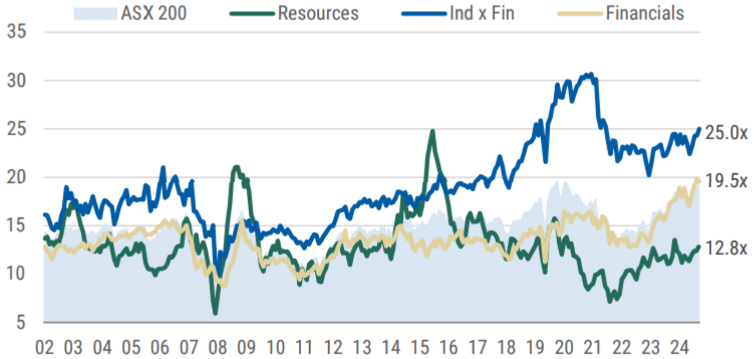
In July, US results were particularly strong in Week 3, with a net beat of ~50%. This has lifted the net beat for 2Q to +41%, which is at least 5ppt ahead of any quarter in the last year. The EPS surprise was mostly driven by better margins, but sales also beat. For Industrials, tariffs have already started to contribute to a COGS miss, but EBITDA margins are beating, suggesting lower CODB is again driving positive surprise in the US results. Tech continued to deliver the most positive EPS surprises, while Materials were the most negative due to Packaging and Chemicals (Metals & Mining were generally positive).

Domestically, the labour market has eased gradually, the unemployment rate has remained relatively low and inflation has continued to track lower. The RBA's favoured inflation measure, the trimmed mean for the June quarter of 2.7% was the lowest since 2021, confirming inflation was under control, with the odds in favour of a 25bp rate cut on 12 August.

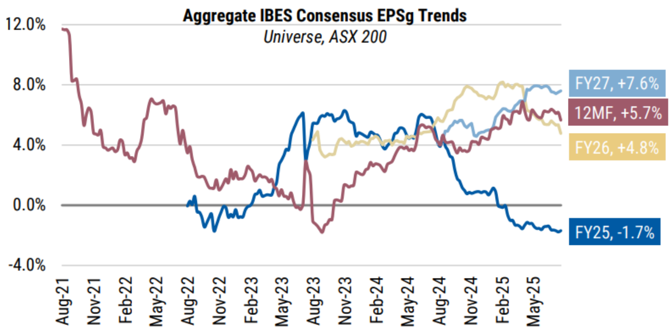
In terms of equity market valuations, multiples remain relatively elevated, as the earnings pulse remains muted ahead of the Reporting Season. The ASX 200 12MF P/E currently stands at 19.2x, two standard deviations above the long-term average (14.7x since 1992) and well above the 10 year average of 16.1x.

Bottom-up domestic FY25 EPSg forecasts are for a decline of 1.7%. If this proves correct, it will be the third year in a row of declining earnings. At this juncture, the forecast is for a relatively weak EPSg rebound of +4.8% in FY26. Unfortunately, August tends to be the peak month for downgrades, as conservative guidance typically re-sets the earnings bar lower.

The 12M forward PE of the Industrials ex-Financials at 25.0x



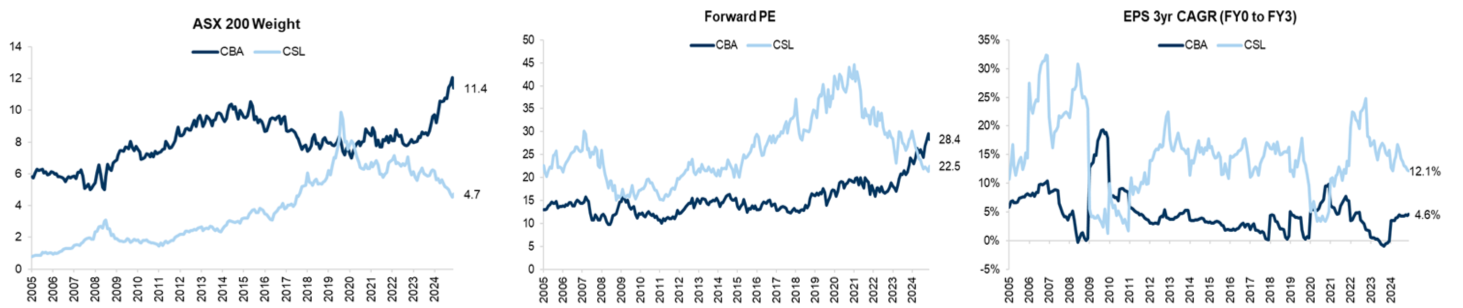
Annual Consensus EPS Growth Trends FY25-27



Source: Morgan Stanley

Why we lean to CSL now and continue to hold zero Banks.

CBA has outperformed CSL by 250% since Apr 2020 (and 50% in the past 12m), now trading at a 26% premium vs 39% discount on average, despite only a forecast 4.7% EPS CAGR vs 12.1% for CSL. See charts below.



Source: Goldman Sachs

Apart from the changes articulated in the Activity Section, we are holding the line. Interest rates cuts expected soon 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 5.9%, compared to the grossed-up Market Dividend Yield of 4.2%.

Contact Us

Sydney

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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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