February 2025

CERUTTY
MACRO FUND

441 Little Bourke St, Melbourne, Vic 3000 | chris.judd@ceruttymacrofund.com.au | ceruttymacrofund.com.au

Cerutty Macro

Cerutty Macro Fund is an independent active manager of global, but predominantly Australian equities. The Manager applies a detailed investment process, using identified macroeconomic trends as the foundation of its allocation. Coupled with analysis of the liquidity cycle and bottom-up research, we aim to deliver attractive returns to investors over a 3-year time horizon.

The Fund's portfolio is a high conviction portfolio ranging from 15-40 positions in equities, to scale between high/low concentration allocations depending on liquidity conditions. It is the Fund's perspective that financial market liquidity has a large impact on asset prices, thus it being a vital component to the investment process. Cerutty's investment process is:

- Macro Themes
- Liquidity Cycle
- Bottom-up

Fund Performance

	Fund %	Index %	Excess %
1 Month	-2.39	-2.78	0.40
3 Month	1.16	-1.46	2.62
1 Year	16.27	7.33	8.94
Since inception (annualised)	16.54	9.53	7.02

Index/Benchmark ASX Small Ordinaries Accum. Index

Fund Overview

Portfolio Management	Chris Judd
No. Investments	15-40
Type of Investments	Long only Australian listed equities Global listed equities
Time Horizon	3+ years
Benchmark	ASX Small Ords Accumulative Index
Management/Performance Fee	1.20% & 20% over benchmark

Past performance is no indication of future performance & returns are post fees with reinvestment of distributions and capital gains.

Monthly Update

Markets across the globe were mixed in February, with China and Europe showing strength while US markets softened. Investors struggled to digest constant headlines from the Trump administration, and the "Magnificent 7" started to show signs of weakness. In Australia, the Cerutty Macro Fund posted a -2.4% return, while the ASX Small Ords Accumulation Index had a -2.8% month.

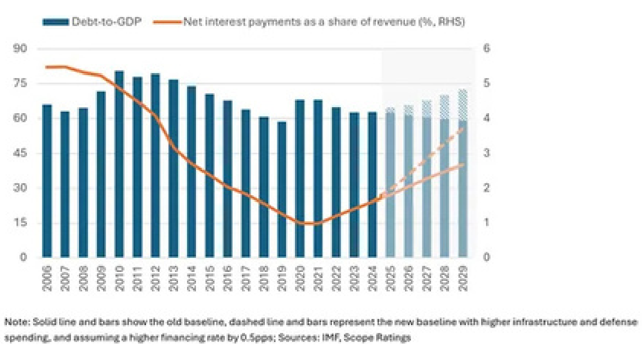
From a macro sense, the main stories that have been capturing our attention have been developments in the Ukraine conflict, European policy changes and the outperformance of Chinese tech stocks vs the Mag 7.

The Ukraine conflict's fate changed dramatically on the February 28th meeting between President Trump, JD Vance, and Ukrainian President Zelensky which turned into a heated exchange, where Vance accused Zelensky of being disrespectful for articulating his grievances in front of the cameras while Zelensky critiqued the American's for believing the Russian's would be true to their word citing Russia's history of breaking agreements around ceasefires and prisoner exchanges . Following this, Trump reportedly froze military aid to Ukraine, prompting European leaders to reassess their security strategies.

In response, on March 4th, European Commission President Ursula von der Leyen presented the comprehensive "REARM Europe" plan, aiming to mobilize approximately €800 billion for defence expenditures. Von der Leyen emphasized the urgent nature of this effort, stating that "Europe is in an era of rearmament" and is "prepared to significantly increase its defence budget".

European defence stocks have enjoyed significant gains following this announcement, building on growth since the Ukraine war began. While we don't currently have direct exposure to European defence stocks, recent announcements about German fiscal stimulus may present an interesting long-term macro theme for investment.

German Infrastructure Spend



Source: Bloomberg

European Defence Stocks (LDO, RHM, BA, RR)

Source: TradingView

February 2025

CERUTTY
MACRO FUND

441 Little Bourke St, Melbourne, Vic 3000 | chris.judd@ceruttymacrofund.com.au | ceruttymacrofund.com.au

Monthly Update

On March 4th, Chancellor-in-waiting Friedrich Merz announced a sweeping fiscal stimulus, including a €500 billion special fund for infrastructure and amendments to Germany's constitution to exempt defence spending above 1% of GDP from the "debt brake" rules. This move away from austerity by Germany and the decisiveness of the action is in contrast to recent economic policies and may have long lasting investment implications.[1]

Retired U.S. Army lieutenant colonel Alex Vershinin has previously stated that "Currently, the West may not have the industrial capacity to fight a large-scale war". Current policy changes by Germany and rhetoric out of the US around increasing its manufacturing capacity may be an acknowledgment that the West is losing its proxy war in Ukraine due to the hollowing out its manufacturing base to China. Germany's recent announcements may be about boosting its economy but also about creating an environment where she is less reliant on external supply chains, improving its ability to defend itself should she have to in the future.

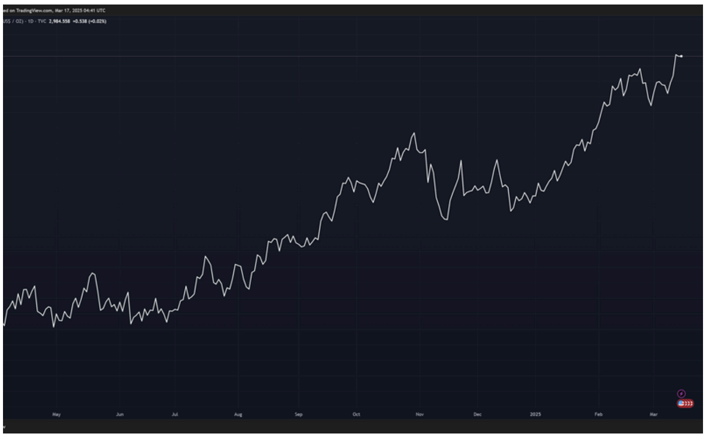
Germany isn't the only country that's initiating policies linking national economic and defence interests. On February 21st, President Trump issued the "America First Investment Policy," aimed at reshaping foreign investments in the United States. The policy seeks to enhance national security by managing investments from foreign countries, particularly those considered adversaries like China.
For investors, this policy means investments from countries like China will face stricter scrutiny in sensitive sectors, while investments from allied countries will be streamlined.

There's been a huge outperformance of Chinese equities (and Gold) vs US Equities since the Executive Order was signed, leaving us to wonder if this is due to a significant amount of Chinese Capital leaving US stocks and moving back to Chinese stocks. Chinese investors may feel their US assets are vulnerable after the America First Investment Policy Executive Order and that their assets are safer in entities answerable to the CCP. Or they may feel that China will give the US what it wants and strengthen the Yuan against the US Dollar, should that play out, increasing exposure to assets denominated in Yuan would be a big tailwind for investors.

NASDAQ 100 v Hang Seng Tech

Source: TradingView

Gold/USD



Source: TradingView

1. https://www.cnbc.com/2025/03/04/europe-looks-to-mobilize-840-billion-in-defense-spending-boost-eu-commission-head-says.html

CERUTTY
MACRO FUND

441 Little Bourke St, Melbourne, Vic 3000 | chris.judd@ceruttymacrofund.com.au | ceruttymacrofund.com.au

Monthly Update

As has been the case since President Trump's inauguration, there's been a significant amount of geopolitical news to decipher. In the short term, some caution is warranted until greater certainty around policies becomes clear. We're still finding investments that look like good value in the current climate.

Position Spotlight - Monash IVF (MVF.AX)

In a market environment marked by Trump's trade war volatility, the Fund has some comfort in a few quality local names that sidestep tariffs, trade at very fair multiples, and should still benefit from uninterrupted tailwinds. Monash IVF fits neatly into this category, whilst standing out due to its dominant market position, structural growth drivers, and what we believe is a very attractive valuation.
From a macro perspective, demographic and societal trends provide significant tailwinds to the fertility industry. Australia's evolving lifestyle choices have dramatically reshaped the demand for assisted reproductive services. The average age of individuals entering their first marriage has steadily increased since the 1970s, rising from 23.4 years for men and 20.9 years for women in 1974, to 31.4 years for men and 30.1 years for women in 2023.[2] This delay in marriage typically leads to delayed childbirth, directly translating into increased demand for IVF treatments as fertility naturally declines with age.

Further supporting industry growth is Australia's shifting social landscape, including a marked increase in individuals identifying as part of the LGBT community. Recent data from the Australian Bureau of Statistics indicates that approximately 4.5% of Australians aged 16 years and older identify as LGBTI+, with this figure rising to nearly 10% among those aged 16 to 24.[3] This demographic shift is opening new markets for IVF services, especially through donor markets and surrogacy options, areas in which Monash IVF is strategically positioned to capture growth.

Simultaneously, Australia's persistently low birth rate – mirroring similar trends observed internationally, notably in markets like China – is increasingly becoming a focus for government intervention. Government support in the form of subsidies and regulatory easing around fertility treatments provides an additional cushion for growth.

Trading at forward ~14.5x price-to-earnings, ~10.5x EBIT, and ~7.5x EBITDA, the current valuation might offer an attractive point of entry – especially when compared to recent transaction multiples. Most notably, the acquisition of Virtus Health – Monash IVF's closest comparable – provides clear valuation benchmarks. Virtus Health was acquired by private equity firm CapVest following a competitive bidding process, fetching a multiple of approximately 12x EBITDA, representing a significant ~65% premium to MVF. This substantial discount to recent transaction multiples highlights Monash IVF's potential as a lucrative takeover candidate, underpinning its valuation and offering considerable upside.

The investment thesis is further strengthened by recent positive developments within the company itself. Monash IVF recently resolved a notable class-action lawsuit, with related costs fully accounted for in past financial statements. This resolution removes lingering legal uncertainties, significantly de-risking the investment from a governance standpoint. We view this as a potential bottom, with a large overhang now out of the way. Moreover, Monash IVF's competitive positioning has strengthened as its key competitor, Genea, faces substantial branding and trust challenges following a widely publicised data breach. This development might present an opportune moment for Monash to consolidate its market share and capitalise on competitor vulnerabilities.
Finally, ongoing innovations in genetic testing, egg-freezing technologies, and donor programs further enhance Monash IVF's market appeal, attracting a broader demographic beyond traditional IVF candidates. These diversified services not only mitigate business cyclicality but also enhance the firm's competitive moat.

In conclusion, Monash IVF represents a structurally attractive investment opportunity, characterised by strong industry tailwinds, robust market positioning, favourable government policies, and substantial upside potential from its current valuation. At an EBITDA multiple of just ~7.5x – a notable discount to transaction multiples – our fund views Monash IVF as a high-conviction investment with an asymmetric risk-reward profile, particularly valuable in the context of current market volatility.

2. https://www.bdm.vic.gov.au/marriage-statistics
3. https://www.abc.net.au/news/2024-12-19/lgbti-population-abs-data/104746854

Disclaimer

Juddcorp Pty Ltd ACN 635 629 631 (CAR) is a corporate authorised representative (CAR Number 1300536) of Boutique Capital Pty Ltd ACN 621 697 621 (BCPL) AFSL 508011. CAR is an investment manager for the Cerutty Macro Fund described elsewhere in this document, or in other documentation (Fund). Equity Trustees Limited ABN 46 004 031 298, AFSL 240975 ("Equity Trustees") is the Responsible Entity for Fund and is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX: EQT).

This document has been prepared by Juddcorp Pty Ltd to provide you with general information only. In preparing this monthly report, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Juddcorp Pty Ltd, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

Cerutty Macro Fund's Target Market Determination is available https://ceruttymacrofund.com.au/wp-content/uploads/2023/05/Cerutty-Macro-IM.pdf A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

To the extent to which this document contains advice it is general advice only and has been prepared by the CAR for individuals identified as wholesale investors for the purposes of providing a financial product or financial service, under Section 761G or Section 761GA of the Corporations Act 2001 (Cth).

The information herein is presented in summary form and is therefore subject to qualification and further explanation. The information in this document is not intended to be relied upon as advice to investors or potential investors and has been prepared without taking into account personal investment objectives, financial circumstances or particular needs. Recipients of this document are advised to consult their own professional advisers about legal, tax, financial or other matters relevant to the suitability of this information.

The investment summarised in this document is subject to known and unknown risks, some of which are beyond the control of CAR and their directors, employees, advisers or agents. CAR does not guarantee any particular rate of return or the performance of the Fund, nor does CAR and its directors personally guarantee the repayment of capital or any particular tax treatment. Past performance is not indicative of future performance.

The materials contained herein represent a general summary of CAR's current portfolio construction approach. CAR is not constrained with respect to any investment decision making methodologies and may vary from them materially at its sole discretion and without prior notice to investors. Depending on market conditions and trends , CAR may pursue other objectives or strategies considered appropriate and in the best interest of portfolio performance.

There are risks involved in investing in the CAR's strategy. All investments carry some level of risk, and there is typically a direct relationship between risk and return. We describe what steps we take to mitigate risk (where possible) in the Fund's Information Memorandum. It is important to note that despite taking such steps, the CAR cannot mitigate risk completely. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

This document was prepared as a private communication to clients and is not intended for public circulation or publication or for the use of any third party, without the approval of CAR. Whilst this report is based on information from sources which CAR considers reliable, its accuracy and completeness cannot be guaranteed. Data is not necessarily audited or independently verified. Any opinions reflect CAR's judgment at this date and are subject to change. CAR has no obligation to provide revised assessments in the event of changed circumstances. Neither Juddcorp, Boutique Capital or Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it.

This Document is informational purposes only and is not a solicitation for units in the Fund. Application for units in the Fund can only be made via the Fund's Information Memorandum and Application Form.