Ellerston Equity Income KIS Fund

Ellerston Capital

Monthly Report as at 30 April 2026

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	FYTD 2026	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^^
Income pre-franking[1]	0.0%	3.0%	5.3%	9.7%	8.1%	10.6%	8.1%
Capital[1]	1.0%	-18.8%	-11.0%	-13.0%	-8.9%	-8.4%	-3.2%
Fund Net Return^	1.0%	-15.8%	-5.7%	-3.3%	-0.8%	2.2%	4.9%
Benchmark**	2.2%	-1.2%	4.2%	10.1%	9.7%	8.4%	8.6%
Alpha (pre-franking credits)	-1.2%	-14.6%	-9.9%	-13.4%	-10.5%	-6.2%	-3.7%

[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

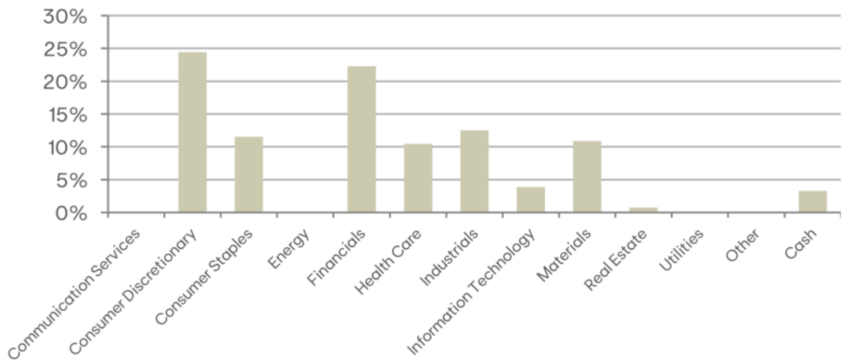
Portfolio Manager	Chris Kourtis
Investment Objective	To provide investors with returns and income growth greater than the Benchmark over rolling five-year periods.
Benchmark	S&P/ASX 200 Accumulation Index
Liquidity	Daily
Target Number of Holdings	30-40
Minimum Investment	Initial investment - $10,000 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]	Recommended

[1]Of the investment return above the Benchmark, after recovering any underperformance in past periods.
[2]Lonsec Rating reassigned 21 October 2025.

FY26(e) Key Portfolio Metrics	Fund	Benchmark
Grossed Up Dividend Yield (%)	5.7	4.5
Dividend Yield (%)	4.5	3.4
Price/Earnings (x)	12.6	18.4

Source: Ellerston Capital.

Sector Allocation



The Team

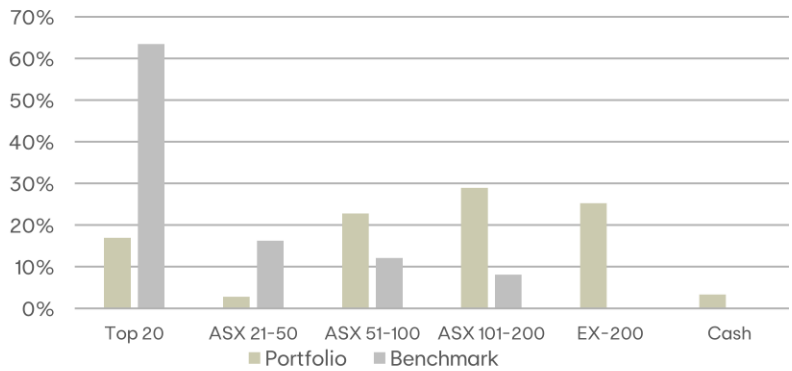
Chris Kourtis
Director & Portfolio Manager

41 years of industry experience.

Stephen Giubin
Senior Investment Analyst

38 years of industry experience.

Exposure by Market Capitalisation



Source: Ellerston Capital.

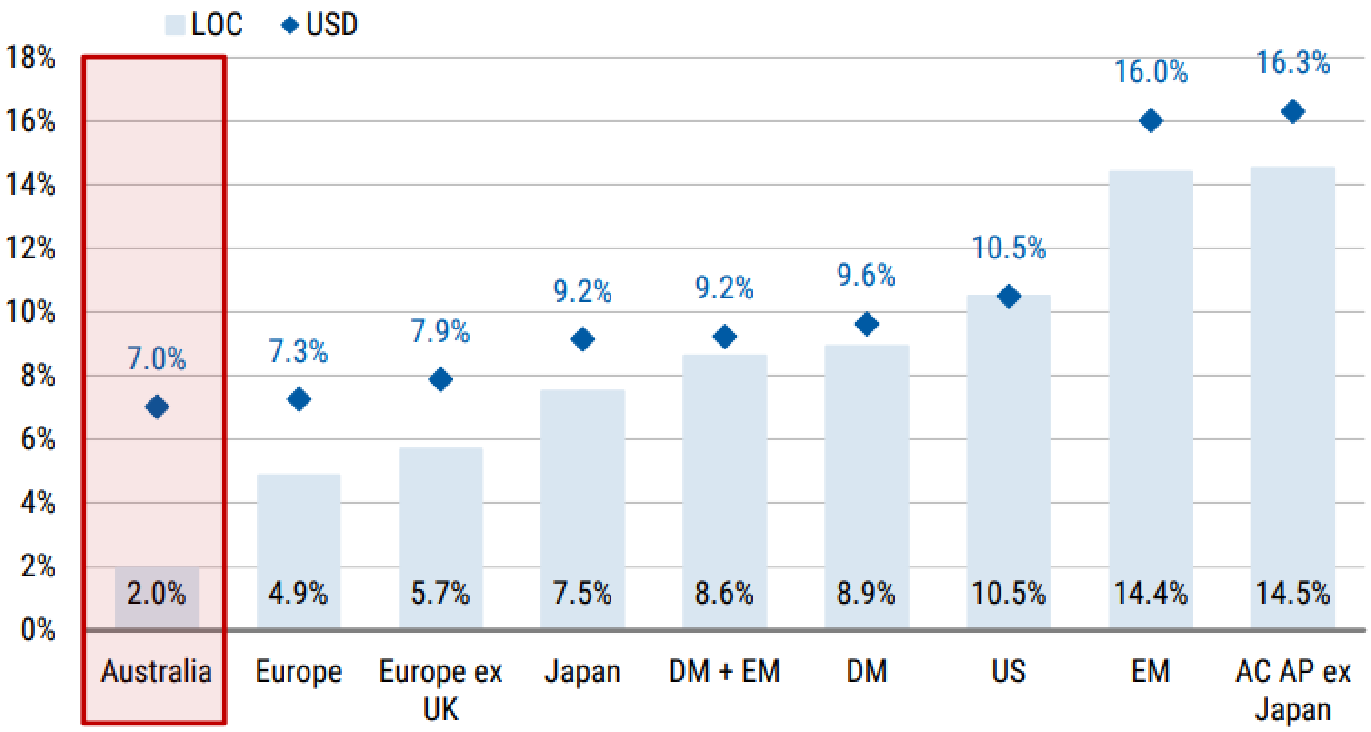
Top 5 Holdings*
Aristocrat Leisure
Cleanaway Waste Management.
Domino's Pizza Enterprises
Perpetual
Treasury Wine Estates

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

MARKET OVERVIEW

Following steep falls in March, April marked a sharp about-face, with global equity markets rising strongly, Australia being the exception. The turnaround was driven by AI mania, a strong start to the US earnings season and Korean and Japanese tech stocks rallying hard during the month, despite the background of the war in Iran. The MSCI Emerging Markets Index trumped the Developed Markets by rising +13.3%, which compared to the MSCI World Index finishing up +8.9% (net), in local currency terms. The S&P 500 performed even better, delivering a solid +10.5% return. Within the MSCI World Index, not surprisingly, Information Technology (+17.3%) saw the largest upside move, narrowly followed by Communication Services (+16.2%). Energy (-3.1%) and Health Care (-0.9%) were the major underperformers. Closer to home, the S&P/ASX200 Accumulation Index after rallying hard through the first half of April (+6.0%), finally closed only +2.2% higher, materially lagging its developed global peers. Australia's heavier exposure to cyclicals contrasted with the U.S. whereby technology and growth stocks dominated their benchmark returns, leaving the ASX more vulnerable as inflation concerns and RBA policy risk re-emerged towards month end. Information Technology (+13.2%), Real Estate (+8.1%) and Materials (+4.3%) drove the gains domestically, whilst Health Care (-8.7%), Consumer Staples (-4.1%) and Energy (-2.7%) were by far the worst performers.

MSCI Global Country/Regional Indices Performance for April



Source: Morgan Stanley

USA

The US Federal Reserve April meeting resulted in a third consecutive decision to keep rates on hold. Surprisingly, outgoing chairman Jerome Powell stated that he will "not leave the board until the investigation is well and truly over with transparency and finality". So, it looks like he will stay on as a Fed governor, casting a shadow over incoming chairman Kevin Warsh. More importantly, the Fed's decision to keep rates on hold arrived with three dissents from Fed officials, who believed that the risk of inflation should have forced it to ditch its current bias towards rate cuts. As a result, there is a higher probability of rate hikes later in CY26. Whilst elevated oil prices, the Middle East and the Fed have been huge talking points, a massive rally has seen Wall Street shrug off the damage from the Iran war energy shock. Instead, the key focus is almost entirely on the momentum of the AI infrastructure boom and capex rollout. US reporting season to date has continued to deliver better than expected results and macro indicators showed broad resilience in the economy. With 68% of the S&P

500's market cap having reported, the Q1 expectations were for revenues to grow 10.6% and EPS +27.0%. Tech has been the main driver, providing 2/3 of the 27% EPS growth and that's without NVIDIA (not reporting until 20 May). Of the Mag 7, the best stock performers in April have been Alphabet (+33%) and Amazon (+27.3%). The underperformers failing to beat the Nasdaq return of +15.3%, have been NVIDIA (+14.4%, yet to report), Microsoft (+10.2%), Apple (+6.9%), Meta (+6.9%) and Tesla lagging (+2.7%).

In the wash-up, the NASDAQ Composite index finished up +15.3%, closing at an all-time high and recording its best monthly performance in six years. It was trailed by the small cap Russell 2000 Index (+12.2%), the S&P 500 (+10.5%) and the Dow Jones Industrial Average (+7.2%), with every index hitting all-time highs. The best performing sectors on Wall Street were Communication Services (+18.5%), Information Technology (+17.5%) and Consumer Discretionary (+11.7%). Conversely, the worst performers were Energy (-3.5%), followed by Health Care (-0.4%) and Utilities (+2.1%).

Europe

Despite posting strong returns, Euro-zone markets underperformed global peers in April, with the Euro STOXX50 Index up +6.2%. As expected, the ECB kept its key interest rate steady at 2% for a seventh consecutive meeting. However, amid renewed fears of rising inflation due to higher energy prices and weak growth alongside sticky inflation, stagflation concerns remain front and centre by investors, with markets now pricing in up to three interest rate hikes in 2026. Among the major exchanges, Germany's DAX rose +7.1%, France's CAC 40 was 4.9% higher and the FTSE 100 was the laggard at +2.3%.

Asia

China's 1Q GDP growth beat expectations as sequential growth accelerated to 5.3% QoQ, pushing its YoY growth to 5% YoY, even against a high base of 4.5% in 4Q. With the 1Q reading, policy makers seem to have greater confidence in achieving this year's growth target: "4.5-5% growth, in practice we aim to achieve a better result". Deflationary pressures eased significantly in 1Q. The GDP deflator recovered to around 0% YoY (vs -0.7% in 4Q) and on a seasonally adjusted sequential basis, turned positive. Growth has been supported by solid export growth (15% YoY), improving retail sales (2.4% YoY), and a turnaround in FAI growth to 1.7% YoY, from the sharp decline in 4Q. On the production side, 1Q industrial production growth accelerated further (6.1% YoY), while service production growth held up. Overall, the picture of robust external demand against weak domestic activity remains intact, so policy is likely to maintain the supportive tone set at the March NPC, with no major new easing measures, unless required.

South Korea's KOSPI was the clear winner, doing a complete U-turn, surging a massive +30.6% in April, its biggest monthly gain since 1998. It was powered by the twin tailwinds of artificial intelligence mania and explosive profits from index heavyweights such as Samsung Electronics' record $38.5 billion quarterly profit. Similarly to Korea's KOSPI drivers, Japan's Nikkei 225 rose +16.1%, setting an all-time index high of 60,537, albeit temporary but the highest monthly close ever. The Nikkei set a record on April 27 for the first time, driven by AI (AI/semiconductors/data centre) growth, earnings and corporate reforms. Korea and Japan were followed by India's SENSEX (+6.9%), China's SSE (+6.4%), with the Hang Seng (+4.1%), the laggard.

Commodities

Commodities continued to be impacted by the events in the Middle East. The Brent crude oil price saw continued upward pressure, ending the month +9% to $114/barrel, caused by the Iranian shutdown and the subsequent US barricade of the Strait of Hormuz (SOH). Iron ore was steady at US$108/t, coking coal eased -3% to US$231/t and thermal coal fell 6% to US$134/t, after its strong +22% rise in March. Base metals were generally stronger, with Nickel on a tear of +14%, due to the supply of sulphuric acid being hampered by the closure of the SOH, forcing producers to cut output. Copper was 5% higher and aluminium remained elevated following its March +14% surge because of damage caused by drone hits on two large smelters in the UAE and Bahrain. Spodumene prices were up 13%, with the announcement of further supply issues in Africa and the bullion price were marginally down 1% to close at US$4618/oz (A$6414/oz) on the higher oil prices, inflationary pressures and interest rate concerns.

Bonds

Global bond yields edged higher in April, in response to the inflationary energy price shock caused by war in Iran and supply disruptions in the Gulf States, with US 10-year bond yields nudging 10bp higher to 4.39%. The Australian 10-year bond yield rose commensurately by 11bp to 5.08%. The A$ appreciated by 4% to US$0.72 this month, driven by the high likelihood of a further RBA hike in May.

Australia

On the domestic front, the RBA is expected to raise rates again by another 25bp when it meets on 5 May, given the strong employment number and March quarter inflation print, but the board is likely to be split. The rise would lift rates to 4.35%, returning the official cash rate to its prior peak.

April proved to be a tale of two halves for Australian equities, with a strong global-led rally early in the month giving way and fading towards month-end, as a few unexpected downgrades (COH), inflation and policy risks re-asserted themselves. The S&P/ASX 200 powered through the first half of April (+5.9% as of April 15), keeping pace with the relief rally in equity markets abroad which followed tentative de-escalation headlines in the Middle East and improved investor sentiment. Investors initially rotated back into cyclicals amid a strong global risk-on environment, rebounding commodity prices and short-covering following the March energy shock. However, the Australian market was unable to maintain this early momentum, ultimately finishing the month well off its highs and retracing -3.5%, closing at 8665.8, +2.2%. The S&P/ASX 200 TR of 2.2% materially underperforming major global indices in local currency terms, which continued to grind higher. Information Technology (+13.2%) was the best performing sector, driven by Codan (+33.3%), NEXTDC

(+27.8%) and Megaport (+26.3%), followed by Real Estate (+8.1%) and Materials (+4.3%). Health Care (-8.7%) was the worst performing sector, dragged down by a shocking Cochlear downgrade which stunned investors (-44.4%), 4DMedical (-27.9%) and CSL (-11.7%). Consumer Staples (-4.1%, with a2 Milk -26.0% after a downgrade) and Energy (-2.7%) fared poorly.

In April, the top 5 stocks that made a positive contribution to the Index's return were BHP (+62bp), Macquarie Group (+43bp), CBA (+40bp), Goodman Group (+30bp) and PLS Group (+10bp). These collectively contributed +185bp of the ASX200 performance of +218bp, hence all the other stocks contributed a measly 33bp. Conversely, the bottom five stocks detracting from the Index's performance were CSL (-29bp), Cochlear (-18bp), NAB (-161bp), Westpac (-11bp) and Woodside Energy (-10bp). The ASX Small Ordinaries outperformed the ASX200, delivering a total return of +3.3%, with the help of the Small Resources, up +5.0% and the Small Industrials returning +2.5%.

COMPANY SPECIFIC NEWS

The Market Hits

ZIP Co (ZIP +56.8%)

ZIP delivered a completely unexpected quarterly beat on earnings, with a fully controlled cost line, an upgrade to its 2026 guidance and importantly, the much-watched BDD line was flat vs bearish sell and buy side expectations. Key features of the update included; 1) Record 3Q26 Cash EBTDA of $65.1m, +42% YoY and ahead of market expectations that sat in the low 60's. Effectively, Zip has now grown earnings in almost every quarter in the past three years; 2) BDD was 1.9% of TTV, with USA flat QoQ (and down in $ terms) and ANZ was down QoQ to 3.19% (receivables); 3) Revenue yields were strong, with the USA at 7.33% (TTV), and ANZ at 19.4%. Alongside ZIP's reduced funding costs tailwind and a much better BDD trend in the US, this drove management's upgrade, with FY26e now expected to be $260m plus, vs. 2H flat on 1H (which implied $248.6m). The update was very well received by the market.

Liontown (LTR +38.2%)

LTR benefitted from the 13% further strengthening in spodumene prices to US2,660/t, the highest level since September 2023. LTR had up until now, lagged its peers which have much lower unit costs, so the higher prices above U$2,000 for the CYTD, driven partly by supply issues in Africa, have made investors more comfortable at current nosebleed valuation levels, helping LTR with its higher financial and operational leverage.

Codan (CDA +33.3%)

CDA develops reliable electronics solutions for government, corporate, NGO and consumer markets worldwide, with its technologies including Metal Detection and Communications. CDA delivered a strong trading update, with profitability trading above expectations in 2H26. Comms was the primary driver of the upgrade, expecting to hit the top end of its 15.2% revenue guidance and 2H26 Detection Revenue is now anticipated to exceed the first half. Management are guiding to FY26 EBIT of ~$235m and NPAT of ~$170m, a 10-11% beat vs. consensus estimates. CDA closed up 15% on the day after the announcement.

NEXTDC (NXT +27.8%)

NXT reported a sharp uplift in contracted capacity, with contracted utilisation up 250MW, bringing pro forma contracted utilisation to 667MW (+60% since 31 December 2025) and its forward order book to 544MW, underpinning over $1bn of estimated EBITDA from existing contracts, once MWs convert to billing from FY26 to FY30. FY26 capex guidance was lifted by $300m to a range of $2.7-3.0bn, while FY26 revenue ($390-400m) and EBITDA ($230-240m) guidance were unchanged. To fund growth, NXT announced a ~$1.5bn fully underwritten entitlement offer equity raise at $12.70/share and increased its hybrid securities offer by $700m to A $1.7bn. Post-raising, forecast capex to June-27 is now fully funded, with pro-forma liquidity of ~$5.9bn, with further funding options under consideration. Investors had no hesitation putting more money into the kitty, making hay while the sun shone on the AI juggernaut.

Megaport (MP1 +26.3%)

MP1 is a network-as-a-service (NaaS) company offering carrier-neutral, SDN-based elastic interconnection services. MP1 announced that it had won an A$11.8m ARR compute and storage contract by its recently acquired Latitude.sh business, with a US-based developer tooling company. The contract extended to a 3-year duration and was set to commence in 1H FY27, coupled with a A$17.2m capex uplift to service the contract. MP1 also reaffirmed its FY26 revenue guidance of $302-317m and EBITDA at 21-24% of revenue. Globally, April has been a better environment for software companies post the brutal 18 months "SaaS Apocalypse" that saw over US$1 trillion in market value erased, particularly during the sharp Q1 2026 sell off. MP1's good news was amplified by this month's rebound in SaaS companies.

The Market Misses

Cochlear (COH -44.4%)

COH totally stunned the market with its April update on trading conditions by lowering its FY26 earnings guidance by a staggering ~30%. A laundry list of; weak trading conditions in developed markets, uncertainty about Middle East revenues, a stronger Australian dollar, structural pressure in overburdened European health systems, lower overhead recoveries, restructuring costs and reimbursement headwinds in China all drove the FY26 downgrade. Despite the vast underpenetrated adult market and the first new implant in 15 years, COH's US unit sales actually declined late in the March quarter. This was an unexpected shock to sell-side analysts and investors who previously had COH's 18% NPAT margin target in their sights, which now looks just like a pipe dream. Post the management conference call, COH shares continued to fall through the whole trading session, sliding -40.7%, (wiping out $4.5bn of market cap), with the shares closing at a 10-year low! That size of price implosion is unprecedented for such a big cap blue chip, so no doubt potential class actions could follow.

Orora (ORA -30.5%)

In a disappointing trading update, ORA downgraded its Saverglass EBIT guidance for FY26 by 17% to €63-68m at the mid-point, from 'broadly in line' previously. With ORA maintaining EBIT guidance for its Cans (higher YoY) and Gawler (A$30m) businesses, analysts quickly forecast that at the group level, EBIT guidance would need to be lowered to A$250m, or 8% below prior guidance (assuming spot AUD:EUR of 0.60) and ~10% below current consensus. Given the ongoing Middle East uncertainty, the ORA board also decided to pause its recently active on-market buyback programme but still expected leverage (ND/EBITDA) to remain below its 1.5x-2.5x target range by end June 2026. ORA emphasized that the 'indirect' impact of the Middle East conflict drove weaker customer confidence, leading to a combination of lower than anticipated volumes and importantly, a negative mix shift toward lower margin wine and champagne (+8ppt YoY to ~60% of 2H26 SVG volume) and within-category spirts downtrading. Notably and certainly upsetting investors, ORA's revised Saverglass guidance excluded the 'direct' impact of a €9–11m EBIT hit from the suspension of its RAK bottling production facility in the UAE (ongoing energy consumption, staff retention and other fixed costs) which was to be treated as an accounting significant item. Consensus FY26/FY27/FY28CL EPS were subsequently slashed by -15%/-22%/-22%, respectively. Furthermore, not helping sentiment towards month end, peer O-I Glass in the US also announced a large 25-30% downgrade vs. consensus, now guiding to 2026 EPS of $1.00-1.50/share (previously: $1.65-1.90; cons: $1.70/share). O-I citied higher global energy costs and additional pricing pressure in Europe, with the release also noting that its new guidance may not fully reflect the impacts of ongoing macro uncertainty. Both stocks were smashed.

4DMedical (4DX -27.9%)

Following significant price appreciation in the lead up to 4DX's debut inclusion to the ASX200 index mid-month, the shares subsequently sold off. 4DX is a Melbourne based technology company developing revolutionary lung and respiratory software with advanced imaging and AI. The company recently announced a new contract to supply its proprietary CT:VQ technology to the Mayo Clinic in Florida for the purposes of evaluating its breakthrough software, with Mayo being one of the leading tertiary medical institutions in the United States. Consistent with other hospitals, pulmonologist's are expected to utilise this software to bypass radiologist and conventional nuclear medicine for the purposes of patient work-up in planning for complex surgical interventions. These are often associated with revenues measured in the tens of thousands of US$. The CT:VQ exam, along with other exams in the 4D medical product suite, can take weeks off medical work timetables, as well as providing crucial new data on lung functions, both pre and post-surgery. Mayo became the sixth leading U.S. Academic Medical Centre to adopt CT:VQ, following Stanford University, Miami and others, with key terms being fee for service on each examination. This new contract with Mayo followed initial engagement at the December 2025 RSNA conference, and the speed of turnaround from introduction to contract looks impressive (at just 4 months). The ongoing adoption of CT:VQ by leading academic centres in the US is another validation of the clinical relevance of the technology. During the month, GSK and 4DX also announced that they had agreed to terms on a contract whereby data from the 4DX product suite would be used to aide quantitative assessment of lung structures across GSK's clinical trials. GSK is one of the largest drug developers of respiratory medicine globally. These and other key contracts are expected to transform into meaningful revenue generators and growth over the course of 2027/28. 4DX, which has raised ~A$233m in new capital over recent months with very modest dilution, remains well funded to pursue its commercialisation ambitions. However, in the short term, the share price which had gone absolutely ballistic, took a well-earned breather.

The a2 Milk Company (A2M -26.0%)

A2M gave a trading update on its supply chain and earnings outlook in relation to its infant milk formula (IMF) business in China. Demand remained strong, but A2M was negatively impacted by freight availability and higher costs and slower testing / clearance times into China, given recent product issues and recalls with other IMF brands. A2M already had a significant backlog of unfilled purchase orders from Synlait Milk which it had previously highlighted, given manufacturing issues in the South Island and the company had recently sold its North Island plant. As a result, A2M will miss its previous FY26 guidance of ~15% uplift, with revenue growth now at 10-15%, resulting in lower margins at 14.0-14.5% (15.5-16.0% previously) and NPAT downgraded by ~10%. A2M fell 13% on the day of the announcement. This uncertainty, given historically with A2M's reliance on supply chain partners and distributors to access key markets, raised concerns that lost sales are unlikely to be regained, which saw its stock price continue to fall for the rest of the month.

Temple & Webster Group (TPW -20.6%)

Online furniture and homewares retailer TPW, which sells through both a capital-light 3rd party drop-ship model and its own inventory-held private label range, surprised shareholders with news that CEO Mark Coulter would become executive chairman, making way for former C-suite executive Susie Sugden to take over the reins as chief executive. Susie is a former TPW executive (Chief Commercial Officer & Chief Marketing Officer between 2016-2020) and is currently MD at Genesis Capital, an Australian private equity firm. TPW closed down 8% immediately after the announcement. TPW's price has been under enormous pressure in recent months, with investors sceptical of the executive team's margin-squeezing growth strategy, as well as its ability to ride out depressed consumer confidence.

FUND PERFORMANCE

April unfolded in two halves as an early, sharp rebound in risk appetite and wave of optimism on Middle East de-escalation hopes swept through global financial markets, driving global equities much higher. However, there was no follow through locally, as domestic inflation fears and RBA risks were repriced. The S&P/ASX 200 Accumulation benchmark materially underperformed other major global indices in local currency terms, grinding higher by +2.2%, with the Fund's return of +1.0% trailing behind.

For the month of April, the Information Technology (+13.2%), Real Estate (+8.1%) and Materials (+4.3%) sectors were the best performers, whilst the Health Care (-8.7%, severely dragged down by the shock 30% downgrade and -44.4% collapse in Cochlear shares), Consumer Staples (-4.1%) and Energy (-2.7%) sectors fared poorly.

The major contributors to this month's Benchmark return were Financials (+102bp, led by Macquarie Group contributing +43bp), Materials (+100bp, led by the BHP's +62bp contribution) and Real Estate (+43bp).

Month of April Attribution

The contributors to the Fund's April performance were overweight positions in Treasury Wine Estates (+16.7%), IPH (+11.3%) and not owning NAB (-3.8%), with the major negative contributors for the month being overweight positions in Healius (-9.8%), Liberty Financial (-4.9%) and not owning any Macquarie Group (+16.4%).

FUND ACTIVITY

Fund activity was relatively subdued in April. We took some profits in Bega Cheese, Dexus and GrainCorp. With the proceeds, we further strengthened Cleanaway given further share price weakness leading up to their strategy day. We also reintroduced three companies that we have previously owned and know well, namely Brambles, Ramsay Health Care and Orora (ORA, after their downgrade and sharp share price fall).

FUND STRATEGY AND OUTLOOK

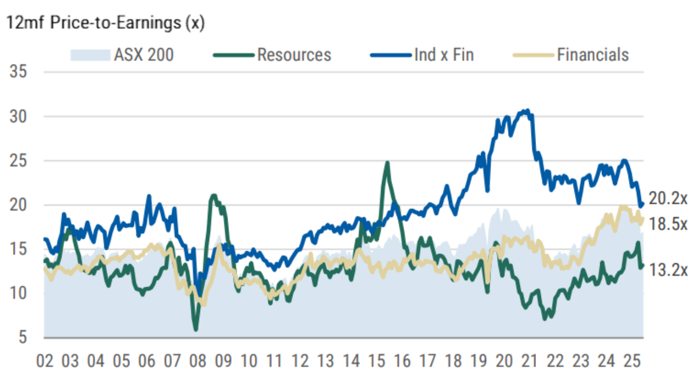
Despite the continued stalemate in on again/off again US-Iran peace talks, global equities shrugged off Middle East uncertainties once the ceasefire and negotiations were floated at the end of March. Despite multiple attempts, little meaningful progress has transpired and the Strait of Hormuz remains effectively closed.

At the time of writing, the US and Iran exchange of fire in the Persian Gulf in a flareup of violence that also drew in the United Arab Emirates, prompted calls for renewed strikes on Iranian targets and has cast doubt on the fate of a four-week ceasefire. The attacks shook a ceasefire that has largely held since going into effect on April 8.

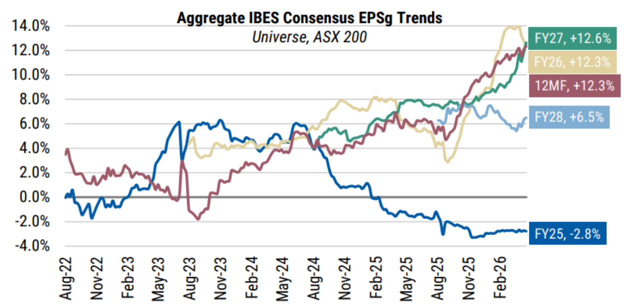
Meanwhile, strong 1Q26 earnings (and earnings outlooks) from the AI supply chain - supported by recent increases in capex guidance by the US hyperscalers - drove material gains in April in the semiconductor-heavy Asian markets Korea (+30.6%), Taiwan (+22.7%), and Japan (+16.1%) to record highs. Australia has clearly been left behind.

Domestically, April saw a modest re-rating, with the forward multiple lifting to 16.8x from 16.4x, driven by slightly higher prices and a softer earnings pulse. Earnings expectations have now turned lower across the forward years for the first time, led by a 2.7% downgrade to FY26, largely reflecting energy impacts by 1.6ppt lower, but with FY27 rising from 10.5% to 12.6%. As a result, valuation support has improved marginally, but earnings risk is re-emerging as the key driver, particularly as sector dispersion increases beneath the index. Updates are coming and with them a heightened degree of earnings risk.

The 12M forward PE of the Industrials ex-Financials at 19.8x



Annual Consensus Earnings Growth

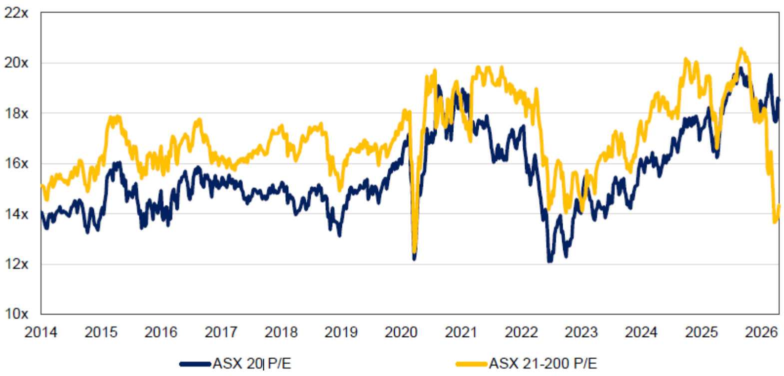


Source: Morgan Stanley.

May will be an interesting month with the RBA meeting likely to deliver a 25bp hike to 4.35%, the level where the RBA mis-stepped and stated cutting rates back in February last year. A week later, the Federal Budget will be handed down and taxes look set to increase, so both are likely to represents a pivotal period for policy. Addressing "intergenerational inequality", especially in housing, the Treasurer looks set to pare back the capital gains tax discount for investors, is likely to make planned changes to negative gearing and has not ruled out lifting the tax on trusts. Not exactly a great outcome for investors and particularly the major banks, given the implications on the property market and lending growth.

An important key issue we continue to grapple with and is highly unique to the Australian market given its index concentration, is the continuous rotation away from Active Managers by asset owners/industry super funds and the migration towards "internal" and passive investments. This structural trend has resulted in Mid and Small Cap positions held by active managers being marked down and conversely, the Top 10 stocks by market cap in the local market being re-rated up and proving incredible resilience during times of extreme market volatility (regardless of valuations and what's happening in the rest of the world).

Top 20 PE versus ex-20 PE



Source: FactSet

These big caps, which we believe are already trading at lofty valuations versus history and given their underlying fundamentals of very modest or zero earnings growth, keep attracting flow. By way of example, with SpaceX's planned US $1.75 trillion IPO fast approaching (no doubt on eye watering valuation ranges) and with Starlink, its fastest-growing satellite internet telecom network being the financial engine, where will Telstra (TLS) be in a few years' time???

Apart from the changes in the Activity Section, as per last month, we continue to hold our true to label, Contrarian and Value biased line, favouring the more attractively priced growth stocks in that cohort such as Aristocrat, which has a pristine balance sheet, continues to deliver on strategy and earnings, yet has been savagely de-rated. The portfolio owns no Tech/IT/Software names (Iress being the exception on valuation grounds), as the sector has been for the past few years trading on ritzy revenue multiples, offering no or little by way of dividend yield. We have historically had a very tiny exposure to the Tech/IT/Software sector. The April local Tech rally saw a rebound in IT/growth stocks which have de-rated materially over the CYTD, but the threat of disruption in business models from AI is real and persists and we continue to sit on the sidelines with regard to WiseTech, Pro Medicus, Xero, SEEK, Carsales, MP1, Life360 and the like. We think the relief rally in this segment could fade quickly and may not be sustainable.

Many of our key holdings, namely Cleanaway, Dominos, Aristocrat, Liberty Financial Group, Treasury Wines, Washington Soul Patts etc., which are still out of favour and completely mis-priced by the market, have strong medium term earnings turnaround potential with material valuation upside capture. New additions to the portfolio, the likes of Ramsay etc are stocks that we contend are good businesses which have historically been badly run/executed poorly, have misallocated capital or are facing short-term headwinds. These are manageable and fixable over the medium term, with these stocks trading at significant deep discounts to our valuations.

For the 2026 Financial Year, the forecast grossed up Dividend Yield for the Fund now sits at 5.7%, superior to the grossed-up Market Dividend Yield of 4.5%.

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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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