

# Ellerston India Fund

Performance Report | January 20

## PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	2 Year (p.a.)	Since Inception (p.a.)
Net <sup>^</sup>	3.88%	2.52%	6.77%	17.47%	8.63%	9.06%
Benchmark*	4.17%	3.07%	7.64%	18.53%	7.55%	8.81%
Alpha	-0.29%	-0.55%	-0.87%	-1.06%	1.08%	0.25%

Source: Ellerston Capital

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

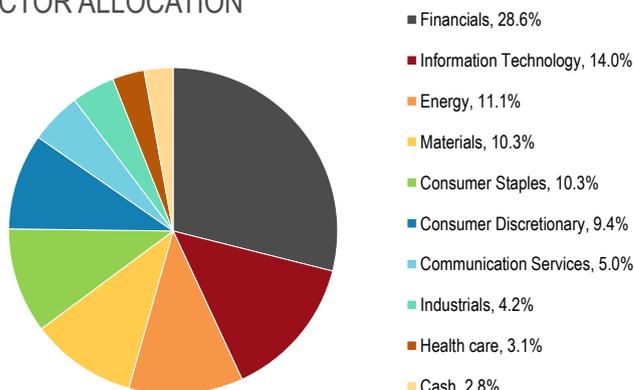
\* MSCI India Net Return Index (AUD)

## PORTFOLIO CHARACTERISTICS

### HOLDINGS

Top 10 holdings	Sector	%
Housing Development Finance Corp Ltd	Financials	11.2%
Reliance Industries Ltd	Energy	11.1%
Infosys Ltd	Information Technology	9.0%
ICICI Bank Ltd	Financials	6.2%
Hindustan Unilever Ltd	Consumer Staples	5.0%
Tata Consultancy Services Ltd	Information Technology	4.9%
Maruti Suzuki India Ltd	Consumer Discretionary	4.7%
Britannia Industries Ltd	Consumer Staples	4.3%
Larsen & Toubro Ltd	Industrials	4.2%
Bajaj Finance Ltd	Financials	3.8%

### 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 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>Portfolio Manager</b>	Mary Manning
<b>Application Price</b>	\$1.1689
<b>Net Asset Value</b>	\$1.1660
<b>Redemption Price</b>	\$1.1631
<b>Liquidity</b>	Daily
<b>No Stocks</b>	28
<b>Management Fee</b>	1.10%
<b>Performance Fee</b>	15%
<b>Buy/Sell Spread</b>	0.25%/0.25%

## COMMENTARY

The Ellerston India Fund (Fund) got off to a good start in 2020 finishing up 3.88% (net) in January versus the benchmark which was up 4.17%. The Indian market was down 1.7% in local currency terms during the month, but a weakening Australian dollar (AUD) and a strengthening Indian Rupee (INR) meant that the AUD was a tailwind for absolute returns.

There were two drivers of the pullback in the Indian market during January. The first was the outbreak of the coronavirus in China and the potential impact it may have on global economic growth. It appears at this early stage that the coronavirus is not as bad as the SARS outbreak in 2003 as evidenced by the lower mortality rate. The virus has also been less widespread, with 99% of the confirmed cases and deaths concentrated in China. If the virus however does become a global pandemic, India is likely to be less affected as it is a less open economy. This reality can partly explain why the Indian market, even though it was down in absolute terms, still managed to outperform other Asian markets such as South Korea, Taiwan and Hong Kong during January.

The second driver of the Indian market performance during January was the Indian Budget. We had hoped the Government would deliver an expansionary Budget to help turn around the economy, but the policies announced were disappointing. The removal of the dividend distribution tax, changes to the personal income tax regime and divestments of some Government assets (Life Insurance Corp of India, Bharat Petroleum, Container Corp, Air India) will improve the budget deficit, but it won't do much to boost consumer confidence or consumer spending. The conservative stance taken by the Government remains a source of frustration for investors into India. The pressure has now shifted back onto the central bank to provide the much needed stimulus that the sputtering Indian economy needs.

Indeed in early February, the RBI again kept the benchmark interest rate on hold at 5.15% due to near term inflation concerns. However, they maintained an easing bias and signalled the scope for further interest rate cuts. The RBI also introduced liquidity and regulatory measures aimed at ensuring better monetary policy transmission by improving the cost and availability of credit. This so called "mini-budget" was a welcome policy development but investors, including us, are beginning to worry that it will take longer than expected for India to return to the 7%+ growth trajectory.

January also marked the start of the Indian reporting season and the results thus far have been largely in-line with expectations, but nonetheless reflective of the slowdown in the domestic economy.

In terms of portfolio performance, Energy and Industrials were the two largest contributors to alpha during the month. While Consumer Discretionary, Materials and Real Estate were the largest detractors. The largest contributors to alpha were Britannia, Larsen & Toubro and Mahindra and Mahindra Financial Services and the largest detractors were Maruti Suzuki, HDFC Bank and Tata Steel. Cash at the end of January was 2.9%.

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** 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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