

Ellerston Asia Growth Fund

Performance Report | February 19

PERFORMANCE SUMMARY

	1 Month	3 Months	6 Months	1 Year	2 Year	Since Inception (p.a)
GROSS	5.35%	8.78%	-0.99%	-2.79%	11.75%	10.69%
NET [^]	5.27%	8.52%	-1.48%	-3.77%	10.59%	9.55%
BENCHMARK*	4.59%	9.08%	-0.32%	-1.80%	11.84%	12.12%

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

February 2019 was a very strong month for Asia markets and for the Ellerston Asia Growth Fund. The fund was up 5.35% (gross) during February, outperforming the benchmark by 0.76% (gross). Year to date in 2019, the fund is up 9.21% (gross) and has outperformed the benchmark by approx. 0.88% (gross).

Why have Asian markets been so strong this year? The reasons remain the same as those stated in January's monthly report, namely: rising expectations of a resolution in the trade war, a dovish Fed and positioning prior to the MSCI announcement on an increase in the China A share inclusion factor.

With respect to trade, the negotiations continue and the Trump administration has officially extended the deadline past March 1. Current speculation is that Trump and President Xi will meet in Florida on March 27 for a "signing ceremony" on a trade deal. One possibility that has been floated in the last few weeks is that in addition to no new tariffs, the US will repeal some of the existing tariffs that were put in place last year. This could be on a standalone basis or a carrot for China to adhere to the deal specifics on deficit reduction, IP protection and state subsidies. In any case, this is a strong potential positive that was not in the market previously.

As expected, at the end of February MSCI announced an increase in the China inclusion factor for China A shares from 5% to 20%. This increase will be staged over 3 time periods: 5-10% in May 2019, 10-15% in August 2019 and 15-20% in November 2019. In the immediate term, the decision was a strong sentiment boost for the local Chinese market. The Shanghai Composite is up approximately 17% year to date in 2019 while the CSI 300 is up almost 22%. Ellerston Asia is overweight A shares within the portfolio as a whole and within our China allocations as a group (A share, H share, ADRs).

Positioning remains similar to January, namely overweight China and overweight the mega cap technology stocks in Asia. During the month, the best performing stocks in the portfolio in absolute terms were all A shares: O-Film (+38.3%), Wuliangye (+18.5%) and Hikvision (+14.9%). The largest contributors to alpha were Ping An Insurance, Hong Kong Exchange and O-Film. The largest detractors from alpha was ICICI, a high beta stock in India which didn't perform well given late February tensions between India and Pakistan.

As always, if you have any questions, please feel free to contact us at investorrelations@ellerstoncapital.com.

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
Application Price	\$1.0148
Net Asset Value	\$1.0123
Redemption Price	\$1.0098
Liquidity	Daily
No Stocks	32
Management Fee	1.00%
Buy/Sell Spread	0.25%
Performance Fee	15%
Firm AUM	Over \$5 Billion

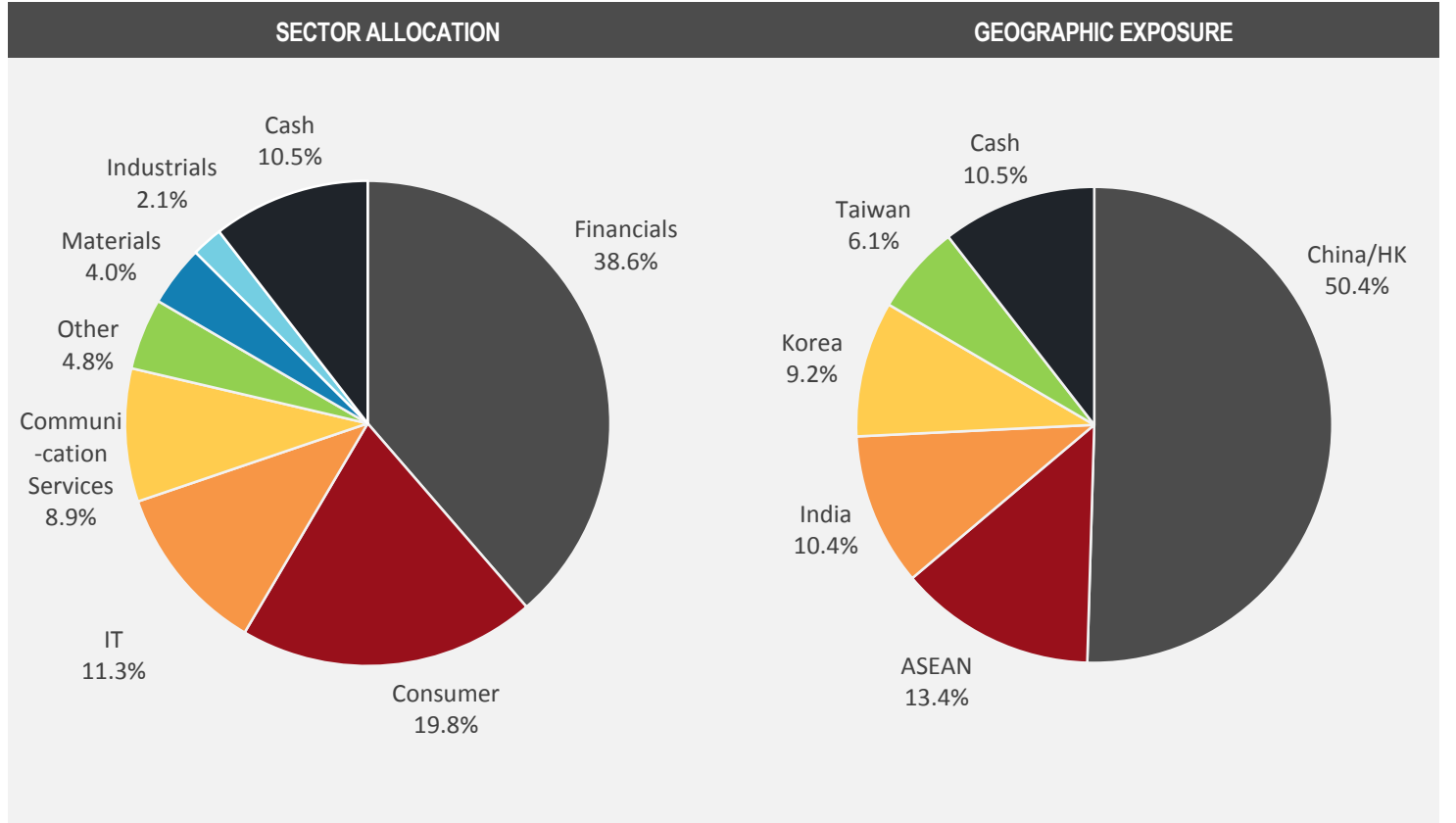
PORTFOLIO CHARACTERISTICS

TOP HOLDINGS

Top 10 holdings	Sector	%
ALIBABA GROUP HOLDING	CONSUMER DISCRETIONARY	7.5
TENCENT HOLDINGS	COMMUNICATION SERVICES	6.9
PING AN INSURANCE GROUP	FINANCIALS	6.8
HONG KONG EXCHANGES & CLEARING	FINANCIALS	6.5
SAMSUNG ELECTRONICS	INFORMATION TECHNOLOGY	5.1
TSMC	INFORMATION TECHNOLOGY	5.1
CHINA CONSTRUCTION BANK	FINANCIALS	4.0
DBS GROUP HOLDINGS	FINANCIALS	3.9
CHINA MERCHANTS BANK	FINANCIALS	3.8
OCBC BANK	FINANCIALS	3.6

Source Ellerston Capital

SECTOR & GEOGRAPHIC ALLOCATIONS



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