Monthly Report

JULY 2026

CERUTTY
MACRO FUND

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.

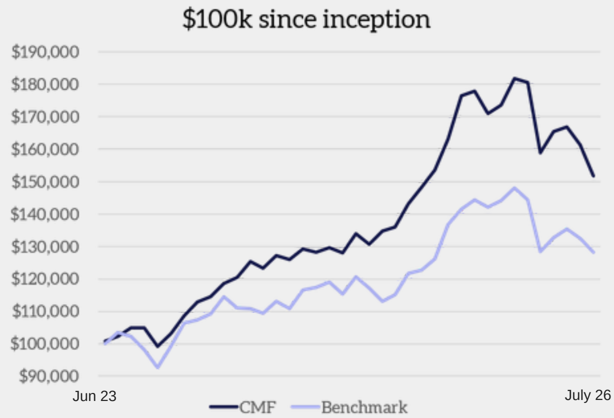
Fund overview

Portfolio management	Chris Judd
Number of investments	15-40
Type of investments	Long only Australian listed equities Global listed equities
Time Horizon	3+ years
Benchmark	ASX Small Ords Accum. Index
Management/Performance fee	1.20% & 20% over benchmark

Fund performance

	Fund %	Index %	Excess %
1 Month	-5.9	-3.2	-2.7
3 Months	-8.3	-3.2	-5.1
1 Year	-1.2	1.8	-3.0
Since inception (annualised)	14.0	8.2	5.8

Index/Benchmark ASX Small Ordinaries Accum. Index
Past performance is no indication of future performance & returns are post fees with reinvestment of distributions and capital gains.
Inception June 2023



Past performance is no indication of future performance

Monthly update

The Cerutty Macro Fund returned -5.9% in July 2026, against a return of -3.2% for the S&P/ASX Small Ordinaries Accumulation Index. It was a difficult month for domestic small companies and a difficult one for the Fund, with our resources holdings and businesses that service the resources sector bearing the brunt of another leg higher in global bond yields, uncertainty around the war in Iran and continued caution towards risk at the smaller end of the Australian market. We’ve been investing long enough to know that when investors experience exceptional returns, they invariably start giving out stoic philosophy advice, and when investors have had a frustrating period, they turn to investment quotes. The last few months have put us in the latter category and the quote we keep coming back to is from Howard Marks: “If you wait at a bus stop long enough, you’re guaranteed to catch a bus, but if you run from bus stop to bus stop, you may never catch a - bus.” We remain focused on our investment time frame (3 years) when making an investment. And while we take great pride in changing our investment thesis when information changes, we don’t do so just because of short term volatility. We remain of the view that we’re in an inflationary period due to a reduction in globalisation, enormous capex for data centres, underinvestment in mining and energy, and a newfound appreciation for supply chain redundancy due to higher levels of conflict around the world. With government debt and deficits in the U.S. (and many other nations) at eye watering levels when measured as a % of GDP, the idea that now is a time for fiscal discipline to strengthen currencies (increasing the debt burden in real terms), at a time of geopolitical unrest and greater defence spending, appears at odds with historical analogues of overindebted nations during times of conflict.

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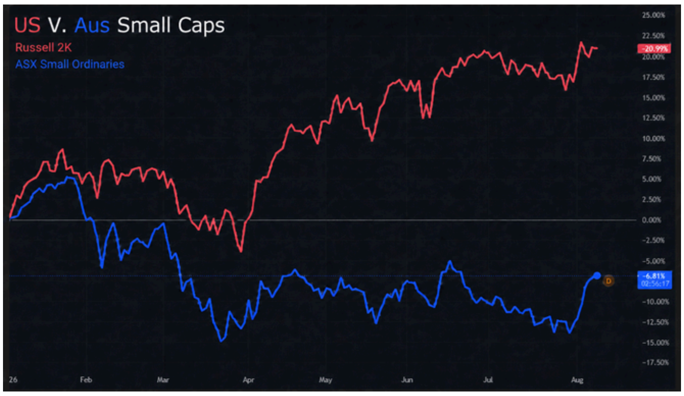
Aus Small Caps vs. Russell 2K - YTD



Source: TradingView, August 2026 [*]

Gold (XAU/USD) - 1-year

Source: TradingView, August 2026 [*]

The two macro events of July that captured most of our attention were the Federal Reserve meeting and the yen intervention, when the United States and Japan conducted their first coordinated intervention to support the yen since 1998. With the yen having slid to ¥164 to the U.S. dollar (its weakest level since 1986), the New York Fed bought yen on behalf of the U.S. Treasury, with Secretary Bessent signalling an operation of US$5–10 billion and vowing that authorities “will not hesitate to participate in further joint intervention.” The yen snapped back towards ¥157, but the more telling detail was the timing: the operation followed a Fed meeting at which policy was left on hold, yet long-end Treasury yields spiked regardless, with the 30-year near its highest levels in almost two decades.

The mechanics of the intervention matter more than the headline. Washington reportedly sold euros, not dollars, to fund its yen purchases, and Treasury is publicly pressing the Fed to lift the counterparty limit on the FIMA repo facility above US$60 billion a day, an arrangement that lets Tokyo borrow dollars against its US$1.1 trillion of Treasury holdings rather than sell them. With roughly US$10 trillion of US debt to refinance this year and federal interest expense consuming 19% of revenue (up from 10% five years ago), the operation looks less like currency support and more like a device to prevent Japan becoming a forced seller of Treasuries. Currency interventions generally bode well for Gold, and this was no exception with Gold rising close to 7% in the week following Bessent’s actions.

Domestically, the top-down story of the month was the speed with which the interest-rate consensus has turned. As recently as May, not only were local investors dealing with the fallout from the budget and CGT changes, but with headline CPI printing 4.6%, the debate among the major banks was how many more hikes the RBA would deliver this year. The June-quarter data changed the conversation: headline inflation eased to 3.8% and the trimmed mean sat at 3.6% as the forecasting community repriced rate expectations accordingly. At the time of writing, all four major banks now expect the cash rate to have peaked at 4.35%, with easing to begin in 2027. CBA and ANZ each see two cuts, taking the rate to 3.85%, while NAB is more dovish, pencilling in three cuts to 3.60%. Westpac, until recently the lone holdout forecasting further tightening, has also abandoned its call for two more hikes and now expects the next move to be a cut in 2027. In the space of a few months, the big-bank consensus has swung decisively: from expectations of further tightening in 2026 to a shared base case that the next move is down, even if relief remains some way off.

This turn in the rate cycle flows directly through to the housing market, and from there to consumer and investor confidence. We believe it may mark the beginning of a catch-up trade, as the substantial performance gap between Australian small companies and both their larger domestic peers and U.S. small caps begins to unwind. At the time of writing, the Small Ordinaries has fallen roughly 6% this calendar year while the XJO has gained about 5%; over the same period the Russell 2000 is up around 21%. A performance spread in the order of 27 percentage points between two developed-market small-cap indices is, in our experience, rare, and it has left Australian small caps trading at around a 15% discount to their ten-year average valuation. The causes of the underperformance (an aggressive RBA hiking cycle, elevated oil prices and uncertainty around capital gains tax reform) are either fading or are now fully priced in from our perspective.

We therefore retain high conviction in the Australian small-cap catch-up trade. Small companies are the most rate-sensitive segment of the equity market, and history suggests they lead, rather than follow, once an easing cycle comes into view; a consensus now centred on 2027 cuts provides the potential -

1 https://www.oaktreecapital.com/insights/memo/i-beg-to-differ
2 https://www.axios.com/2026/08/03/yen-japan-treasury-bessent

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catalyst. The global backdrop reinforces the case: a softer US dollar and firmer commodity complex flowing from the yen intervention is a direct tailwind for the resources-heavy Australian small-cap universe, which didn't fully participate in the speculative advance that carried the Russell 2000 higher.

Position Spotlight - Ridley Corporation

Staying with businesses that sit close to essential inputs, Ridley Corporation (RIC) offers exposure to Australian food production volumes that are relatively defensive through the cycle, while retaining genuine operating leverage when industry conditions turn supportive. The investment story has changed materially over the past twelve months. With the acquisition of the Incitec Pivot Fertilisers (IPF) distribution business, Ridley has moved from a relatively straightforward animal nutrition company to a broader agricultural inputs platform. The market's hesitation is understandable — the transaction materially increases the scale, working capital requirements and complexity of the group — but in our view it underestimates management's ability to improve the acquired business using a playbook it has already demonstrated elsewhere.

That view rests on what came before the deal. Over the past several years management has methodically improved the legacy portfolio through better plant utilisation and lower unit costs, market share gains in Bulk Stockfeeds, disciplined bolt-on acquisitions such as Oceania Meat Processors and the Carrick feedmill, and a willingness to exit lower-returning activities — including the phased withdrawal from extruded aquafeed and the sale of the Wasleys feedmill for $22m. The recent business reset targets a further ~$5m of annual savings from FY26. Underlying EBITDA has roughly doubled from $48m in FY19 to $97.5m in FY25. Bulk Stockfeeds is the best proof point: management decentralised decision-making in 2019, gave regional operators genuine accountability, and converted improved efficiency into customer growth and higher utilisation. Segment EBITDA rose 25% to $27.1m in 1H FY26 on 13% ruminant and 7% monogastric volume growth. They had a credible operational track record well before attempting the larger Fertilisers transaction.

The acquisition itself made strategic sense. Ridley acquired the IPF distribution business from Dyno Nobel, taking the leading East Coast fertiliser distribution position with circa 46% market share rather than attempting to build one from scratch. The logic is straightforward: significant overlap in the agricultural customer base, and closely related competencies in commodity procurement, logistics, storage and distribution. It adds a third meaningful earnings pillar alongside Bulk Stockfeeds and Packaged Feeds & Ingredients, and diversifies Ridley away from being purely an animal nutrition business. The headline price was $300m on a cash-free, debt-free basis, plus a $75m put/call over the Geelong North Shore property, implying 5.0x FY24 EBITDA inclusive of $7m of run-rate synergies and after deducting the earnings contribution from ongoing Phosphate Hill supply. That looks attractive if Ridley can maintain the earnings base and execute the operational improvement plan. Consideration recognised at completion was higher at $433.7m, reflecting additional working capital acquired, against a fair value of net assets of $489.5m and a $55.9m provisional gain on bargain purchase. Importantly, this is less about aggressive revenue synergies and more about applying better management to an already strong asset.

What we like most is that the turnaround strategy has been practical and operational rather than a vague appeal to integration synergies. Fertilisers has been moved to a decentralised regional structure directly modelled on Bulk Stockfeeds, with five regional general managers now responsible for both sales and the execution of those sales through the primary distribution centres. Layers of central management have been removed, improving accountability and customer responsiveness. Forty-five roles have gone, delivering ~$8m per annum of savings from FY27 against a one-off cost of ~$3m in FY26. Separately, the acquired business is being migrated off Dyno Nobel's SAP platform onto Ridley's Microsoft Dynamics environment during CY26 at an estimated cost of ~$30m, releasing a further ~$7m per annum of corporate and IT savings from CY27. Distribution network and procurement optimisation across the enlarged group sit behind that. The strategy is believable precisely because it is the one that has already worked in Stockfeeds.

The early evidence is encouraging. Fertilisers generated $10.3m of EBITDA in its first three months under Ridley, above the top end of expectations and ahead of the $8.6m the business delivered in the pcp under prior ownership — in what is seasonally the weakest demand quarter. Management attributed the outcome to cost control and margin discipline rather than volume, which was slightly lower on pcp. Fertiliser working capital fell $98m following completion, an important early indicator given this was one of the major acquisition risks. Management has also moved quickly on restructuring rather than spending twelve to eighteen months reviewing the business. More recently, the closure of the Strait of Hormuz has provided an unwelcome but useful test of IPF's sourcing capability, with replacement cargoes secured from multiple regions including a 250kt urea agreement with PT Pupuk Indonesia, alongside an Export Finance Australia framework to underwrite additional imports. It is early, but the evidence so far -

3 https://www.aljazeera.com/economy/2026/8/3/japan-and-us-confirm-rare-joint-intervention-to-prop-up-yen
4 https://www.cnbc.com/2026/08/03/bessent-fed-japan-yen-fima-repo-facility.html

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supports rather than undermines the original thesis.

The bridge to a ~$200m EBITDA earnings base is simple enough. Start with FY25 Ridley underlying EBITDA of ~$97.5m, deduct ~$3.5m of Wasleys earnings and add back ~$5m of legacy reset savings, and normalised legacy Ridley is ~$99m. Add IPF's ~$86m of full-year historical EBITDA and base group earnings power is ~$185m. Layer in the ~$8m of Fertilisers regional restructure savings and ~$7m of IT and corporate synergies and you arrive at a steady-state ~$200m. The punchline is that the bridge does not require heroic assumptions around Bulk growth or a full Packaged & Ingredients recovery — those provide the upside. The caveat worth flagging is that the $86m includes earnings tied to ongoing Phosphate Hill supply. Ridley acquired IPF's distribution and value-add processing network, but not the upstream Phosphate Hill manufacturing operation itself. That risk has receded: Dyno Nobel sold the plant to Ryowa II GPS, a Mayfair Australia subsidiary, with completion on 30 June 2026, and IPF confirmed in its July stakeholder update that offtake arrangements from Phosphate Hill continue. Ridley is expected to renegotiate terms with the new owner, so the exposure is now commercial rather than binary, and the 5.0x acquisition multiple, struck after stripping that contribution out, looks conservative on continuity.

On valuation, Ridley has historically traded around 17x P/E on a five-year average, versus roughly 14x FY27 earnings today. The discount is not unreasonable on its face. Investors remain wary of integration risk; fertiliser earnings can be volatile and working-capital intensive, with management guiding the seasonal peak to run ~$200m above December levels (fully funded within $690m of available facilities); the transaction substantially increased scale and complexity; and Packaged & Ingredients has had its own operational issues at Maroota and Timaru, adding to near-term uncertainty. Bird flu is also a watchpoint, given outbreaks can result in temporary export restrictions on Australian poultry meal and oil. Against that, early Fertilisers commentary and performance have been positive, the identified cost reductions are tangible and already being executed, and the same operating model has demonstrably worked in Stockfeeds. As earnings move toward the ~$200m framework, confidence in the acquisition should rise. There is also a case for the company deserving a higher-quality multiple over time as it becomes larger, more diversified and more sophisticated, with three material earnings pillars rather than dependence on one core business. We do not need to argue it returns to 17x immediately — even partial multiple normalisation combined with earnings growth creates an attractive setup.

Ridley entered the acquisition with a strong operational track record, bought a strategically logical asset at an attractive earnings multiple, and has quickly implemented a proven improvement strategy. Integration and fertiliser market risks remain, and a widespread dry season would test both segments. But with a credible path toward ~$200m of EBITDA and the stock still trading below its historical valuation, we see scope for both earnings growth and multiple expansion as the market gains confidence in the enlarged group. The FY26 result on 20 August is the next milestone.

5 https://www.abs.gov.au/media-centre/media-releases/cpi-rose-38-year-june-2026
6 https://www.canstar.com.au/news/anz-final-big-four-bank-to-tip-cuts-not-until-2027/
7 https://247wallst.com/investing/2026/07/16/the-russell-2000-is-having-its-best-year-in-23-years-heres-why-small-caps-are-winning-again/
8 Ridley ASX Announcements - FY26-FY28 Growth Plan Presenation, Investor Presenation H1FY26, Half Year Reports and Accounts
9 Canaccord Research (RIC) - August 2026

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