Ellerston Global Mid Small Cap Fund

Ellerston Capital

Monthly Report as at end of July 2026

APIR Codes: Class A - ECL8388AU, Class B - 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^	-13.7%	-4.5%	10.9%	9.4%	5.1%	11.0%
Benchmark*	-1.2%	5.4%	6.4%	12.1%	7.7%	10.5%
Alpha	-12.5%	-9.9%	4.5%	-2.7%	-2.6%	0.5%

Performance Summary - Class B

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.)^^^
Net^	-13.7%	-4.5%	11.0%	9.5%	5.3%	9.6%
Benchmark*	-1.2%	5.4%	6.4%	12.1%	7.7%	11.3%
Alpha	-12.5%	-9.9%	4.6%	-2.6%	-2.4%	-1.7%

^ 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 investment - $25,000 Additional investment – $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 – $1.4674 Net Asset Value – $1.4637 Redemption – $1.4600 Fund Size – $27,459,756
Class B Unit Prices & Fund Size	Net Asset Value – $1.2376 Redemption – $1.2345 Fund Size – $26,203,395

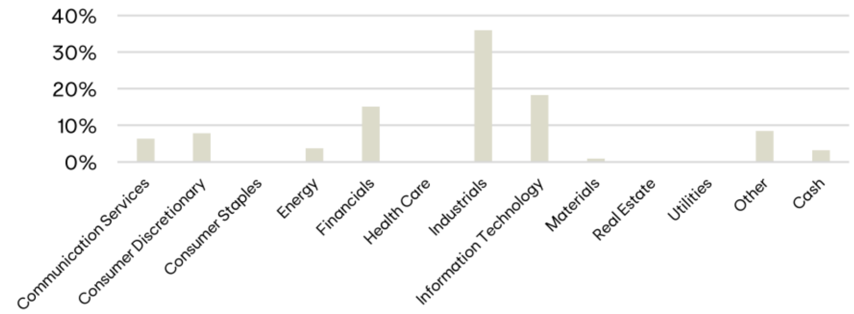
[1]*Of the investment return above the benchmark, after recovering any underperformance in past periods.*

Top Holdings*

Company	Sector
AerCap Holdings NV	Financials
Corpay, Inc.	Financials
GFL Environmental Inc	Industrials
InterContinental Hotels Group PLC	Consumer Discretionary
Nebius Group N.V. Class A	Information Technology

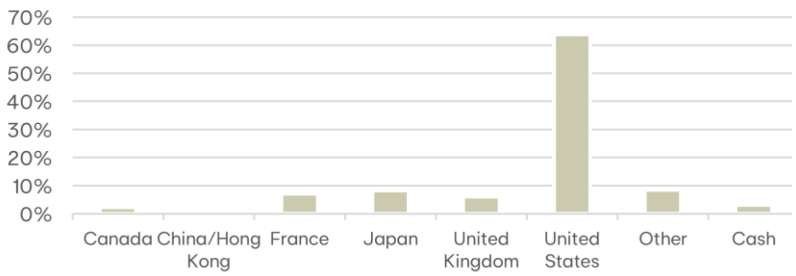
**Top 5 listed holdings in alphabetical order.*
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital.

Geographic Allocation



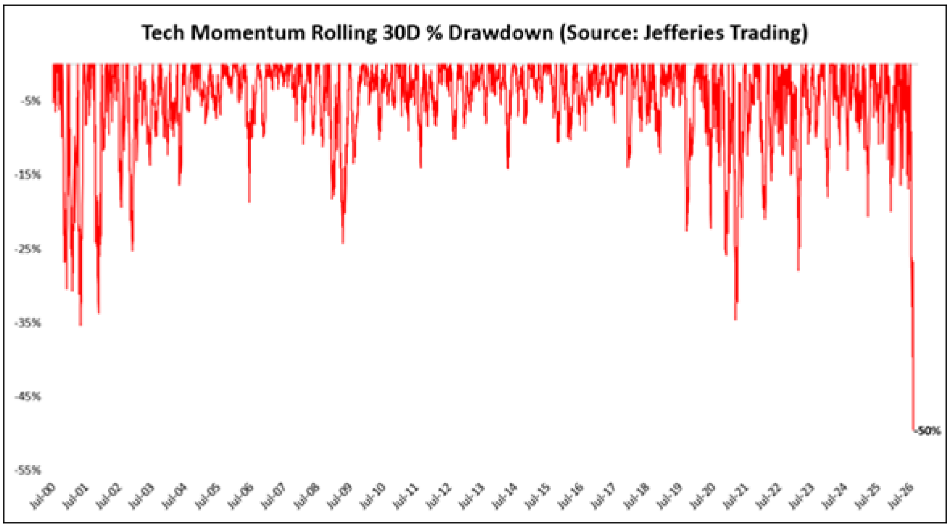
Source: Ellerston Capital.

FUND COMMENTARY

The Ellerston Global Mid Small Cap fund decreased -13.7% (AUD)(Net) in July relative to the MSCI World Mid Cap Index NR (AUD) decreasing -1.2%. For the twelve months to July 2026 the Fund increased +10.9% relative to the index up +6.4%.

Following one of one of the strongest broad-market advances in decades, July delivered a historic drawdown in the momentum factor. Reflecting this, the S&P500 was broadly flat, while the Nasdaq-100 declined 6.6%, and the technology sector down 12.3%. July was essentially the inverse of the prior 12 months, with the narrow AI basket falling significantly, offset by non-AI related stocks increasing.

As with previous months, AI and semiconductors remained the core theme, though for the wrong reasons. The Morgan Stanley Technology Momentum Long Index (a proxy for AI stocks) fell 27% through the month, though the fall was as high as 38% from its June peak to the July trough. This was the fastest and steepest 30-day tech momentum sell-off in history – surpassing even the dotcom bust.



Source: Jefferies

The catalyst for the sell-off initially was news that Meta was aiming to set up a new cloud business to sell 'excess' compute, which the market interpreted as the company potentially being in 'oversupply' – an assumption that has largely been debunked post their recent result. The second catalyst was the widening credit spreads of the hyperscalers, as the market began to question the sustainability of their spending commitments and weak free cashflow as US yields began climbing. The final major catalyst was the release of a new Chinese open-source model named 'Kimi K3', which achieved near frontier performance on many metrics at lower cost – something that should be considered broadly positive for AI demand. Despite this, the Kimi K3 release still triggered another mini "Deep Seek" moment, with AI stocks broadly trading lower, with the concern this time around being the potential impact to frontier lab economics (despite their healthy ARR run-rates), and their ability to meet their growing compute commitments (particularly OpenAI).

Outside of fundamentals, the sell-off was also accelerated by rapid hedge fund deleveraging. This turned into forced deleveraging for a high-profile hedge fund called 'Situational Awareness', with much of its public equity book eventually acquired by Citadel. The fund had a $40b entirely AI focused portfolio at its peak, though we have subsequently learned the fund's public equity portfolio was levered roughly four times (i.e >$120b in gross exposure), with risk amplified by its short book mostly consisting of AI disrupted software companies (essentially the same trade as its long book). The rapid liquidation of this fund meant a high correlation amongst AI stocks as they were indiscriminately sold (i.e little recognition of individual stock traits). The fund's liquidation also had a direct, negative impact on our portfolio given Situational Awareness was a substantial shareholder (>5%) in many of the names that we also hold– NBIS, CORZ and SHAZ to name a few.

What do the underlying fundamentals say?

Given the volatility in the market, it is worth taking stock of where AI fundamentals are tracking. To do this, we track three key items:

- Demand for tokens, the input/output currency of models, which continue to grow exponentially. This would indicate to us that real world 'usage' is continuing apace and also responding positively to the declining price of tokens themselves.
- GPU pricing continues to rise, particularly for older GPU models, suggesting both demand remains in excess of supply, as well as tokens being used for potentially higher value use cases – i.e as models get smarter and can do more tasks, users are incentivised to bid higher prices for tokens/GPUs. Of note is that GPU rental prices continued to rise through July, when the market sell-off accelerated, with recent result commentary from CRWV and NBIS pointing to record pricing expected in the coming 12 months.
- Hyperscaler cloud revenues, as evidenced in the most recent quarterly results, are both accelerating YoY, QoQ with margins growing at the same time. This is a very healthy trend and points to the strong ROIC on sunk capex, and we believe at this level of profitability, the hyperscalers remain incentivised to keep expanding their cloud businesses (i.e spending more money), though within the bounds and graces of the bond market.

All told, we continue to see the most recent drawdown in AI stocks as more driven by technical factors rather than fundamental reasons – with the health of the AI ecosystem continuing to improve. With the 2Q reporting season now concluded for our portfolio, we have also seen this play out in our holdings, with the vast majority of our companies 'beating and raising', and AI related names still guiding to very strong growth in outer years.

Looking ahead, our core AI holdings are largely levered to token demand, not the price of tokens, or the success of an individual model. Producing a token requires a power connection (preferably to the grid), a datacentre shell, and GPUs. If demand for tokens continues at its current rate, the current physical bottlenecks (power, cooling, and data centre capacity) will take many years to resolve. The vast majority our AI portfolio holdings are levered to this specific theme, namely AI cloud (NBIS), datacenters (CORZ, GLXY, HUT, CIFR) and other companies levered to AI capital spend (MTZ, FPS, Anritsu, AAOI).

KEY CONTRIBUTOR

Corpay (CPAY-US) rallied 15% in the month, contributing nearly 100bps to performance. Corpay continues to grow EPS at healthy rates >25% (double the market rate), and trades at 14x 2027 earnings (a significant discount to the market). The company has been a beneficiary of the recent spike in fuel prices, though we would note recent results we very strong, with upgrades to earnings beyond the current macro tailwinds.

GFL Environment (GFL-US) rallied 12%, contributing nearly 60bps of performance. GFL is a North American solid waste and environmental services company, providing collection, transfer, recycling and disposal services across the US and Canada. We continue to see GFL as attractively valued – growing FCF high teens at a low historic multiple. In July, the mgmt. team announced the business is potentially exploring a take private transaction, with the CEO willing to entertain north of $50 per share (vs $41 at the time of writing).

KEY DETRACTOR

Mastec (MTZ-US) fell 37% in the month, detracting 143bps from performance. MTZ is a leading US infrastructure engineering/construction contractor. A large portion of the business is levered to AI through its power, utility and datacentre business lines. The stock fell through month alongside the AI drawdown, as well as at its most recent 2Q results on the back of a small delay in its communications segment (related to spectrum roll outs), with the backlog elsewhere continuing to grow. MTZ has now fallen back to its long-term EBITDA multiple despite EBITDA growth expected to compound at 20% per annum in the coming years.

Nebius (NBIS-US) declined 31%, resulting in a 195bps impact to performance. Nebius is a 'neocloud' that operates contracted cloud capacity for hyperscale customers and AI labs. The most recent results were positive. Revenue continues to accelerate, with the business now generating healthy >50% EBITDA adjusted margins, which we believe are likely to accelerate given higher GPU rental rates, as well as growing sales of high margins revenue streams such as their Inference product and software.

ProPetro Holdings (PUMP-US) declined 23%, detracting 97bps of performance. This was primarily due to PUMP trading as an AI proxy given its growing power business, which aims to service AI data centres with behind-the-meter power. We note the core completions business remains in good health, and continue to see a large opportunity on the power side, both for new and traditional customers.

Find out more:

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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