

# Ellerston India Fund

Performance Report | April 19

## PERFORMANCE SUMMARY

	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a)
GROSS	-0.68%	10.92%	18.41%	12.00%	10.75%
NET <sup>^</sup>	-0.59%	10.92%	17.84%	10.69%	9.48%
BENCHMARK*	1.49%	13.83%	19.60%	10.58%	10.06%

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 India Net Return Index (AUD)

## COMMENTARY

The India Fund returned -0.68% during April, underperforming the benchmark which gained 1.49%. It was a volatile month with upcoming federal elections, advancing crude and geo-political developments weighing on investor sentiment.

The focus of the Indian market during April was on the upcoming election and FY19 (March yearend) results. Election polling is expected to conclude on 19th May with results announced shortly thereafter. We continue to expect the BJP party, with Modi at the helm, to regain power, albeit with a reduced majority compared to the previous elections in 2014. The team has recently spent time on the ground in Delhi, Bangalore, Mumbai and Uttar Pradesh, which reinforced our views of the election outcome.

Global macro developments and a higher crude saw the Indian rupee depreciate over the month. The Reserve Bank of India (RBI) cut interest rates a further 25bps whilst maintaining its neutral stance. Recent headline inflation data suggests a slight pick up in inflation, mainly due to food and fuel (higher oil). The core inflation measures continue to register a slowdown over previous periods suggesting that the RBI could continue to cut interest rates over the course of the year. The monsoons could be the swing factor. Current predictions are for below average rainfall, which could subsequently drive up food prices and inflation and keep the RBI on hold.

IT services and materials were the best performing sectors during the month. IT services gains were led by a strong 4Q result and outlook comments by Tata Consultancy Services and Wipro. Materials were aided by good results from cement names Ultratech and Shree Cement as well as Tata Steel which reported a stronger than expected result from its European business.

Financials lagged the most, primarily driven by a kitchen sink result from Yes Bank. The new CEO of Yes Bank, Ravneet Gill, delivered a surprise loss due to very conservative provisioning in his first quarterly result at bank. While a clean-up quarter was expected, investors were disappointed that the new management team suggested that the return of growth and robust returns will longer than anticipated to play out. We have maintained our position in Yes Bank as we believe that the new CEO is being ultra-conservative and that the share price decline in the results was an overreaction.

Interestingly, the sector performance was a complete reversal versus the previous month where Financials were the top performer and IT was the worst.

In terms of contributors to portfolio performance, the key positive alpha names include our overweight positions in Tata Steel and Dr Reddy's. Tata Steel provided a strong result from its European business that was ahead of expectations. Dr Reddy's is yet to report its 4Q but continues to strengthen its position by divesting non-core ventures and enhancing its core competencies across geographies. Not owning Indiabulls Housing Finance was also a key contributor.

### 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

<b>Strategy Inception</b>	4 May 2017
<b>Application Price</b>	\$1.1396
<b>Net Asset Value</b>	\$1.1368
<b>Redemption Price</b>	\$1.1340
<b>Liquidity</b>	Daily
<b>No Stocks</b>	23
<b>Management Fee</b>	1.10%
<b>Buy/Sell Spread</b>	0.25%
<b>Performance Fee</b>	15%
<b>Fund Benchmark</b>	MSCI India Net Return Index (AUD)

Portfolio detractors were our positions in Yes Bank (discussed above) and Edelweiss Financial Services. We continue to hold both financial names.

Finally, we are pleased to report that Ellerston India Fund has received an Investment Grade rating from Lonsec.

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](mailto:investorrelations@ellerstoncapital.com).

Kind regards,



Mary Manning  
Portfolio Manager

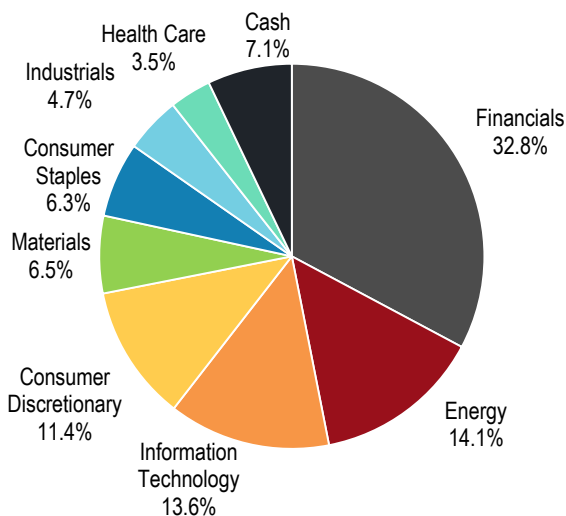
## PORTFOLIO CHARACTERISTICS

### ELLERSTON INDIA FUND TOP HOLDINGS

Top 10 holdings	Sector	%
RELIANCE INDUSTRIES LIMITED	ENERGY	14.1
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED	FINANCIALS	9.9
INFOSYS LIMITED	INFORMATION TECHNOLOGY	6.9
BAJAJ FINANCE LIMITED	FINANCIALS	6.0
AXIS BANK LIMITED	FINANCIALS	5.4
ICICI BANK LIMITED	FINANCIALS	5.1
TATA CONSULTANCY SERVICES LIMITED	INFORMATION TECHNOLOGY	4.8
MARUTI SUZUKI INDIA LIMITED	CONSUMER DISCRETIONARY	4.8
LARSEN & TOUBRO LTD.	INDUSTRIALS	4.7
HINDUSTAN UNILEVER LIMITED	CONSUMER STAPLES	4.5

Source: Ellerston Capital

### SECTOR ALLOCATION



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](mailto: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](mailto: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

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