

# Ellerston Asia Growth Fund

Performance Report | December 19

## PERFORMANCE SUMMARY

| Performance      | 1 Month | 3 Months | 6 Months | 1 Year | 2 Year (p.a.) | Since Inception (p.a.) |
|------------------|---------|----------|----------|--------|---------------|------------------------|
| Net <sup>^</sup> | 3.19%   | 8.25%    | 7.97%    | 22.29% | 5.98%         | 10.97%                 |
| Benchmark*       | 2.40%   | 6.90%    | 5.28%    | 15.54% | 3.61%         | 10.97%                 |
| Alpha            | 0.79%   | 1.35%    | 2.69%    | 6.75%  | 2.37%         | 0.00%                  |

Source: Ellerston Capital

<sup>^</sup> The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

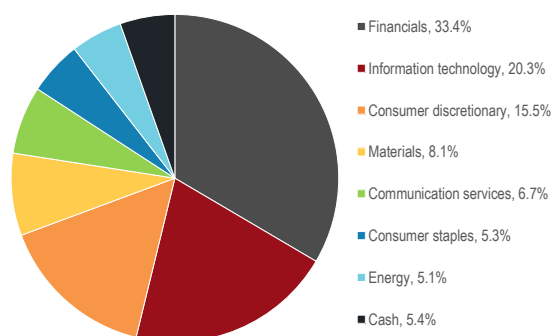
\*MSCI Asia ex Japan (non-accumulation) (AUD)

## PORTFOLIO CHARACTERISTICS

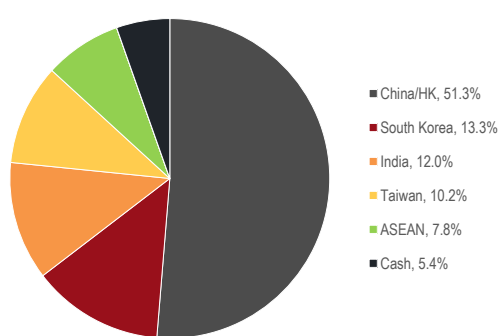
### HOLDINGS

| Top 10 holdings                    | Sector                 | %    |
|------------------------------------|------------------------|------|
| Alibaba Group Holding Ltd          | Consumer Discretionary | 8.4% |
| Samsung Electronics                | Information Technology | 7.0% |
| TSMC                               | Information Technology | 6.9% |
| Ping An Insurance                  | Financials             | 5.9% |
| Tencent Holdings Ltd               | Communication Services | 5.5% |
| ICICI Bank Ltd                     | Financials             | 4.9% |
| China Life Insurance Co. Ltd.      | Financials             | 4.2% |
| Hong Kong Exchanges & Clearing Ltd | Financials             | 4.0% |
| DBS Group Holdings Ltd             | Financials             | 3.7% |
| Anhui Conch Cement Company Ltd     | Materials              | 3.2% |

### SECTOR ALLOCATION



### GEOGRAPHIC EXPOSURE



Source: Ellerston Capital

### 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 |
| Portfolio Manager  | Mary Manning   |
| Application Price  | \$1.1357       |
| Net Asset Value    | \$1.1329       |
| Redemption Price   | \$1.1301       |
| Liquidity          | Daily          |
| No Stocks          | 35             |
| Management Fee     | 1.00%          |
| Performance Fee    | 15%            |
| Buy/Sell Spread    | 0.25%/0.25%    |

## COMMENTARY

December was another good month for the Ellerston Asia Growth Fund (EAGF). The fund was up 3.19% during the month, outperforming the benchmark by 0.79% (net). Calendar year to date in 2019, the fund was up 22.3% and outperformed the benchmark by 6.75% (net).

A partial resolution to the trade conflict helped propel markets in December and early January. Phase One of the trade deal has been agreed and Trump and Liu He are expected to sign the agreement on January 15 at the Whitehouse. While the final text of the agreement has yet to be released to the market, the focus includes a commitment from China to significantly increase farm purchases, reduce other import barriers and increase protection of intellectual property rights. In return, the US has agreed not to go ahead with the planned December tariffs and reduce the rate charged on another \$120 billion of goods.

Question marks still stand with respect to how China will meet the unrealistically high agricultural import targets, how the deal will be enforced and whether there is a timeline and political will to reduce and/or eliminate the tariffs that remain in place from both sides.

Trump has said that he is eager to kick-start talks on Phase Two of trade negotiations but that a second deal is unlikely until after the Presidential election in November 2020. We do not think that China is in a rush to move to Phase Two either, but do expect a face to face meeting between Trump and Xi sometime in the first half of the year.

Finally, it is prudent to reiterate our long held view that the trade war witnessed in the last few years was not really about trade, but about American hegemonic decline and stopping the rise of China. In this context, while there may be a period of trade de-escalation, we expect some level of economic and political friction between the US and China to be the new normal for Asian and global markets.

Our outperformance in December was a function of country and sector allocation and stock picking. Specifically, the last few months have seen a marked rotation into North Asia at the expense of cash, ASEAN and India. We were positioned for this with a significant overweight in China and higher weights in Korea and Taiwan than is typical for a high growth portfolio like EAGF. Not surprisingly, China, Korea and Taiwan were the 3 largest country contributors to alpha in December. Information Technology and Financials were the largest sector contributors to alpha during the month.

In terms of stocks, Samsung, Anhui Conch, China Life and SK Hynix were the largest contributors to alpha in December. Other stocks that have been strong performers in the portfolio include TSMC, Alibaba and Hong Kong Exchange.

Cash at the end of December was 5.4%.

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

We wish all our investors a happy 2020.

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](mailto:ellerston@linkmarketservices.com.au)

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Should investors have any questions or queries regarding the Fund,

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