

Ellerston Fixed Income Target Return Fund – Class A Units

Monthly Report as at 31 August 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 ^^
Net ^	0.7%	1.0%	2.1%	3.0%
Benchmark*	0.2%	0.7%	1.6%	3.3%
Alpha **	0.5%	0.3%	0.5%	-0.3%

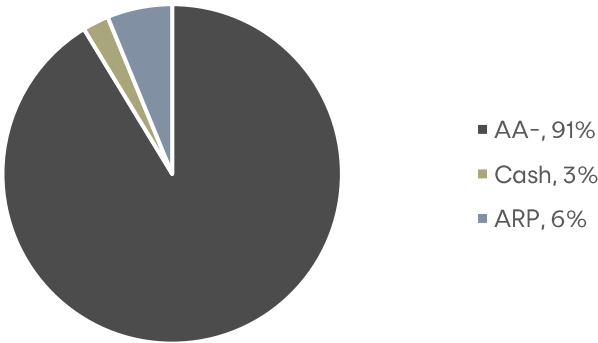
^ The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.

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

Key Information

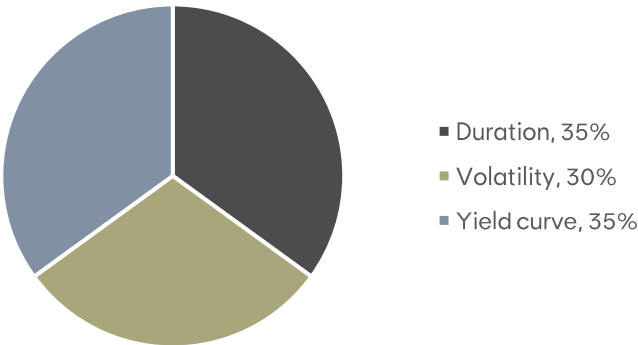
Portfolio Manager(s)	Vimal Gor & Thomas Ciszewski
Investment Objective	The investment objective of the Fund is to generate a 2.5% (net) return over the Reserve Bank of Australia (RBA) 6m Term Deposit (TD) Index over the medium to long term.
Benchmark	RBA 6m TD Index
Liquidity	Daily
Minimum Investment	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 – \$ 10.0443 Net Asset Value – \$ 10.0343 Redemption – \$ 10.0243 Fund Size – \$ 35,463,608

Fund Positioning of Portfolio



Source: Ellerston Capital.

Fund Positioning of ARP Overlays



Source: Ellerston Capital.

Portfolio Characteristics

Yield to Maturity/Call	3.85%
Running Yield	4.46%
Modified Duration	0.13
Weighted Average Maturity (Years)	2.50
S&P Credit Rating	AA-
Number of Securities	10

Spread Duration 2.21

Source: Ellerston Capital.

COMMENTARY

Portfolio changes

The EFIT base portfolio is primarily composed of Australian major bank FRNs maturing in 2–5 years, rated AA-. Adjustments were made in August, with the portfolio's current yield at approximately 4.46%.

Our quantitative fixed income strategies were adjusted 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

There was no FOMC meeting in August, but markets moved to price in significant easing by year-end as economic data showed further evidence of weakness in the US economy. The July jobs report, weighed down by significant downward revisions, undershot expectations and pointed to a labour market losing momentum. July's inflation data also came in softer than expected, with headline CPI up 0.2% and core CPI 0.3%, while core goods prices excluding autos rose 0.2%, indicating that tariff pass-through is ongoing but subdued. ISM surveys signalled slowing activity, and wage growth moderated alongside broader economic cooling. Chair Powell reiterated that the Fed remains firmly data-dependent and is particularly cautious on inflationary pressures stemming from tariffs. Political scrutiny is also intensifying, with President Trump signalling support for a more dovish Board in upcoming appointments, fuelling speculation that the Fed could shift to an easier policy stance sooner than previously anticipated.

Australia

August saw the RBA deliver a 25bp cash rate cut to 3.60%, marking the first reduction in several months. The decision reflected a continuation of softening in domestic activity, with labour market indicators showing early signs of moderation and inflation remaining benign. Market pricing now signals expectations for an additional 25bp of easing before year-end, with a further 25bp cut anticipated in 2026. The RBA emphasised a cautious, data-driven approach, balancing the need to support household spending and business investment while maintaining credibility in its inflation-targeting framework. Forward guidance suggests that future moves will remain contingent on the trajectory of employment, wage growth, and underlying inflation pressures.

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.

Find out more:

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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 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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