

Ellerston India Fund

Performance Report | August 19

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	2 Year (p.a.)	Since Inception (p.a.)
Net [^]	0.23%	-3.71%	8.26%	2.69%	9.57%	7.80%
Benchmark*	-0.69%	-5.64%	6.66%	-0.87%	7.92%	6.72%
Alpha	0.92%	1.93%	1.60%	3.56%	1.65%	1.08%

Source: Ellerston Capital

[^] The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

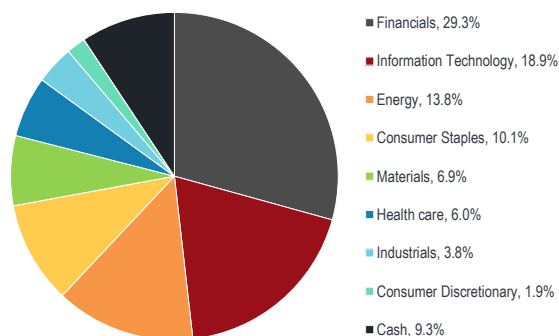
* MSCI India Net Return Index (AUD)

PORTFOLIO CHARACTERISTICS

HOLDINGS

Top 10 holdings	Sector	%
Reliance Industries Limited	Energy	13.8%
Housing Development Finance Corp Ltd	Financials	11.0%
Infosys Limited	Information Technology	10.0%
Tata Consultancy Services Limited	Information Technology	7.3%
Hindustan Unilever Limited	Consumer Staples	6.2%
Axis Bank Limited	Financials	5.5%
ICICI Bank Limited	Financials	5.1%
Larsen & Toubro Ltd.	Industrials	3.8%
Bajaj Finance Limited	Financials	3.0%
Dr. Reddy's Laboratories Ltd.	Health Care	3.0%

SECTOR ALLOCATION



Source: Ellerston Capital

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 thematic areas 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
Portfolio Manager	Mary Manning
Application Price	\$1.1118
Net Asset Value	\$1.1090
Redemption Price	\$1.1062
Liquidity	Daily
No Stocks	23
Management Fee	1.10%
Performance Fee	15%
Buy/Sell Spread	0.25%/0.25%

COMMENTARY

The Ellerston India Fund (EIF) was up 0.48% (gross returns) in August outperforming the benchmark which was down -0.69%. This 1.17% outperformance during the month was due to sector positioning, stock picking and relatively high cash.

As the 1Q20 earnings season came to an end, it was clear that with a few notable large cap exceptions (ICICI, Infosys, Asian Paints) most earnings were in-line to disappointing. Autos continue to struggle, the outlook for consumer discretionary is weak and materials are under pressure. The worsening outlook highlighted by management teams was confirmed by the quarterly GDP number which came in at only 5% growth. This is down from 5.8% in the previous quarter and is a far cry from the 7% growth that investors were expecting for the year.

In addition to concerns about the absolute level of growth, investors (including EIF) are concerned that both RBI Governor Das and the new Finance Minister Sitharaman appear to be behind the curve with respect to the required policy response. If they were aware GDP growth was decelerating this quickly, Das should have announced a 50bps interest rate cut rather than making the decision to go with an on-the-fence 35bps cut at the last meeting. Similarly, Sitharaman's maiden budget in July would have been less hawkish and the 3.3% deficit to GDP target would have been relaxed. We expect both monetary and fiscal policy makers to loosen considerably in the coming months.

In August the government announced mergers of a number of state owned banks (PSUs) which was intended to concentrate the NPL and profitability problems of the PSU banks and make it easier to address in terms of additional capital required. This is a welcome move and shows proactivity but we continue to avoid all PSU banks except State Bank of India.

From a sector perspective, Energy and Consumer Staples contributed the most alpha in August while Industrials was the only sector that detracted from alpha. Stock wise, not owning ITC, the largest cigarette company in India, and our overweight position in Reliance were the two largest contributors to alpha. Our position in Tata Steel was the largest detractor and we have since exited the position.

Given the sharp correction in a number of Indian stocks, we are continually analysing whether new opportunities are emerging at attractive levels. However, at the current time, we anticipate staying relatively high cash until there is more macro visibility and some green shoots with respect to a re-acceleration of growth.

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

Kind regards,

Mary Manning - Portfolio Manager

All holding enquiries should be directed to our registrar, [Link Market Services](https://linkmarketservices.com.au) on 1800 992 149 or ellerston@linkmarketservices.com.au

SYDNEY OFFICE

Level 11, 179 Elizabeth Street,
Sydney NSW 2000

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

MELBOURNE OFFICE

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

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