

Ellerston India Fund

Performance Report | March 19

PERFORMANCE SUMMARY

	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a)
GROSS	9.68%	6.24%	14.26%	19.21%	11.63%
NET [^]	9.55%	5.99%	13.39%	17.62%	10.25%
BENCHMARK*	9.40%	6.20%	11.91%	15.28%	9.67%

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 India Net Return Index (AUD)

COMMENTARY

March was a very strong month for the Ellerston India Fund and the Indian market. EIF was up 9.68% in March, outperforming the benchmark by 0.28% (gross). The market was up approximately 6% in local terms and the INR appreciated versus the AUD by approximately 3% providing a significant tailwind to returns in AUD.

One of the main drivers of the strong performance is a growing expectation that Modi will be returned as the Prime Minister in the upcoming election. For many months now, our base case has been that Modi would get a second term, although it appeared that it would be either with a significantly reduced majority or even a minority government. In the wake of the skirmish with Pakistan and Modi's assertive handling of the situation, polling and grey market betting shows the indicative number of seats for the BJP/NDA has increased from about 200 to over 270 (out of 543 in the Lok Sabha).

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?](#)

There were two other important macro drivers in March and early April besides the election. First, the Reserve Bank of India conducted two \$5 billion USD-rupee swaps which injected significant liquidity into the Indian banking system. This was one of the reasons our financials stocks performed well this month. Secondly, the RBI also met on April 4 and cut interest rates by an additional 25bps. This was our expectation and we welcome further cuts by the RBI. Inflation in India remains consistently low at ~3%, so it is increasingly difficult to justify rates remaining at 6%.

At a sector level, financials was the top performing sector while consumer staples lagged. At the stock level, the top contributors to performance in March were all financials: Bajaj Finance, Yes Bank and Edelweiss. The top detractors were stocks that we didn't own, namely State Bank of India and cigarette company ITC.

We added a number of new stocks throughout March including Aarti Industries, Tata Steel and Ambuja Cement. Last year the NIFTY was one of the best performing markets in the world up 1.2% in local terms versus the rest of Asia and developed markets which ended down. However, this overall performance doesn't reveal that it was a handful of mega cap stocks in India (HUVR, HDFC Bank, Reliance, Infosys) that dragged the market up. The small and mid cap indices in India were down significantly and sectors like materials and autos were down 10-20% last year. We do anticipate some mean reversion this year and therefore have bought stocks that have been beaten down to very attractive valuations. This has been funded via cash and some profit taking in TCS and HUVR.

Investment Objective

To outperform the MSCI India Net Return Index (AUD) with a focus on risk management and capital preservation.

Investment Strategy

The Fund's investment strategy is to construct a concentrated portfolio with exposure to Indian Companies using the Manager's high growth, high conviction, benchmark independent investment approach. The Fund has identified a number of core themes that will drive returns in the Indian market in the medium term. The focus is on investing in Indian Companies that benefit from these fundamental drivers.

Key Information

Strategy Inception	4 May 2017
Application Price	\$1.1465
Net Asset Value	\$1.1436
Redemption Price	\$1.1407
Liquidity	Daily
No Stocks	24
Management Fee	1.10%
Buy/Sell Spread	0.25%
Performance Fee	15%
Fund Benchmark	MSCI India Net Return Index (AUD)

As always, if you have any questions regarding any aspect of the Ellerston India Fund or the portfolio, please feel free to contact us at investorrelations@ellerstoncapital.com.

Kind regards,



Mary Manning
Portfolio Manager

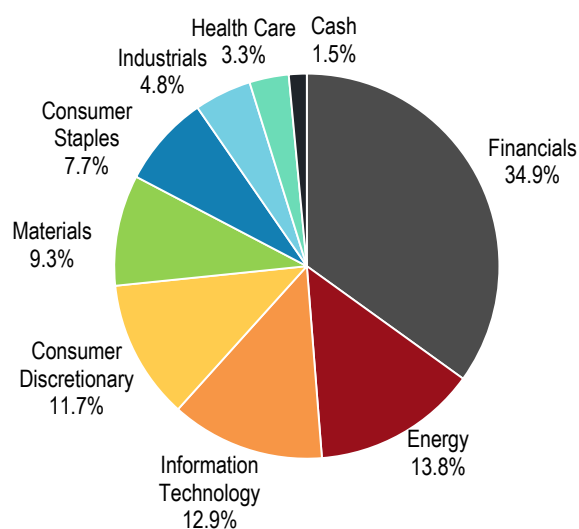
PORTFOLIO CHARACTERISTICS

ELLERSTON INDIA FUND TOP HOLDINGS

Top 10 holdings	Sector	%
RELIANCE INDUSTRIES	ENERGY	13.8
HDFC	FINANCIALS	9.7
INFOSYS	INFORMATION TECHNOLOGY	6.9
BAJAJ FINANCE	FINANCIALS	5.9
HINDUSTAN UNILEVER	CONSUMER STAPLES	5.8
AXIS BANK	FINANCIALS	5.5
ICICI BANK	FINANCIALS	5.1
LARSEN & TOUBRO	INDUSTRIALS	4.8
MARUTI SUZUKI	CONSUMER DISCRETIONARY	4.8
YES BANK LIMITED	FINANCIALS	4.3

Source: Ellerston Capital

SECTOR ALLOCATION



Source: Ellerston Capital

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