

Ellerston Global Mid Small Cap Fund

Monthly Report as at 28 February 2025

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 - Class A

Performance	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception (p.a.) ^{^^}
Net [^]	-1.67%	-2.62%	6.33%	3.86%	8.28%	10.55%
Benchmark*	-0.98%	1.58%	16.24%	10.52%	10.80%	11.02%
Alpha	-0.69%	-4.20%	-9.91%	-6.66%	-2.53%	-0.48%

Performance Summary - Class B

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	Since Inception (p.a.) ^{^^}
Net [^]	-1.67%	-2.62%	5.30%	6.27%	3.95%	8.45%
Benchmark*	-0.98%	1.58%	11.89%	16.24%	10.52%	12.37%
Alpha	-0.69%	-4.20%	-6.59%	-9.97%	-6.57%	-3.93%

[^] The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.

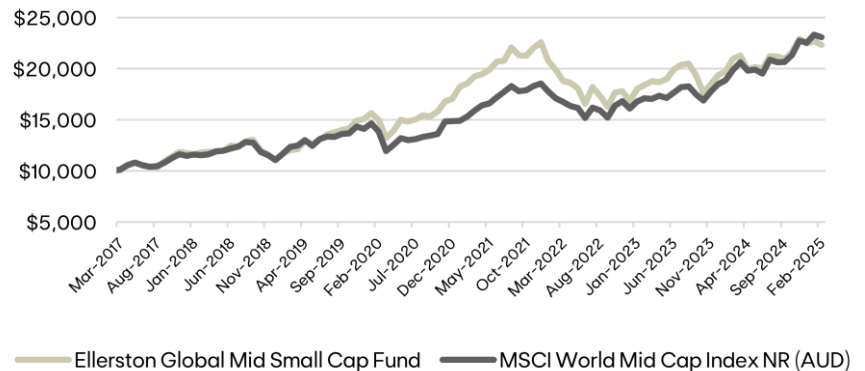
* MSCI World Mid Cap Index NR (AUD). ^{^^} Class A inception is 28 February 2017. Class B inception is 18 August 2020.

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
Number of Holdings at Month End	33
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 - 1.5714 Net Asset Value - 1,5675 Redemption - 1.5636 Fund Size - \$25,010,344
Class B Unit Prices & Fund Size	Net Asset Value - 1.3284 Redemption - 1.3251 Fund Size - \$44,823,988

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

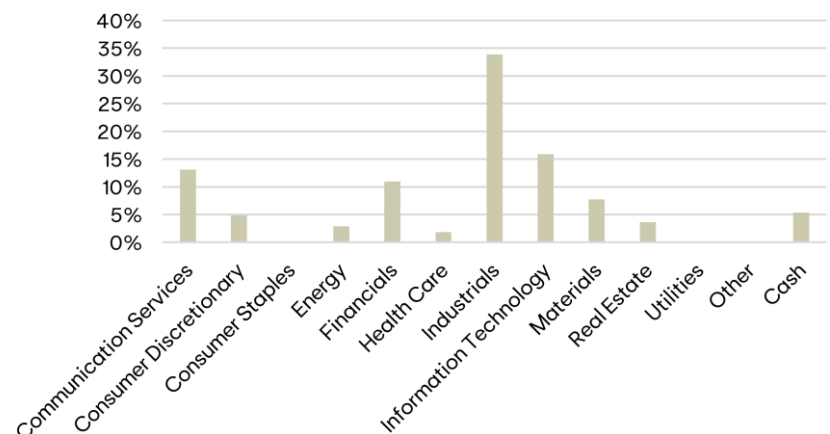
Growth of \$10,000 Investment



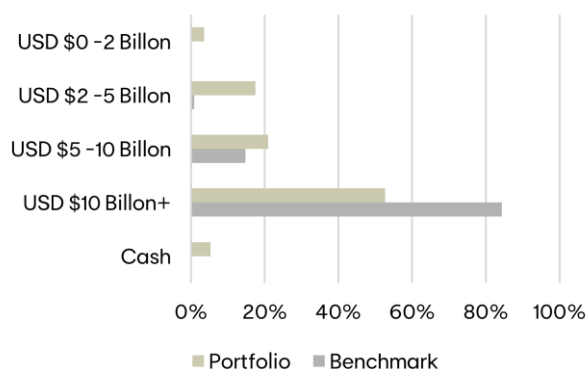
Source: Ellerston Capital.

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

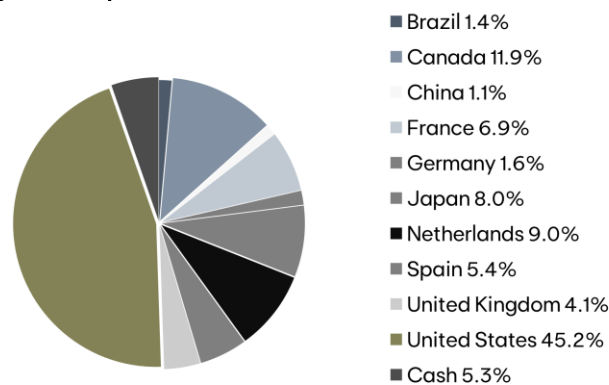


Market Capitalisation Exposure



Source: Ellerstion Capital.

Regional Exposure



Source: Ellerstion Capital.

Top Holdings

Company	Sector	Country	Portfolio Weight
Corpay, Inc.	Financials	United States	6.4%
GFL Environmental Inc	Industrials	United States	6.2%
AerCap Holdings NV	Industrials	United States	6.1%
Cellnex Telecom S.A.	Communication Services	Spain	5.4%
TKO Group Holdings, Inc. Class A	Communication Services	United States	4.3%
Bureau Veritas SA	Industrials	France	4.1%
Core Scientific Inc	Information Technology	United States	3.5%
Warner Music Group Corp. Class A	Communication Services	United States	3.5%
Daifuku Co., Ltd.	Industrials	Japan	3.0%
Curtiss-Wright Corporation	Industrials	United States	2.9%

Source: Ellerstion Capital

MARKET COMMENTARY

The biggest theme through February was the rotation out of US stocks (which performed poorly) and into other markets, such as China and Europe (which were strong) – representing a significant shift in equity flows and performance from recent years.

This rotation was triggered by a number of factors:

Firstly, the Artificial Intelligence (AI) trade, which has sustained much of the US market's performance over the last 24 months, hit another hurdle in February, with rumours that Microsoft had cancelled a number of leases for datacentres used to train and run AI models. Given MSFT is one of the largest AI spenders, this raised concerns around whether the AI infrastructure market may be in excess capacity, with potentially negative implications for power, GPU and hardware demand. This rumour, which Microsoft subsequently denied, sent a jolt through an already volatile sector (see DeepSeek in January), sparking another leg down in many AI/tech names, particularly former market darlings where hedge fund positioning had become crowded. There have been many explanations offered for Microsoft's move, though from subsequent conversations with companies through the supply chain, we believe that it likely stems from a change in Microsoft's relationship with OpenAI (a key Microsoft AI infrastructure user), with the latter shifting much of its future compute needs from Microsoft to Oracle (which sits alongside OpenAI in the new 'Stargate' consortium). As a result, we do not see this as a fundamental shift in industry supply/demand equilibrium, which we believe remains healthy. The market however is likely to remain sceptical until proven otherwise.

Trump's 'steering' of the US real economy has also raised concerns around the growing possibility of a recession. Tariffs ('the most beautiful word in the dictionary') appear to be Trump's main stick in achieving the reshoring of manufacturing back to the US as well as tackling other policy issues (illegal migration, Fentanyl). What has shocked markets is not tariffs themselves, but their potential application to US allies and neighbours, with Canada and Mexico potentially suffering 25%-50% tariffs on certain goods. Companies we recently met with in the US had been preparing for tariffs on China (where supply chain diversification was already well underway), but were not expecting tariffs elsewhere. Management teams remain worried about the related impact of higher prices on consumers whilst also exhibiting some degree of paralysis in their investment plans given the policy flux.

Offsetting this, there are some positives, namely with the oil price firmly anchored and 'real-time' inflation readings in free fall, suggesting the Fed may have more capacity to cut interest rates going forward.



Source: Truflation

With the US market outlook appearing less clear than the past, money has been finding its way to markets with better growth. Surprisingly this has been Europe and China. For Europe in particular, the market appears buoyed by political stability in Germany, the potential reconstruction of Ukraine under a potential peace deal with Russia, as well as the prospect of German fiscal stimulus in the form of re-armament and infrastructure spend. The combined total of these spending initiatives could be in excess of US\$1trn, representing a very significant boost to GDP.

PORTFOLIO COMMENTARY

The Ellerston Global Mid Small Cap Fund declined -1.67% net during the month, compared to the MSCI World Mid Cap (AUD) Index, which declined -0.98% over the same period.

The portfolio's top contributors Daifuku, AerCap and Cellnex Telecom added 119 bps to performance while Galaxy Digital, GXO Logistics and PTC detracted 173 bps during the month.

Daifuku (+0.50%): provides consulting, engineering, design, manufacture, installation, and after-sales services for logistics systems and material handling equipment. The company reported its 4Q24 results, delivering strong performance alongside upgraded 2025 guidance.

AerCap (+0.38%): is the world's largest aircraft leasing company, providing aircraft leasing, financing, and fleet management services to approximately 300 customers. In February, the company released solid operating results, and announced a new \$1 billion share repurchase program. In addition to this, 2nd hand aircraft values, particularly for wide-body aircraft, continue to appreciate, benefiting the company's book value.

Cellnex Telecom (+0.31%): is Europe's largest operator of telecommunications towers and infrastructure, managing a portfolio of over 130,000 sites with a prominent presence in Spain, France, the United Kingdom, Italy, and Poland. The company announced strong 2024 results with an €800 million share buyback program, representing a positive change in the group's capital management policy.

Galaxy Digital (-0.84%): is a New York-based financial services and investment management firm specializing in digital assets and blockchain technology. The share price pulled back over the past month, reflecting volatility in AI/tech stocks, as well as pressures across digital asset markets.

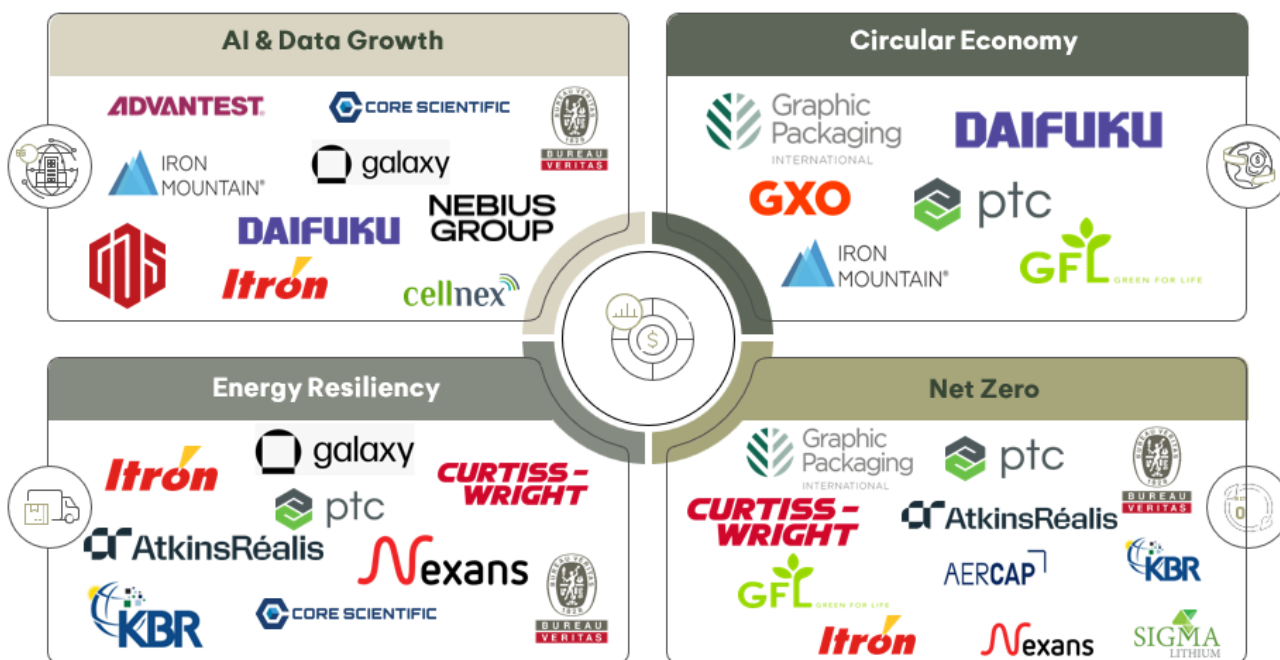
GXO Logistics (-0.49%): is the world's largest pure-play contract logistics provider. The stock fell after management downgraded the 2025 outlook, largely on FX and timing around customer contracts. This follows news that CEO was stepping down and that the business had spurned takeover offers.

PTC Inc. (-0.40%): is a global software company that enables industrial and manufacturing companies to digitally transform how they design, manufacture, and service physical products. The stock fell after management cut FY25 sales guidance, though this was largely due to FX. Otherwise, the market remains concerned about the pace and level of US industrial production

In February, we initiated three new positions, namely **InterContinental Hotels Group**, owner of 20 hotel brands and one of the world's largest hotel loyalty programmes; **Heidelberg Materials**, one of the world's largest integrated manufacturers of building materials and solutions with leading market positions in cement, aggregates, and ready-mixed concrete; as well as **GDS Holdings**, a leading developer and operator of high-performance data centres in mainland China, Hong Kong and South East Asia.

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 deglobalization; and
- 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.**

There have been no changes to the primary investment personnel responsible for managing the Fund.

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 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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