

# Ellerston India 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>	-2.58%	-0.28%	0.32%	7.41%	6.58%	7.80%
Benchmark*	-2.31%	1.05%	-0.28%	7.74%	5.33%	7.44%
Alpha	-0.27%	-1.33%	0.60%	-0.33%	1.25%	0.36%

Source: Ellerston Capital

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

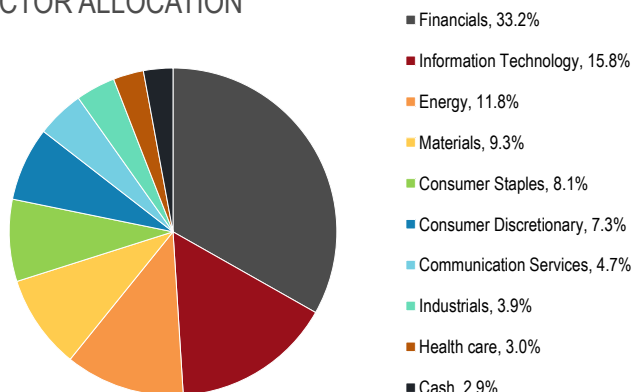
\* MSCI India Net Return Index (AUD)

## PORTFOLIO CHARACTERISTICS

### HOLDINGS

Top 10 holdings	Sector	%
Reliance Industries Ltd	Energy	11.8%
Housing Development Finance Corp Ltd	Financials	9.2%
Tata Consultancy Services Ltd	Information Technology	7.5%
Infosys Ltd	Information Technology	6.7%
ICICI Bank Ltd	Financials	6.3%
Axis Bank Ltd	Financials	5.9%
HDFC Bank Ltd	Financials	5.5%
Maruti Suzuki India Ltd	Consumer Discretionary	4.1%
Hindustan Unilever Ltd	Consumer Staples	4.1%
Britannia Industries Ltd	Consumer Staples	4.0%

### SECTOR ALLOCATION



Source: Ellerston Capital

### Investment Objective

To outperform the MSCI India Net Return Index (AUD) with a focus on capital growth and downside protection.

### 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. The focus is on investing in Indian Companies that benefit from these fundamental drivers.

### Key Information

<b>Strategy Inception</b>	4 May 2017
<b>Portfolio Manager</b>	Mary Manning
<b>Application Price</b>	\$1.1252
<b>Net Asset Value</b>	\$1.1224
<b>Redemption Price</b>	\$1.1196
<b>Liquidity</b>	Daily
<b>No Stocks</b>	25
<b>Management Fee</b>	1.10%
<b>Performance Fee</b>	15%
<b>Buy/Sell Spread</b>	0.25%/0.25%

## COMMENTARY

The Indian market finished in positive territory for 2019 despite a backdrop of slowing economic growth. This positive performance was driven by strong international fund flows, as investors took shelter amid the US/China trade war and positive earnings revisions as a result of the corporate tax rate cut. Within India, the large cap NIFTY 50 outperformed the NIFTY Midcap 100 and NIFTY Smallcap 100 by 16% and 22% respectively. The Ellerston India Fund (EIF) is large cap focused and this bias helped EIF return 7.41% (net) in CY2019 versus the benchmark of 7.74%. Our biggest contributors to alpha in 2019 were Bajaj Finance, Reliance Industries and ICICI Bank. Bharti Airtel, Yes Bank and HDFC were the biggest detractors.

In the month of December, EIF was down 2.58% (net) versus the benchmark which was down 2.31%. During the month, the Reserve Bank of India (RBI) surprised the market by keeping the benchmark interest rate on hold at 5.15%. We believe the RBI is taking a wait-and-see approach in order to assess the impact of the 135 bps of rate cuts delivered in 2019 and also how accommodative the Indian Budget in February 2020 will be. Our preference continues to be for the Government to deliver policies that boosts consumer confidence or consumer spending such as a personal income tax cut. The Government could fund this by privatising Air India and selling down its stakes in Bharat Petroleum, Container Corp and GAIL.

Also during December, the three major telecom operators formally hiked prices for their pre-paid voice and data plans by up to 50%. This represents a material change to the industry structure of the telecom sector. As a result of this reduced competitive intensity, we initiated a position in Bharti Airtel during the month.

In terms of portfolio performance, Financials and Information Technology were the two largest contributors to alpha during the month. Consumer Staples and Energy were the largest detractors. The largest contributors to alpha were Tata Steel, Tata Consultancy Services and Bajaj Finance and the largest detractors were Hindustan Unilever and Britannia. Cash at the end of December was 3.0%.

Since the start of 2020, there has been a major development with implications for global oil and gold prices. The escalation of hostilities between the US and Iran has increased the geopolitical risk premium associated with the oil price. It has also driven gold prices higher as investors look for 'flight-to-quality' assets. Although full blown war has thus far been averted, this is a situation that nonetheless needs to be monitored closely. A higher oil price is typically negative for India and Indian markets given the country's reliance on oil imports. Meanwhile a higher gold price is typically negative for domestic demand given India is the second largest consumer of gold in the world. Aside from geopolitics, the key focus for investors over the next few months will be 3Q earnings season and the fiscal and monetary policy decisions in India that we discussed above.

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

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

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