

Ellerston Asia Growth Fund

Performance Report | April 19

PERFORMANCE SUMMARY

	1 Month	3 Months	6 Months	1 Year	2 Year	Since Inception (p.a)
GROSS	2.72%	11.45%	18.27%	1.80%	10.52%	12.57%
NET [^]	2.64%	11.18%	17.70%	0.79%	9.38%	11.41%
BENCHMARK*	2.79%	9.37%	16.52%	0.53%	9.92%	13.36%

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

Asian markets continued their strong start to 2019. Ellerston Asia Growth Fund (EAGF) was up 2.72% during the month, performing broadly in line with the benchmark which was up 2.79%. EAGF is now up 15.53% (gross) year to date in 2019 and has outperformed the benchmark by 2.24% (gross) over this time.

One of the key drivers of the strength in Asian markets in 2019 has been the relatively low level of geopolitical tension highlighted by increasing expectations of a resolution in the trade war. However, since the end of April geopolitical risk has abruptly returned. Firstly, there has been a re-escalation of US/China trade tensions with Trump threatening to lift the existing 10% tariffs on US\$200bn of goods to 25% on May 10th.

We believe Trump's action is a negotiating tactic aimed at: (1) speeding up the pace of trade talks; and (2) getting China to concede on a number of critical issues such as IP transfer and industrial subsidies. Our base case remains that of a negotiated outcome between the two sides. However a best case scenario, where existing tariffs are completely removed is now less likely to happen. Further adding to the rising geopolitical risk during the month has been the resumption of missiles testing by North Korea. This was the first test since November 2017 and throws into doubt US efforts to denuclearise the Korean Peninsula. Whilst the US has seemingly brushed off the incident, further provocations from North Korea cannot be ruled out.

These two events have subsequently resulted in a sell-off across all Asian markets in early May. EAGF took profits on our A share positions during April and we are underweight Korea within the portfolio. Cash has increased from ~3% earlier in 2019 to approximately 15.7% at the end of April. As such, we are much better positioned for these geopolitical events than during previous episodes. We will therefore monitor these events closely and stand ready to buy good companies that get thrown out with the proverbial bathwater.

Two other events to watch in May are: (1) the outcome of the Indian election; and (2) the increase in the MSCI inclusion factor for China A Shares from 5% to 10%. On the election, our base case remains a Modi victory with his BJP/NDA alliance holding a smaller majority during the next term of Government. The result will be released on May 23rd and we think confirmation of a Modi victory will be positive for the Indian market. India remains one of the biggest overweights in the EAGF portfolio. Meanwhile, the MSCI inclusion factor could be a tailwind for inflows into the A share market towards the end of the month.

Turning back to April, the worst performing market during the month was Malaysia. The best performing markets on the other hand were Singapore and Taiwan. At a stock level, the largest contributor to alpha was Wynn Macau, DBS and Ping An. DBS and Ping An are companies that we've held since EAGF's inception and both reported strong quarterly results in April. The biggest detractors during the month were Yes Bank and Hangzhou Hikvision. Yes Bank surprised the market by reporting a net loss due to higher than expected provisions, whilst also providing weaker than expected earnings and returns guidance. We believe the new CEO, Ravneet Gill, has taken an overly conservative approach to his first set of results and see this event as a one-off reset.

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	\$1.0718
Net Asset Value	\$1.0691
Redemption Price	\$1.0664
Liquidity	Daily
No Stocks	30
Management Fee	1.00%
Buy/Sell Spread	0.25%
Performance Fee	15%
Firm AUM	Over \$5 Billion

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.

Kind regards,



Mary Manning - Portfolio Manager

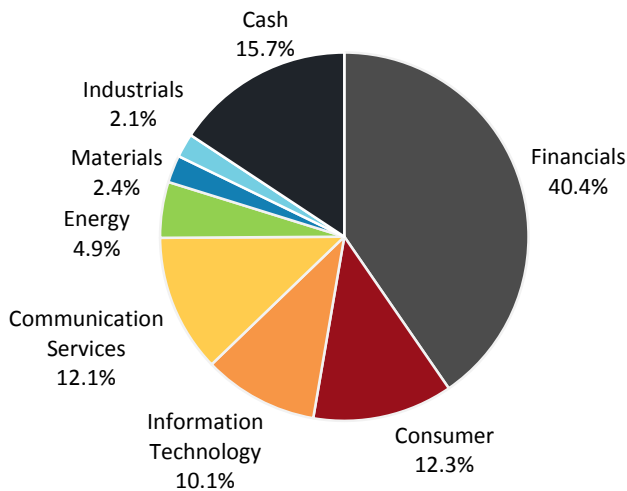
PORTFOLIO CHARACTERISTICS

ELLERSTON ASIA GROWTH FUND TOP HOLDINGS

Top 10 holdings	Sector	%
TENCENT HOLDINGS LTD.	COMMUNICATION SERVICES	7.4
PING AN INSURANCE	FINANCIALS	6.2
HONG KONG EXCHANGES & CLEARING LTD.	FINANCIALS	6.1
TAIWAN SEMICONDUCTOR MANUFACTURING	INFORMATION TECHNOLOGY	5.1
DBS GROUP HOLDINGS LTD	FINANCIALS	5.1
ALIBABA GROUP HOLDING LTD.	CONSUMER DISCRETIONARY	5.0
OCBC LIMITED	FINANCIALS	5.0
AIA GROUP LIMITED	FINANCIALS	5.0
CHINA CONSTRUCTION BANK CORPORATION	FINANCIALS	3.7
SAMSUNG ELECTRONICS CO LTD	INFORMATION TECHNOLOGY	3.0

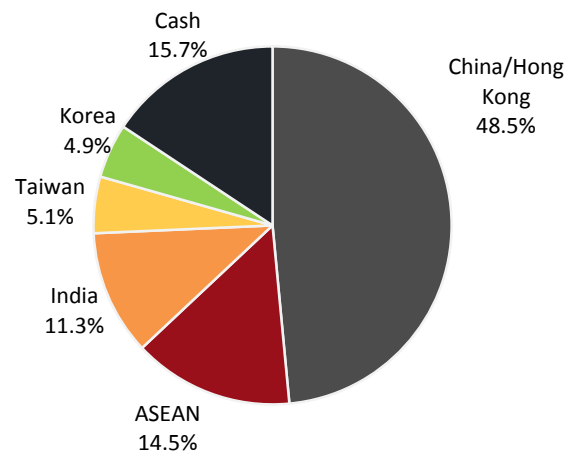
Source: Ellerston Capital

SECTOR ALLOCATION



Source: Ellerston Capital

GEOGRAPHIC EXPOSURE



Source: Ellerston Capital

SIGNIFICANT EVENT NOTICE

ELLERSTON CORPORATE UPDATE

In other Ellerston news, Chris Hall has been appointed to the position of Chief Investment Officer of Ellerston Capital Limited, reporting to the Executive Chairman, Ashok Jacob. Chris joined Ellerston in September 2018 as Senior Investment Officer. Over his 28 years in investment management, Chris has built a wealth of experience in risk oversight, investment process improvement and business expansion – including Asia – alongside producing an impressive track record of investing in equity markets.

Prior to joining Ellerston, Chris was Managing Director and Senior Portfolio Manager and Co-Head of Research for BlackRock's Alpha strategies Group in Hong Kong, where he was the lead Co-PM on the BlackRock Asia Pacific Equity Income fund, BGF Pacific Equity fund and BGF Asean Leaders fund, as well as being a member of the Management Committee overseeing the Asian Fundamental Equities Team with A\$35 billion in assets.

Ashok Jacob remains the Executive Chairman of Ellerston Capital Limited and continues to provide guidance and investment insight to the Ellerston team.

Should investors have any questions or queries regarding the fund,
please contact our [Investor Relations team](#) on 02 9021 7797 or info@ellerstoncapital.com
or visit us at <https://ellerstoncapital.com/>

All holding enquiries should be directed to our registrar, Link Market Services on 1800 992 149 or ellerston@linkmarketservices.com.au

SYDNEY OFFICE
Level 11, 179 Elizabeth Street,
Sydney NSW 2000

MELBOURNE OFFICE
Level 4, 75-77 Flinders Lane,
Melbourne VIC, 3000

DISCLAIMER

This newsletter has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, responsible entity of the Ellerston Asia Growth Fund (ARSN 626 690 686) without taking account the objectives, financial situation or needs of individuals. Before making an investment decision about the Fund persons should read the Fund's product disclosure statement dated 2 October 2018 which can be obtained by contacting info@ellerstoncapital.com and obtain advice from an appropriate financial adviser. Units in the Fund are issued by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000. This information is current as at the date on the first page.

This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance.