Ellerston Global Mid Small Cap Fund

Ellerston Capital

Monthly Report as at 28 February 2026

APIR Code: ECL8388AU, ECL3306AU | ARSN 609 725 868

Concentrated portfolio of global mid small cap securities, built through a contrarian, high conviction, and benchmark independent approach.

Targets companies which the Portfolio Manager feels are in a period of "price discovery" and which offer an attractive risk/reward dynamic.

Aims to outperform the benchmark with a focus on risk management and capital growth.

Performance Summary - Class A

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)^^
Net^	1.2%	2.7%	16.5%	12.2%	7.0%	11.2%
Benchmark*	2.3%	-0.3%	6.9%	13.0%	10.0%	10.6%
Alpha	-1.1%	3.0%	9.6%	-0.8%	-3.0%	0.6%

Performance Summary - Class B

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)^^^
Net^	1.2%	2.7%	16.5%	12.2%	7.2%	9.8%
Benchmark*	2.3%	-0.3%	6.9%	13.0%	10.0%	11.4%
Alpha	-1.1%	3.0%	9.6%	-0.8%	-2.8%	-1.6%

^ The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.
** MSCI World Mid Cap Index NR (AUD).*
^^Class A inception is 28 February 2017. ^^^Class B inception is 18 August 2020.

Key Information

Portfolio Manager(s)	Nick Markiewicz
Investment Objective	To outperform the benchmark by 3% over a 5-year rolling period.
Benchmark	MSCI World Mid Cap Index NR (AUD)
Liquidity	Daily
Target Number of Holdings	20-40
Minimum Investment	Initial - $25,000 Additional - $10,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	0.75% p.a.
Performance Fee[1]	10.00%
Buy/Sell Spread	0.25% / 0.25%
Class A Unit Prices & Fund Size	Application – $1.7565 Net Asset Value – $1.7521 Redemption – $1.7477 Fund Size – $29,125,220
Class B Unit Prices & Fund Size	Net Asset Value – $1.4813 Redemption – $1.4776 Fund Size – $30,332,929

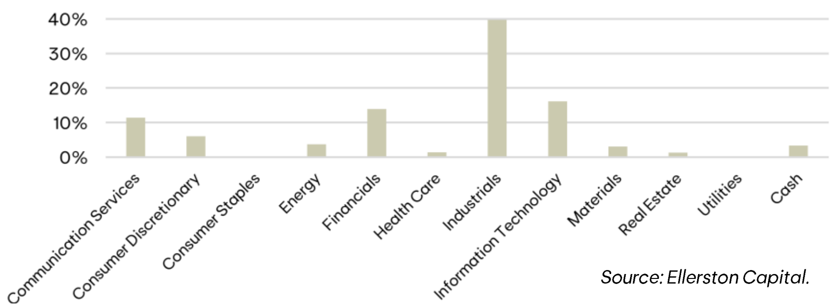
[1]Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
AerCap Holdings NV	Industrials
Clean Harbors, Inc.	Industrials
Corpay, Inc.	Financials
GFL Environmental Inc	Industrials
TKO Group Holdings	Communication Services

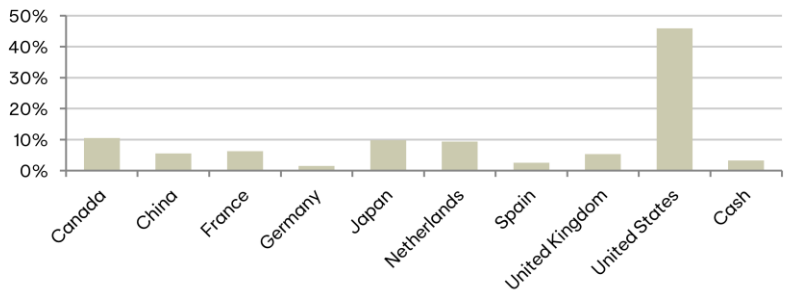
*Source: Ellerston Capital. *In alphabetical order.*

Sector Allocation



Source: Ellerston Capital.

Regional Exposure



Source: Ellerston Capital.

FUND PERFROMANCE

The Ellerston Global Mid Small Cap increased +1.2% (net AUD) in February relative to the MSCI World Mid Cap index increasing +2.3% (AUD). Over 12 months, the fund has increased +16.5% (net AUD) compared to the index up +6.9% (AUD).

MARKET COMMENTARY

In the US, February saw a substantial broadening of the recent rally, with the S&P Midcap 400 USD up +4.1% and S&P500 equal weight USD index increasing +3.5%. Flows into smaller companies were likely also helped by the very weak performance of the 'Magnificent Seven', which fell -7.3% over this period.

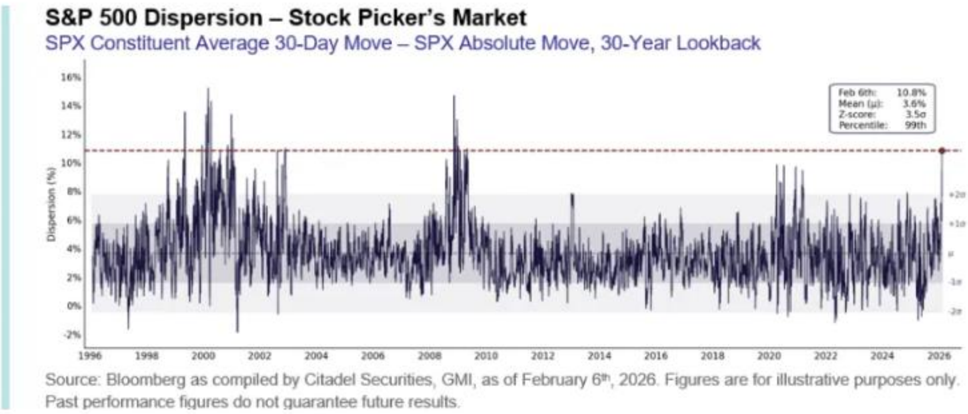
This dispersion in performance was led by two factors. Smaller companies rallied on strengthening forward US industrial production indicators, which point to potentially higher economic growth and more favourable trading conditions – though clearly the growing conflict in Iran may challenge this assumption.

At the same time, large tech companies sold off on AI concerns, particularly around ramping capital expenditure, with the recent results season showing continued increases to forecast 2026 spending plans. Amazon, for example, plans to spend USD$200b in capital expenditure this year alone – this is 4x its total 2023 spend, and more than forecast operating cashflow for 2026. The recent weakness in these names either signals concerns around future returns on this spend, or perhaps for some, a fundamental degradation of the free cashflow, and thus perceived 'quality' of these businesses.

Paradoxically, while the market remains concerned about the health of larger companies and their AI spend, at the same time, the market continues to somewhat believe in the future efficacy of this spend, as businesses with perceived AI risk continue to remain volatile. The Morgan Stanley software index for example fell a further 12% through February, and at the time of writing, is down 25% from its highs. On the other side of the ledger, companies with "Heavy Assets and Low Obsolescence" ('HALO') such as infrastructure and utilities enjoyed significant re-ratings on lower perceived AI risk.

This broad-based uncertainty around future winners and losers is creating volatility and dispersion (e.g stocks moving very differently from each other) at near record levels – in the 99th percentile over the last 30 years – similar to the GFC and dot-com bubble. Importantly, this dispersion is evident between different sectors as well as within certain sub-sectors.

This is an important development for investors, and if it continues, signals a significantly different market 'regime' from previous periods. Investing environments like this result in large bifurcation between stocks and sectors, higher alpha generation from individual 'winners' and significant alpha destruction from 'losers'.



The environment, however, remains fluid. For example, e-commerce names have rallied sharply in recent days since OpenAI removed it's 'Instant Checkout' feature from ChatGPT, with purchases now through third-party apps built inside ChatGPT, or routed to a retailers own website – reducing the (near term) risk of AI disintermediation for e-commerce names.

We continue to see the portfolio as well placed in this market, owning a mix of businesses with 'fixed assets' that we believe are difficult to displace, structural growers, as well as businesses we perceive to be AI beneficiaries. In addition, given the aforementioned volatility and dispersion in the market, we have initiated a number of new positions as opportunities have presented themselves (discussed below).

PORTFOLIO CONTRIBUTORS/DETRACTORS

SharonAI Holdings (SHAZ-US) increased 50% from the fund's holding valuation following it's listing on the Nasdaq. SharonAI is one of the few Nvidia cloud partners in Australia, with attractive power, financing, and customer opportunities. If realised, we believe the company is likely to grow earnings significantly. The company is expected to complement its US listing with an Australian IPO in the coming months.

Mastec (MTZ-US) increased 24% through the month. MTZ is a leading North American infrastructure engineering and construction company that builds and maintains communications networks, power transmission and distribution systems, natural gas pipelines, and renewable energy facilities. The reported 4Q25 results were strong, with continued backlog growth and healthy book-to-bill ratios across most of the business.

Galaxy Digital (GLXY-US) declined 27% through the month, effectively erasing the gains from January. Galaxy Digital is a diversified financial services firm focused on digital asset trading, with a significant 800MW AI data centre development as well. In January, the company's Helios data centre campus received approval for an additional 830MW of power from the Texas grid, which doubled its capacity. The stock fell after the result as we believe the market was disappointed that a new tenant for the 830MW of new capacity had not been secured – despite grid power remaining in severe shortage and these contracts typically taking months to sign.

NEW POSITIONS

In February we initiated a new position in **Circle Internet Group (CRCL-US).**

Circle is building the world's largest, most widely used stablecoin. Use cases for stablecoins are expanding dramatically through government and institutional adoption, as well as AI use cases.

Circle issues USDC, a US dollar-pegged stablecoin, and earns revenue primarily by investing the cash reserves backing that supply in short-dated US Treasuries and money-market funds - essentially collecting net interest margin on a float that scales with USDC circulation. It is now diversifying into transaction-based revenue through its payments network (CPN), cross-chain infrastructure (CCTP), and the Arc L1 blockchain. Circle's USDC stablecoin already has 30% global share of the stablecoin market cap which is currently just over $300bn, and predicted to reach $1t in the coming years.

While stablecoins represent a new and unfamiliar investment theme, we note the company is GAAP profitable, asset light, carries almost $2.5bn of net cash on its balance sheet, generates strong free cash flow and trades on an undemanding multiple relative to its growth. The business has several catalysts ahead with the pending resolution of the Clarity Act in the US providing a potential structural uplift in adoption and earnings.

Why did we buy it recently? The key bear case on Circle has been that it earns the majority of its revenue from interest income associated with US treasuries held to underpin its stablecoin peg to the US dollar. While this is true, the most recent quarter showed that accelerated USDC adoption velocity has trumped yield declines. For example, in the fourth quarter, investment yield declined from 4.5% to 3.8%, however revenue grew 77% as USDC in circulation increased 72% to >$75bn and other revenue associated with its digital infrastructure offerings grew dramatically. The recent spike in yields following the Iran conflict is a nice added bonus for the business, but secondary to why we started a position.

We had been following Circle for some time and found this quarter's demonstration of its business model and decline from its high of $260 down to recent lows of ~$50 to be an attractive entry point.

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.

Contact Us

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Find out more:

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All holding enquiries should be directed to our registry, Automic Group on 1300 101 595 or ellerstonfunds@automicgroup.com.au.

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