

Ellerston Asia Growth Fund

Performance Report | November 18

PERFORMANCE SUMMARY

	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a)
GROSS	2.78%	-8.98%	-10.28%	-7.66%	7.35%
NET [^]	2.70%	-9.22%	-10.73%	-8.62%	6.23%
BENCHMARK*	2.15%	-8.62%	-10.19%	-8.19%	8.77%

Source: Ellerston Capital

[^] The net return figure is calculated after fees & expenses. The gross return is calculated before fees & expenses. Past performance is not a reliable indication of future performance

*MSCI Asia ex Japan (non-accumulation) (AUD)

COMMENTARY

November was a much better month for Asian equities with Ellerston Asia Growth Fund (EAGF) up 2.78%, outperforming the benchmark by 0.63% (gross). In the October monthly and on our recent roadshow, we highlighted that Asian equity markets were trading at attractive valuations, but needed a positive catalyst to rally. November saw two such catalysts.

Firstly, Federal Reserve Chairman Jerome Powell gave some dovish comments suggesting that US rates are "just below" the neutral level. A shallower trajectory of US interest rates and in turn, a weaker US Dollar is strong positive for Emerging Markets (EM) as an asset class.

The second major catalyst was the much anticipated meeting between Donald Trump and Xi Jinping at the G20 summit in Buenos Aires. The meeting appeared highly successful with the both leaders agreeing to halt new tariffs and put planned tariff hikes on hold for 90 days whilst a formal trade deal is finalised. The market initially took the outcome of this development positively with share prices for trade sensitive companies in particular rising substantially.

Unfortunately, over the last week, a major negative catalyst has emerged with the arrest of Huawei's CFO in Canada over alleged violations of US sanctions on Iran. This has again escalated US/China tensions and complicated ongoing trade negotiations. This event is significant because Huawei is the largest telecommunications equipment company in the world and the third largest smartphone company globally (just behind Apple).

Whilst Huawei is a private company, this event is clearly negative to for listed companies in its supply chain such as O-Film, AAC, Sunny Optical, Goertek and Largan. We do not expect the Huawei issue will go away quickly, which means the supply chain companies could remain under pressure for the foreseeable future.

The worst performing market in November was South Korea, while the best performing markets were India and Indonesia. At a stock level, the largest contributors to alpha was Maruti Suzuki, Larsen & Toubro, both in India, and Bank of Rakyat in Indonesia. The biggest detractors was Anhui Conch in China and Samsung Electro-Mechanics and POSCO in Korea.

During the month, we also added Jubilant Foodworks, the Domino's Pizza of India, into the portfolio and increased our weight in Wuliangye in China.

Kind regards,



Mary Manning - Portfolio Manager

Investment Objective

To outperform the MSCI Asia Ex Japan (non-accumulation) (AUD) benchmark on a net of fees basis, with a focus on capital growth and downside protection.

Investment Strategy

The Fund's investment strategy is to provide access to a high quality portfolio of primarily large cap Asian Companies using the Manager's distinctively high growth, high conviction and benchmark-independent investment approach. The Manager believes that the trade-off between risk and potential returns at the portfolio level is improved by implementing highest conviction ideas from a filtered universe of securities that offer the best risk/reward.

Key Information

Strategy Inception	4 January 2017
Net Asset Value	\$0.9328
Application Price	\$0.9351
Redemption Price	\$0.9305
Liquidity	Daily
No Stocks	31
Management Fee	1.00%
Buy/Sell Spread	0.25%
Performance Fee	15%
Firm AUM	Over \$5 Billion

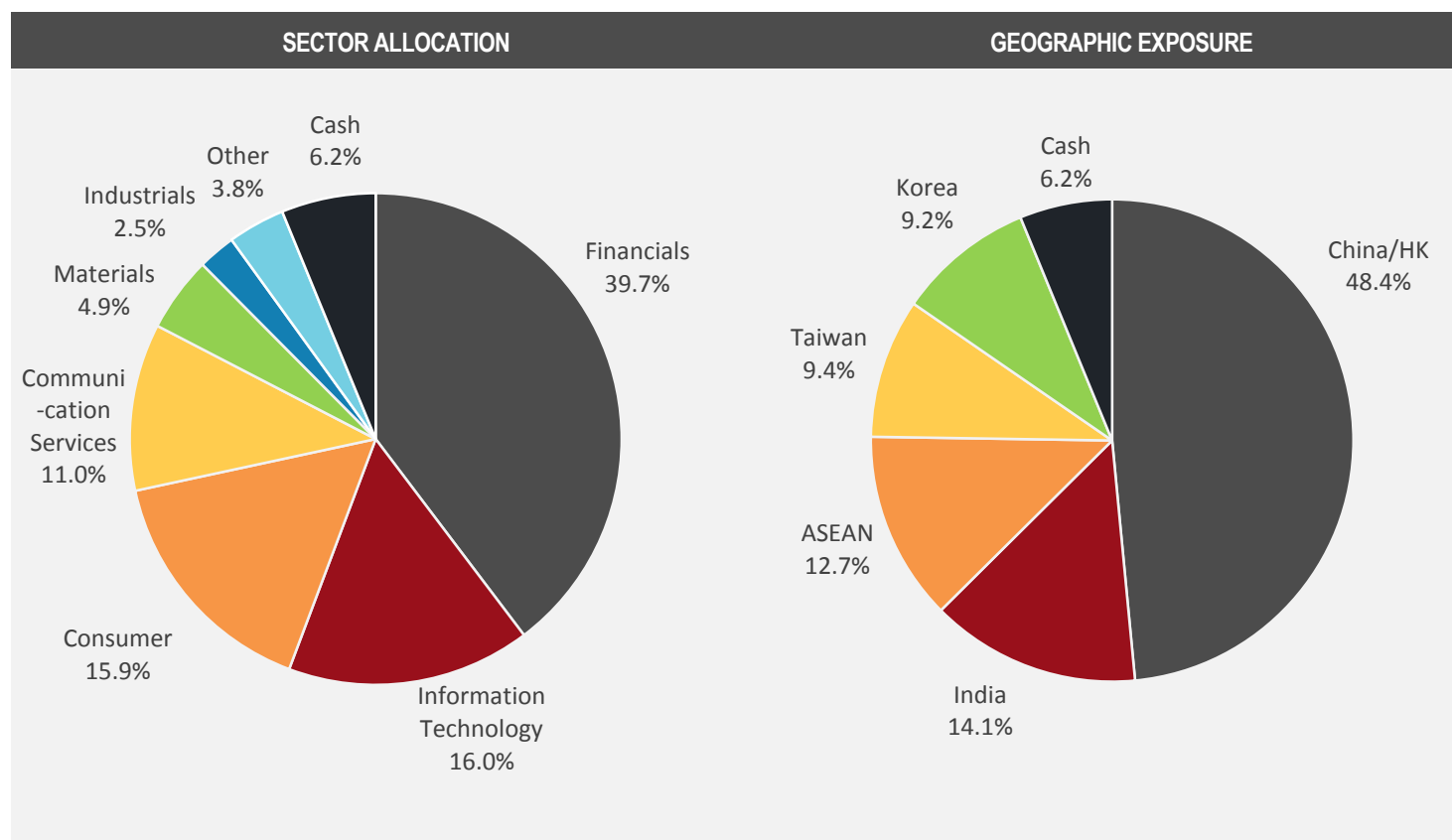
PORTFOLIO CHARACTERISTICS

TOP HOLDINGS

Top 10 holdings	Sector	%
TENCENT HOLDINGS	COMMUNICATION SERVICES	8.4
ALIBABA GROUP HOLDING	INFORMATION TECHNOLOGY	6.8
PING AN INSURANCE GROUP	FINANCIALS	6.6
TSMC	INFORMATION TECHNOLOGY	6.2
SAMSUNG ELECTRONICS	INFORMATION TECHNOLOGY	4.9
HONG KONG EXCHANGES	FINANCIALS	4.9
CHINA CONSTRUCTION BANK	FINANCIALS	4.1
DBS GROUP HOLDINGS	FINANCIALS	4.0
ICICI BANK LIMITED	FINANCIALS	4.0
OCBC BANK	FINANCIALS	3.9

Source Ellerston Capital

SECTOR & GEOGRAPHIC ALLOCATIONS



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