March 2025

CERUTTY
MACRO FUND

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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	3.09	-3.61	6.70
3 Month	6.80	-2.00	8.80
1 Year	16.13	-1.26	17.39
Since inception (annualised)	17.67	7.25	10.42

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

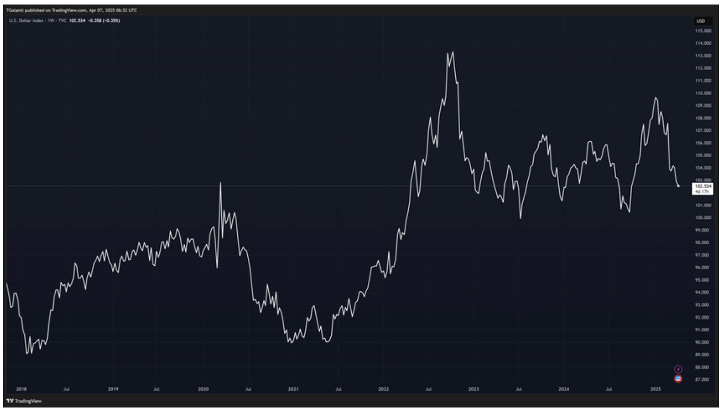
Global markets faced a turbulent March, with the Nasdaq dropping 8.6% and the S&P 500 declining 6.2%. Closer to home, the ASX Small Ordinaries Accumulation Index fell by 3.6%, while the Cerutty Macro Fund delivered a positive return of 3.1% to investors.

In early April, President Trump shocked markets by announcing sweeping tariffs under the banner of "economic independence." Effective April 5, 2025, a universal baseline tariff of 10% applies to all imports into the U.S., with elevated rates targeting specific nations based on trade deficits and non-reciprocal practices. Countries such as Cambodia, Vietnam, and Malaysia face tariffs as high as 50%, while European Union goods are subject to a 20% rate. Australia, the United Kingdom, and other nations will see the baseline tariff applied. These measures aim to bolster domestic manufacturing and reduce reliance on foreign goods.

Additionally, at the time of writing, targeted duties have been imposed on specific industries. Steel, aluminium, and automotive imports from all nations now face a 25% tariff. Canada and Mexico are similarly affected, though USMCA-compliant products are exempt. China faces tariffs of up to 54%, prompting retaliatory measures, including a 34% tariff on U.S. imports. This escalation has intensified an ongoing trade war. [1]

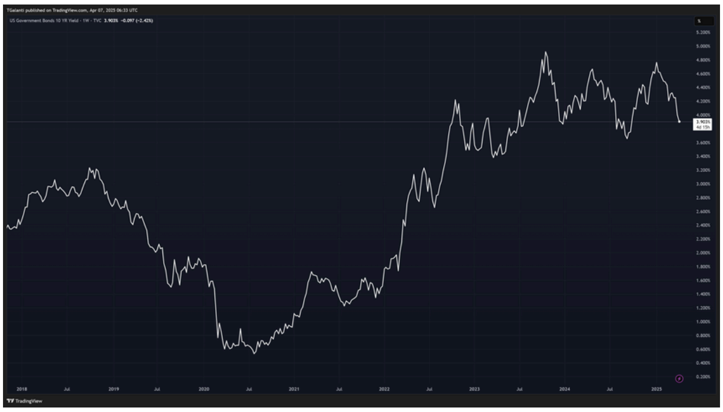
As investors, our role is not to debate the merits of these policies but to anticipate their potential impacts and second-order effects. A key question we continue to ask is: What does the U.S. actually want? We believe their objectives include increasing manufacturing capacity, weakening the U.S. dollar, and lowering 10-year bond yields. Understanding what the U.S Government wants is one thing, whether or not the market will give them what they're after is another.

U.S. Dollar Index (DXY)



Source: TradingView

US 10Y Treasury Yield



Source: TradingView

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Monthly Update

Manufacturing Capacity
The U.S.'s push for increased manufacturing capacity stems from both economic and national security concerns. Middle America's economic fortunes have been eroded since China's WTO entry in 2001, while industrial output has become critical in geopolitical struggles like the proxy war in Ukraine. This theme is gaining traction not only in the U.S. but also in Europe, as evidenced by Germany's recent fiscal stimulus commitments.

Weakening the U.S. Dollar
A weaker dollar is essential for strengthening U.S. manufacturing competitiveness. Policies such as the "America First Investment Policy," which scrutinises foreign investments from nations like China and Russia, are already in place. However, further measures are likely needed to achieve meaningful currency depreciation.

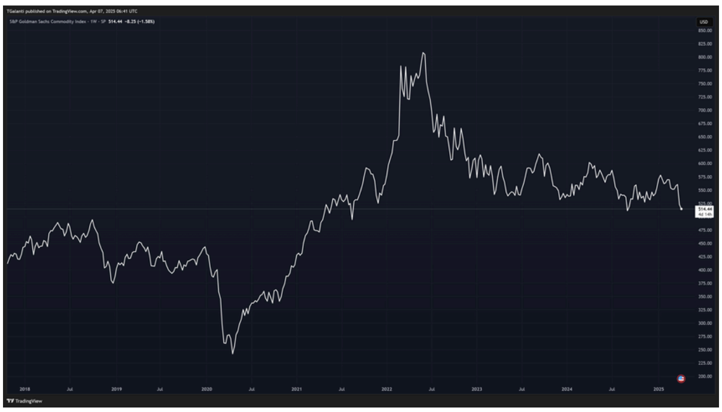
Lower Bond Yields
Despite recession fears and market volatility, U.S. 10-year bond yields have only dropped modestly from 4.3% in March to 3.9%. While deficit reduction through spending cuts or resolving conflicts like Ukraine could help lower yields, increased deficits from reduced capital gains tax receipts may counteract these efforts.

Australian Implications
For Australia, Trump's tariffs are expected to create deflationary pressures as redirected goods flood local markets amidst global uncertainty. Consensus forecasts suggest rate cuts of 75 basis points for 2025; however, we believe further cuts may be priced in soon.

China's response may include significant monetary and fiscal stimulus aimed at boosting domestic consumption among its billion-strong population. Such measures could create a bullish environment for commodities in the medium term.

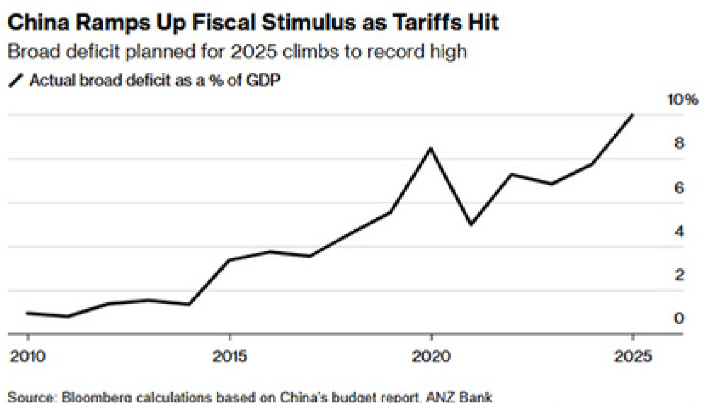
Market Opportunities
While current market volatility is stressful for investors, it also presents opportunities as stock prices dislocate from fundamentals. Although we're not yet making significant additions to positions, we've got higher cash levels than normal, upwards of 10%, we are closely monitoring price action and stand ready to act if valuations become excessively attractive.

Commodities Index (SPGSCI)



Source: TradingView

Chinese Fiscal Stimulus



Source: Bloomberg, ANZ Bank

1. https://www.theguardian.com/business/2025/apr/03/trumps-tariffs-the-full-list

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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.

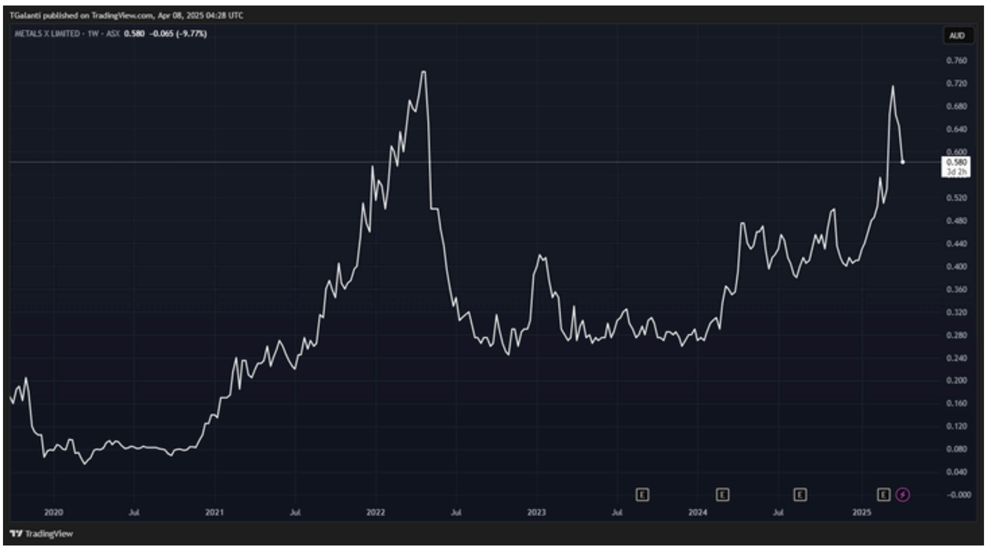
Position Spotlight - Metals X (MLX.AX)

We talked about Metals X just over a year ago, as tin prices squeezed higher due to a range of supply side disruptions coming out of both Indonesia and Myanmar. The Indonesians were going through a mining permit debacle (with suspicion of large-scale fraud) and the Man Maw mine in Myanmar went into self-administration by the Wa State authorities, wiping 7% of world tin supply. To this day, both disruptions remain largely unresolved, which has made recent developments in the DRC all the more important.

In recent months, the March 23 Movement (M23), a rebel group inside the DRC has managed to push further East than previous attempts, taking over some major cities and now forcing the closure of one of the world's largest tin mines – Bisie, owned by Alphamin Resources[2]. Bisie makes up another ~7% of global supply and is where China has been looking to help offset their declining imports from Myanmar. The supply shock has led to tin prices notching almost USD$39k/t intraday or ~AUD$63k/t, up from ~USD$33k/t – meaning it was the only metals to outperform gold YTD. On a broad market sell-off, the price has softened, although remains elevated at US$35k/t – with supply disruptions showing no immediate signs of relief.

After the closure of Alphamin's Bisie, Metals X is the only listed pure-play tin producer – set to benefit immensely from its position as a tier-1 producer. At a tin price ~AUD$12k/t lower than today, MLX was able to print $30m in net cash flow in Q4CY24. Assuming all else equal, if the tin price was to average the current AUD price over the current quarter, MLX could print north of $45m in net cash – that's ~$180m annualised. Whilst there is definitely a possibility that Bisie could produce again in the somewhat near-term, the fragility of global tin supply has been brought to the forefront of investors minds and will be a persistent risk going forward.

MLX last traded on a market cap of $520m, with net cash of $220m (which could be closer to $250m end of Q1CY25) and no debt. Whilst difficult to predict where tin settles a year from now, supply disruptions and a very healthy balance sheet could set up MLX for a successful year ahead.[3] Often when we see opportunities with the above metrics, we would expect to see a small resource and a very finite life of mine – which could justify such a small multiple. In this case, MLX's Renison deposit has an estimated life until at least 2035, with average annual production of ~10kt/year, that's hardly a deposit running on steam.



Source: TradingView

2. https://www.theguardian.com/world/2025/mar/20/m23-rebels-capture-strategic-mining-hub-of-walikale-in-eastern-drc

3. MLX Annual Report

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