

# Ellerston Asia Growth Fund

Performance Report | March 19

## PERFORMANCE SUMMARY

	1 Month	3 Months	6 Months	1 Year	2 Year	Since Inception (p.a)
GROSS	2.98%	12.46%	5.14%	1.65%	11.26%	11.72%
NET <sup>^</sup>	2.89%	12.19%	4.62%	0.63%	10.11%	10.57%
BENCHMARK*	1.74%	10.22%	3.13%	-0.01%	10.65%	12.51%

Source: Ellerston Capital

<sup>^</sup> 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

March 2019 was another strong month for Asian markets and for the Ellerston Asia Growth Fund. The fund was up 2.98% (gross) during March, outperforming the benchmark by 1.24% (gross). Year to date in 2019, the fund is up 12.46% (gross) and has outperformed the benchmark by over 2.24% (gross).

The strength in Asian markets is a continuation of what we have seen thus far in 2019, namely de-escalation in the trade war, a dovish Fed and light positioning in Asia. On the trade war front, the “signing ceremony” has been pushed out until mid-late April at the earliest and late June at the latest. Despite this slippage in the time line, our sources on the ground in Beijing and Washington suggest that progress continues to be made on the issues of the deficit, IP and currency stability. The Fed’s increasingly dovish commentary continues to provide a boost for Emerging Markets as an asset class.

There are 3 important elections in Asia in 2019; Thailand, Indonesia and India. The Thai election was held in late March and was the country’s first election since the military coup in 2014. While polls showed that the pro-military party, Palang Pracharat, was going to win, the anti-military Thaksin linked party, Pheu Thai, got more votes than expected. Two weeks after the polls closed, election results are still not finalized and both parties are claiming the right to form a coalition government. Ellerston Asia has no positions in Thailand, partly because of political risk but more so because the Thai economy is struggling and we cannot find many stocks that meet our growth criteria.

The Indonesian election coming up on April 17 is the least contentious Asian election this year. Jokowi does not appear to have any significant competition, so our base case is that he is returned to power. His first term was disappointing and many of the growth promises didn’t materialise. Ellerston Asia has only one investment in Indonesia, Bank Rakyat.

The most interesting election this year is undoubtedly the Indian election on May 23. Our base case is that Modi is returned as Prime Minister and the BJP gains a majority of seats, or at least retains power in a coalition with the National Democratic Alliance (NDA). This has been our base case for many months now, but the probability of a favourable outcome for Modi and the BJP has risen in recent weeks in the wake of the skirmish with Pakistan and Modi’s assertive handling of the situation.

Last week Deputy Portfolio Manager Fredy Hoh was on the ground in the key swing state of Uttar Pradesh, where he met with politicians from the BJP, Congress and minority parties, and also spoke extensively to local residents and business people. Fredy’s time on the ground re-enforced our view that Modi will be returned to power. For full details of our views on the Indian election, please refer the thought piece published April 3 on our website, [Who is going to win the Indian Election?](#) We remain overweight the Indian market with financials and consumer the most favoured sectors.

### 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

<b>Strategy Inception</b>	4 January 2017
<b>Application Price</b>	\$1.0442
<b>Net Asset Value</b>	\$1.0416
<b>Redemption Price</b>	\$1.0390
<b>Liquidity</b>	Daily
<b>No Stocks</b>	30
<b>Management Fee</b>	1.00%
<b>Buy/Sell Spread</b>	0.25%
<b>Performance Fee</b>	15%
<b>Firm AUM</b>	Over \$5 Billion

Moving on to performance, during March, Wuliangye, Ping An and ICICI Bank were the largest contributors to alpha. Wuliangye's performance was particularly strong this month with the stock up over 35% in March alone and up over 86% thus far in 2019. The biggest detractor to alpha during the month was Gourmet Master.

Positioning remains broadly the same - overweight China and mega cap tech and underweight ASEAN and low growth sectors like telecom and utilities. Cash at the end of the month was approximately 7.5%.

As always, if you have any questions regarding any aspect of the Ellerston Asia Growth Fund or the portfolio, please feel free to contact us at [investorrelations@ellerstoncapital.com](mailto:investorrelations@ellerstoncapital.com).

Kind regards,



Mary Manning - Portfolio Manager

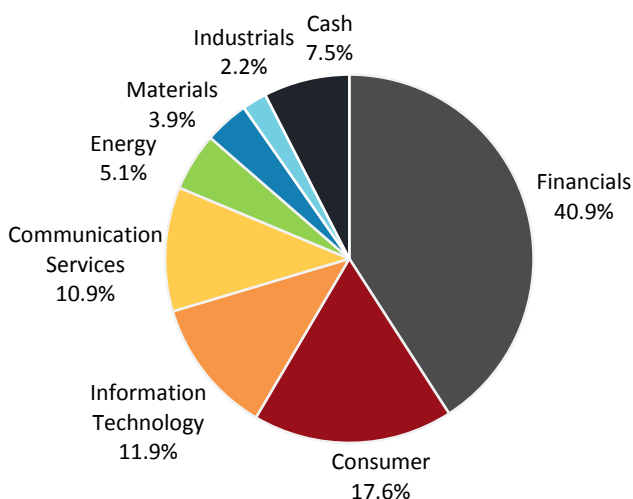
## PORTFOLIO CHARACTERISTICS

### ELLERSTON ASIA GROWTH FUND TOP HOLDINGS

Top 10 holdings	Sector	%
ALIBABA GROUP HOLDING	CONSUMER DISCRETIONARY	7.2
TENCENT HOLDINGS	COMMUNICATION SERVICES	7.1
PING AN INSURANCE GROUP	FINANCIALS	7.0
HONG KONG EXCHANGES & CLEARING	FINANCIALS	6.3
TSMC	INFORMATION TECHNOLOGY	5.0
AIA GROUP	FINANCIALS	5.0
CHINA MERCHANTS BANK	FINANCIALS	3.9
BAIDU INC	COMMUNICATION SERVICES	3.8
DBS GROUP HOLDINGS	FINANCIALS	3.8
CHINA CONSTRUCTION BANK	FINANCIALS	3.7

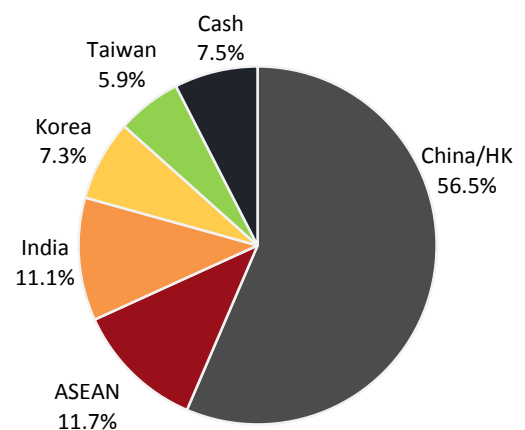
Source: Ellerston Capital

### SECTOR ALLOCATION



Source: Ellerston Capital

### GEOGRAPHIC EXPOSURE



Source: Ellerston Capital

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