# Ellerston Global Mid Small Cap Fund

**Monthly Report as at end of September 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^ | 0.2% | -15.0% | 2.2% | 10.8% | 4.3% | 10.7% |
| Benchmark* | -1.1% | -2.4% | 4.4% | 13.2% | 7.4% | 10.3% |
| Alpha | 1.3% | -12.6% | -2.2% | -2.4% | -3.1% | 0.4% |

## Performance Summary - Class B

| Performance | 1 Month | 3 Months | 1 Year | 3 Years (p.a.) | 5 Years (p.a.) | Since Inception (p.a.)^^^ |
|---|---|---|---|---|---|---|
| Net^ | 0.2% | -15.0% | 2.3% | 10.8% | 4.4% | 9.2% |
| Benchmark* | -1.1% | -2.4% | 4.4% | 13.2% | 7.4% | 10.8% |
| Alpha | 1.3% | -12.6% | -2.1% | -2.4% | -3.0% | -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 investment - $25,000<br>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 – $1.4459<br>Net Asset Value – $1.4423<br>Redemption – $1.4387<br>Fund Size – $27,358,105 |
| **Class B Unit Prices & Fund Size** | Net Asset Value – $1.2194<br>Redemption – $1.2164<br>Fund Size – $25,305,293 |

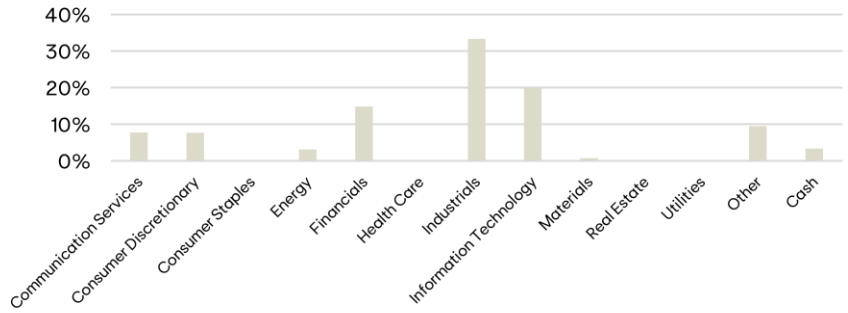
[1]*Of the investment return above the benchmark, after recovering any underperformance in past periods.*

## Top Holdings*

| Company | Sector |
|---|---|
| Clean Harbors, Inc. | Industrials |
| Corpay, Inc. | Financials |
| GFL Environmental Inc | Industrials |
| InterContinental Hotels Group PLC | Consumer Discretionary |
| Nebius Group N.V. Class A | Information Technology |

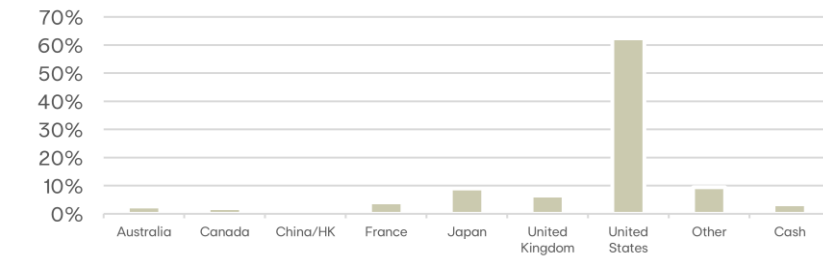
**Top 5 listed holdings in alphabetical order.*
*Source: Ellerston Capital.*

## Sector Allocation




*Source: Ellerston Capital.*

## Geographic Allocation



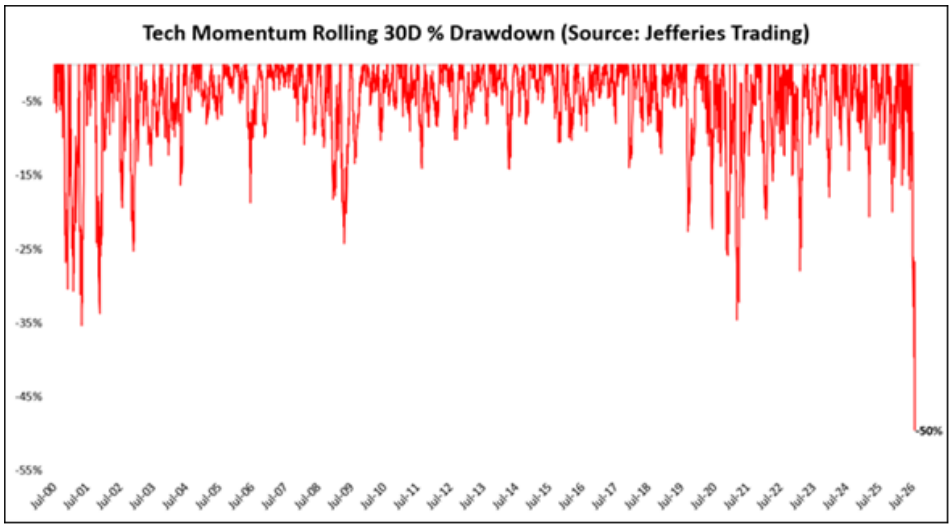

*Source: Ellerston Capital.*

## FUND COMMENTARY

The Ellerston Global Mid Small Cap Fund (the Fund) declined 15.0% net (AUD) in the September quarter vs the MSCI World Mid Cap Index declining 2.4% (AUD). For the twelve months to September 2026, the Fund increased 2.2% net (AUD) relative to the Index up 4.4%.

### Why did the portfolio perform poorly in the September quarter?

The Morgan Stanley Technology Momentum Long Index (a proxy for AI stocks) fell 19% through the quarter, though the fall was as high as 37% 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. This negatively impacted the portfolio given our large weighting to AI related businesses (discussed further below).




*Source: Jefferies*

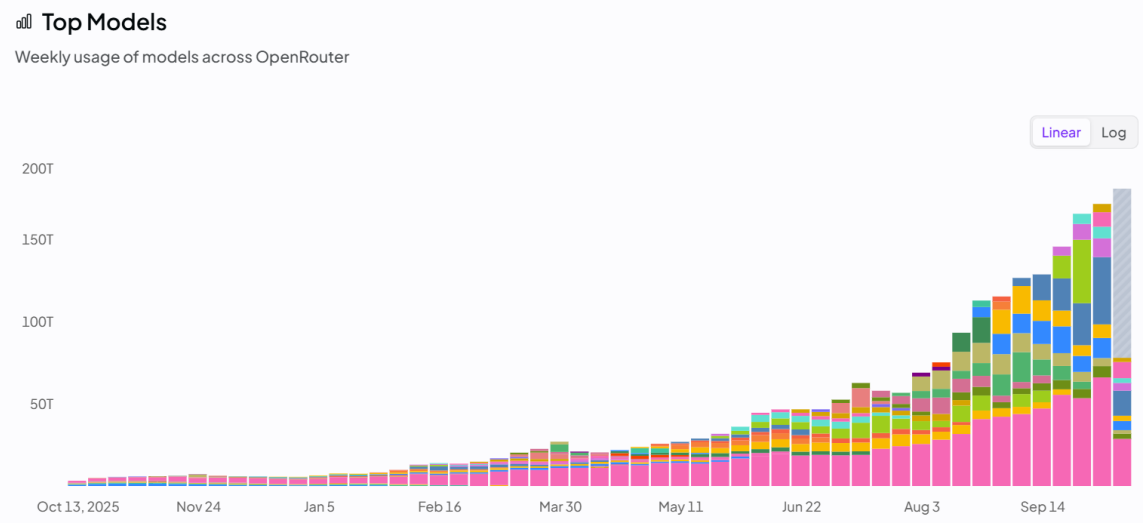
### What drove the sell-off?

- Initially it 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, as well as with rising GPU prices.
- 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. This concern has since spread to other areas of the AI trade, particularly as US yields climbed through the quarter.
- The third 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. This is something that should be considered broadly positive for AI demand, though potentially at the expense of frontier models and their share of AI inference demand.
- Finally, increasing political scrutiny of data centre development in the US has raised the possibility of delays to GPU capacity coming online.
- This was all compounded by rapid de-grossing of hedge funds. Subsequent to quarter end, the rise in US bond yields triggered a further sell down in AI related names on funding fears.

### What do the underlying fundamentals say?

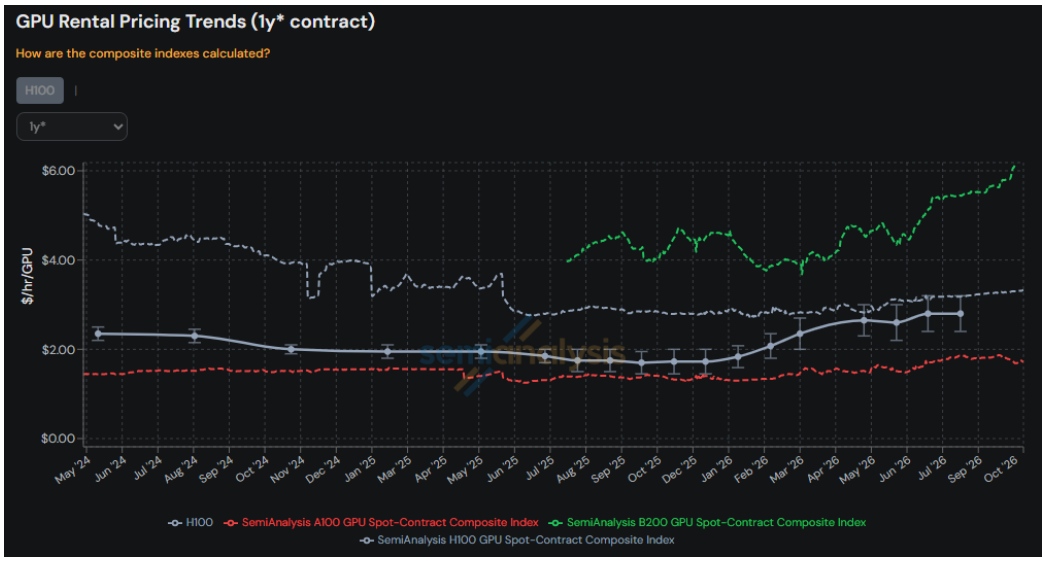
Beyond the weak equity performance and negative headlines, we continue to see the AI story 'on the ground' as constructive:

- **Demand for tokens:** These are the input/output currency of models and continue to grow solidly. This would indicate to us that real world AI 'usage' is continuing apace and also responding positively to the declining price of tokens themselves as well as the launch of new AI products. We would note that many of our AI portfolio holdings (particularly data centres) are driven by demand for power, which itself is driven by absolute token consumption.




*Source: OpenRouter*

- **GPU pricing** continues to rise, for both older and newer GPUs, suggesting both demand remains in excess of supply, as well as tokens being used for potentially higher value use cases. Of note, GPU rental prices accelerated through July, and continued to rise through September and into October, particularly for B200s.




Source: SemiAnalysis

- **Model advancements**: Over the last 6 weeks, frontier capabilities have continued to improve, including the release of Meta's latest model 'Watermelon' as well as 'Muse Wonder Full', as well as OpenAI's 'Astra'. These have all received strong reviews. Other popular applications include REA (Reverse Engineer Anything), which allows agents to recreate software features without access to the original source code, and is now the #1 repository on Github.

- **Healthy 2Q results:** Hyperscaler cloud revenues, as evidenced in the most recent quarterly results, are accelerating YoY and QoQ with margins also increasing 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.

- **Financing** remains a key market debate. Yields on select unsecured corporate bonds of some neoclouds (Coreweave) are entering distressed territory. However, outside of this, debt and convertible bond raisings through the quarter have been oversubscribed and done at relatively attractive prices. For example, HUT 8 at the end of September announced a ~$1.1b senior secured revolving credit facility at SOFR +1.75% (~5.65% today). Perhaps more importantly, yield on cost for many data centre developers has continued to increase in recent deals (now approaching 20% in some cases), largely offsetting increases in debt costs.

Looking through the current ructions in the market, we believe AI demand is likely to continue apace, with our core AI holdings largely levered to token demand, not the price of tokens, or the success of an individual AI model. Producing a token requires a power connection (preferably to the grid), a data centre shell, and GPUs. If demand for tokens continues at its current rate, the current physical bottlenecks (power, cooling, and data centre capacity) will still take many years to resolve. The vast majority of our AI portfolio holdings are levered to this specific theme, namely AI cloud (NBIS), data centres (CORZ, GLXY, HUT) and other companies levered to AI capital spend (MTZ, FPS, Anritsu, AAOI). That being said, we will continue to review position sizing and adjust for the current market volatility where we think appropriate.

KEY CONTRIBUTORS

**Corpay (CPAY-US)** rallied 17% in local terms through the quarter, contributing 126bps to relative 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 and rise in interest rates. Management continues to target $50 of EPS by 2029, placing the stock on 8x two year forward earnings.

**GFL Environmental (GFL-US)** rallied nearly 14% in local terms through the quarter, contributing nearly 80bps of relative 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 $43 at the time of writing).

KEY DETRACTORS

**SharonAI** fell 31% within the Fund through the quarter, detracting 265bps from relative performance. SharonAI is an emerging Australian neocloud which is at the start of what we believe to be a meaningful capacity roll out. SharonAI has fallen in sympathy with other neoclouds, despite the rise in GPU contract prices. The stock now trades at an attractive relative valuation.

**MasTec (MTZ-US)** fell 49% in local terms through the quarter, detracting 172bps from relative 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 data centre business lines. The stock fell through the quarter 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.

**RG240 Fund Disclosure Benchmark – Periodic Reporting (monthly)**

- **Net Asset Value of the Fund and Redemption Price of Units.**
  Please refer to the 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 the 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.**

Please refer to the details on page one; there have been no changes to the primary investment personnel responsible for managing the Fund.


Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
info@ellerstoncapital.com


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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