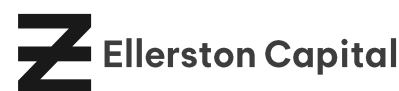


# Ellerston Global Mid Small Cap Fund



Monthly Report as at 31 May 2024

APIR Code: ECL3306AU, ECL8388AU | 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

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) <sup>^^</sup>
Net <sup>^</sup>	1.05%	-3.98%	6.15%	0.47%	9.76%	10.14%
Benchmark*	0.48%	0.27%	16.27%	6.24%	9.83%	9.97%
Alpha	0.57%	-4.25%	-10.12%	-5.77%	-0.07%	0.17%

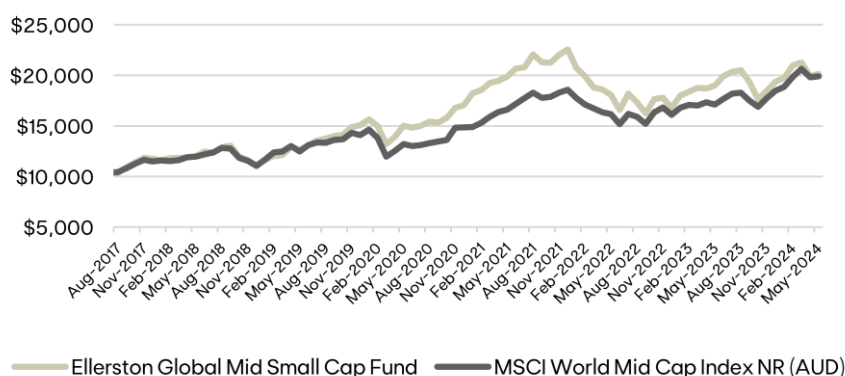
Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	Since Inception (p.a.) <sup>^^</sup>
Net <sup>^</sup>	1.04%	-3.98%	9.04%	6.11%	0.77%	7.30%
Benchmark*	0.48%	0.27%	12.20%	16.27%	6.24%	10.62%
Alpha	0.56%	-4.25%	-3.16%	-10.17%	-5.46%	-3.32%

<sup>^</sup> 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). <sup>^^</sup> Class A inception is 28 February 2017. Class B inception is 18 August 2020.

## Key Information

Portfolio Manager(s)	Bill Pridham
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
Number of Holdings at Month End	34
Minimum Investment	Initial investment - \$25,000 Additional investment - \$10,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	0.75% p.a.
Performance Fee <sup>1</sup>	10.00%
Buy/Sell Spread	0.25% / 0.25%
Class A Unit Prices & Fund Size	Application - \$1.4191 Net Asset Value - \$1.4156 Redemption - \$1.4121 Fund Size - \$42,993,160
Class B Unit Prices & Fund Size	Net Asset Value - \$1.2002 Redemption - \$1.1972 Fund Size - \$50,022,232

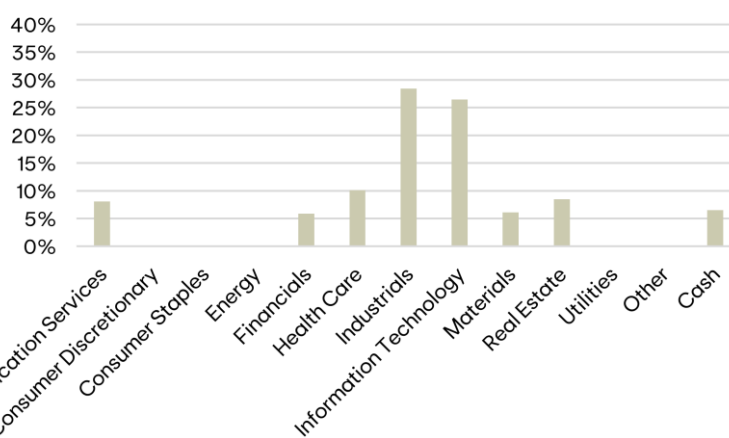
## Growth of \$10,000 Investment



Source: Ellerston Capital.

Performance shown are for Class A Units and net of fees, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.

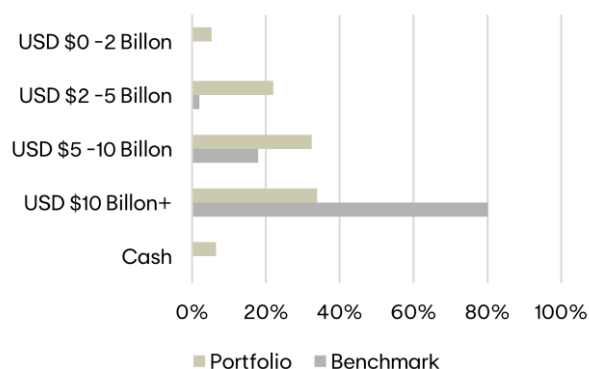
## Sector Allocation



Source: Ellerston Capital.

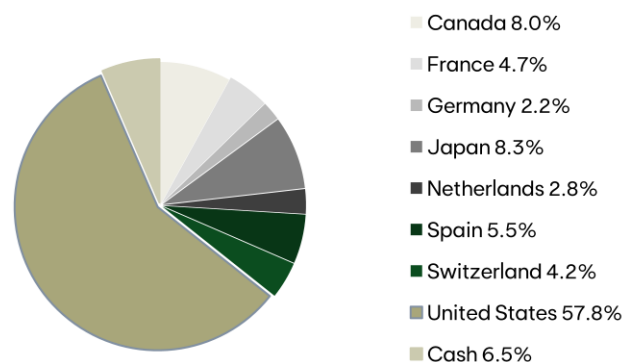
<sup>1</sup>Of the investment return above the benchmark, after recovering any underperformance in past periods.

## Market Capitalisation Exposure



Source: Ellerston Capital.

## Regional Exposure



Source: Ellerston Capital.

## Top Holdings

Company	Sector	Country	Portfolio Weight
GFL Environmental Inc	Industrials	United States	6.5%
Cellnex Telecom S.A.	Communication Services	Spain	5.5%
Option Care Health Inc	Health Care	United States	4.7%
GXO Logistics Inc	Industrials	United States	4.0%
Webster Financial Corporation	Financials	United States	3.9%
PTC Inc.	Information Technology	United States	3.8%
Bureau Veritas SA	Industrials	France	3.5%
Iron Mountain, Inc.	Real Estate	United States	3.4%
Acadia Healthcare Company, Inc.	Health Care	United States	3.2%
Chart Industries, Inc.	Industrials	United States	3.1%

Source: Ellerston Capital.

## MARKET COMMENTARY

Markets were very strong through May, more than reversing April's declines, finishing the month close to all-time highs. The NASDAQ composite increased 7%, followed by the S&P500 and Russell 2000 (both up 5%). The Dow Jones was the laggard, up 2.6%. Global markets were also positive, with Europe +2.1%, Asia (ex Jpn) +1.5% and Japan +1.2%.

Mega-cap tech companies were again the strongest performers, driving the US Technology GICS sector up 10%. Market concentration also remains elevated, with just four companies (NVIDIA, AAPL, MSFT and GOOG) accounting for more than half of the S&P500's return. Nvidia today has a \$3t market capitalisation and is up 121% CYTD, overtaking Aramco to become the world's third most valuable company. Energy was the weakest sector, down -0.4%, on the back of declines in crude.

Offsetting frothy markets, economic data remains mixed with further evidence of a cooling US economy, led by flat retail sales (suggesting negative real retail spend), lower than expected job creation, declining crude oil prices and ISM new orders contracting. In addition, a weakening consumer has been increasingly evident throughout the most recent earnings season, with many large consumer facing businesses reporting sluggish sales, particularly to low end customers who are increasingly value conscious.

Offsetting this, while core inflation remains above Federal Reserve's target, it continues to moderate slowly (+3.6% YoY in April vs +3.8% in March), with the potential for further help in the coming months from weakening crude, opening the door to US rate cuts at some point in the second half of this year.

Outside of the US, other central banks like the Bank of Canada and ECB have now begun cutting, with the latter cutting rates for the first time since 2019, despite inflation rising MoM from 2.4% to 2.6% in May.

## Regional discussion:

In the US, the S&P 500 and the Nasdaq Composite showed resilience, buoyed by strong earnings reports from major technology companies. However, concerns about the Federal Reserve's hawkish stance and potential rate hikes to combat inflation kept gains in check. The Federal Reserve's meeting minutes revealed a continued focus on curbing inflation, which remains above target levels despite some signs of moderation.

European markets saw a varied performance in May. The Euro Stoxx 50 index managed modest gains, driven by better-than-expected corporate earnings and a more stable energy market. Italy's market was bolstered by strong performances in its financial and industrial sectors, while Germany struggled with weak economic data and concerns about energy supplies due to the war in Ukraine.

In Japan, the stock market faced a challenging month in May. The Nikkei 225 index experienced some volatility, reflecting mixed investor sentiment. Although there were gains earlier in the year, investors remained cautious about the economic environment and corporate earnings projections. The Bank of Japan's accommodative policies provided some support, but overall, market sentiment was cautious due to external economic pressures.

## Sector discussion:

The Utilities sector within the mid-cap index performed well, driven by stable demand and its defensive nature. The transition towards renewable energy sources also supported growth. Key contributors included electric and multi-utilities benefiting from consistent demand and supportive government policies. Heightened geopolitical tensions, persistent inflation concerns, and market turbulence further enhanced the sector's appeal, making it attractive for stability-oriented investors despite challenging conditions.

In May, the Communication Services sector demonstrated strong performance, reflecting the ongoing strength in digital communications and media consumption. Interactive media and services, entertainment, and diversified telecommunication services were the key contributors to this positive performance. This sector's resilience was bolstered by a favourable macroeconomic environment, where persistent inflation concerns, and market volatility prompted investors to seek stability.

The Consumer Staples sector underperformed the broader index, facing challenges from inflation and global economic uncertainties, which impacted investor sentiment. Key contributors like food products, beverages, and household items provided some support, yet the sector could not fully offset the broader market pressures.

The Health Care sector within the mid-cap index experienced a slight decline in May. Companies in health care equipment, supplies, and services were affected by investor concerns about inflation and potential changes in regulatory environments. Additionally, the biotechnology and pharmaceuticals industries faced increased uncertainty regarding future regulatory policies, further dampening investor confidence.

## PORTFOLIO COMMENTARY:

The Ellerston Global Mid Small Cap Fund increased 1.05% net during the month compared to the MSCI World Mid Cap Index NR (AUD) which was up by 0.48% over the same period. The stronger Aussie dollar was a material drag on returns due to the unhedged nature of the portfolio.

The portfolio's top three contributors Itron, Nextracker and Radnet added 138bps to performance while Alight, DigitalBridge and Daifuku detracted 121 bps during the month.

**Itron (+0.50%)** is a global leader in energy, water, smart city, IIoT (Industrial Internet of Things) and intelligent infrastructure services. The company reported its first quarter results on 2nd May, showcasing impressive performance. The company achieved strong top-line growth and a remarkable 150% year-on-year increase in earnings per share. This robust financial performance was well-received by the market, driving positive sentiment and contributing to a strong stock performance in May.

**Nextracker (+0.44%)** is a leading provider of intelligent, integrated solar tracker and software solutions used in utility-scale and distributed generation solar projects around the world. Nextracker released its quarterly financial results with impressive performance. The company reported double-digit revenue growth and triple-digit earnings growth. This solid performance was positively received by the market, driving a notable increase in its stock price.

**RadNet (+0.44%)** is the largest provider of freestanding, fixed-site outpatient diagnostic imaging in the United States. Radnet reported first quarter results on 8th May surpassing market expectations for both revenue and earnings. In addition to the strong quarterly performance, the company also upgraded its guidance for the full year 2024, reflecting confidence in its continued growth and operational strength. This positive outlook and better-than-expected results a positive response in Radnet's stock performance.

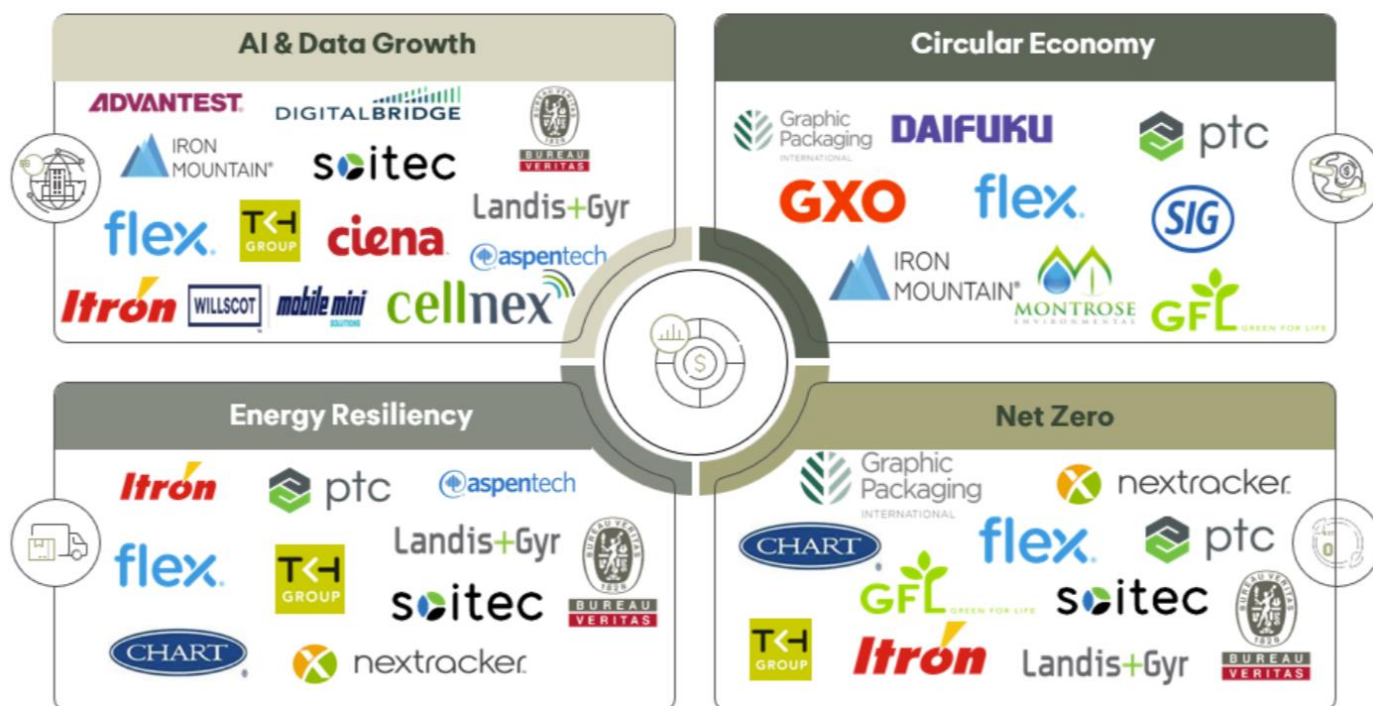
**Alight (-0.48%)** is a leading cloud-based human capital technology and services provider that powers confident health, wealth and wellbeing decisions for people around the world. Alight reported its first quarter results on 8th May which fell below market expectations. In a separate announcement, the company disclosed that the previous CFO would be stepping down from the position. These factors contributed to a negative market reaction and a decline in Alight's stock performance.

**DigitalBridge (-0.48%)** is a leading global alternative asset manager dedicated to investing in digital infrastructure, including cell towers, data centres, fibre, small cells, and edge infrastructure. The company reported first quarter earnings on 30th April showing double-digit year-over-year growth in fee revenue and fee-related earnings. This marked the first quarter since the company's transition to a pure-play alternative asset manager. Despite the strong financial performance, the market has not fully adjusted to this strategic shift, resulting in a subdued response in the company's stock performance.

**Daifuku (-0.25%)** provides consulting, engineering, design, manufacture, installation, and after-sales services for logistics systems and material handling equipment. The company reported its quarterly results on 10th May, with earnings ahead of expectations. Despite surpassing earnings forecasts, the market reaction was lukewarm, reflecting broader concerns about the market and uncertainty about future growth prospects.

During the month we made minor adjustments to position sizing, taking advantage of strength in Aspen Technology and Itron, trimming CIEN into what we anticipated to be weaker short term earnings result (long term thesis unchanged) while adding to Landis+Gyr, Gerresheimer, Pinterest, LiveRamp and GXO Logistics.

We continue to have differentiated exposure to some pretty powerful long term thematic which should drive long term compounding benefits to us all as investors. These include AI and the growth in data as Industrial IoT and large language networks such as ChatGPT and next generation applications drive data demand, companies that enable our push to a circular economy, beneficiaries of deglobalisation as well as those helping to improve the resilience of our energy grids as the world looks to electrify and companies which are levered to the multi trillion-dollar spending required for our "Road to Net Zero".



Source: Ellerston Capital.

These businesses as well as idiosyncratic opportunities in the fund should provide solid absolute and relative returns over the long term as secular and structural business drivers help mitigate earnings risk in times of economic uncertainty.

As always, we thank you for your continued support and look forward to providing further updates in the future.

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

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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](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com).

All holding enquiries should be directed to our register, APEX Fund Services on 1300 133 451 or [registry@apexgroup.com](mailto:registry@apexgroup.com) & [Ellerston@apexgroup.com](mailto:Ellerston@apexgroup.com).

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