

Ellerston India Fund

Performance Report | July 20

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year (p.a.)	Since Inception (p.a.)
Net [^]	6.46%	5.85%	-11.02%	-5.00%	4.33%	3.81%
Benchmark*	5.97%	4.62%	-13.74%	-7.15%	2.84%	2.63%
Alpha	0.49%	1.23%	2.72%	2.15%	1.49%	1.18%

Source: Ellerston Capital

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

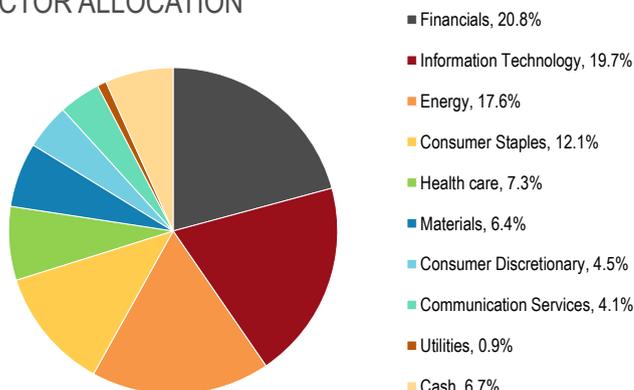
* MSCI India Net Return Index (AUD)

PORTFOLIO CHARACTERISTICS

HOLDINGS

Top 10 holdings	Sector	%
Reliance Industries Ltd	Energy	16.9%
Infosys Ltd	Information Technology	13.0%
Housing Development Finance Corp Ltd	Financials	8.1%
Tata Consultancy Services Ltd	Information Technology	6.7%
Hindustan Unilever Ltd	Consumer Staples	5.7%
Sun Pharmaceutical Industries Ltd	Health Care	5.3%
ICICI Bank Ltd	Financials	5.2%
Maruti Suzuki India Ltd	Consumer Discretionary	4.5%
Bharti Airtel Ltd	Communication Services	4.1%
Britannia Industries Ltd	Consumer Staples	3.6%

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	\$1.0401
Net Asset Value	\$1.0375
Redemption Price	\$1.0349
Liquidity	Daily
No Stocks	24
Management Fee	1.10%
Performance Fee	15%
Buy/Sell Spread	0.25%/0.25%

COMMENTARY

July was another strong month for the Indian market with the MSCI India Index up 5.97%. The Ellerston India Fund (EIF) was up 6.46%, outperforming the benchmark by 0.49% (net). Calendar year to date in 2020, EIF is down 7.56%, but has outperformed the benchmark by 2.58% (net).

The Indian market performance during the month was driven by a better than expected 1QFY21 reporting season and a shift in the market focus away from the current COVID-19 situation in India towards the recovery phase.

On the reporting season, results have largely been better than expected and outlook statement statements have been cautiously optimistic. For most companies, reported revenues have been mainly in-line with analyst estimates, down on average 27%yoy for the June 2020 quarter. It's important to note that the June quarter was heavily impacted by the nationwide lockdowns that occurred in late-March and throughout April. As such, revenues should show sequential improvements in the coming quarters. The highlight of the reporting season has been on the margin side, with many companies surprising positively on costs and this has led to better than expected reported earnings, with EBITDA down on average only ~6%yoy during the quarter. Within our portfolio, IT services (Infosys), packaged foods (Britannia), pharma (Sun Pharma) and rural (Coromandel) all delivered solid results.

On the COVID-19 situation, India now has 2.65m confirmed cases (versus approximately 1m at the end of June), which is the third highest globally after the US and Brazil. The mortality rate has fallen to ~1.9 and remains much lower than the global number of 3.5%. Despite this, India remains one of the only major countries in Asia that has been completely unsuccessful in flattening the curve. We believe there are two reasons for India's inability to effectively control the outbreak. The first is the inherent difficulties of imposing and enforcing lockdowns and social distancing for a country of 1.3 billion people. The second is the inadequate level of testing. India is currently conducting 18 tests per 1,000 people. This compares to the US and Australia at around 200 tests per 1,000 people. India will need to ramp-up its testing if it is to effectively trace and contain the outbreak.

What we're starting to see however, is investors ignoring the COVID-19 numbers in India and instead focused on the recovery. This optimism may prove premature given recent economic data has yet to fully confirm the recovery that is being priced in by the market. For example, manufacturing PMI in July fell from 47.2 in June to 46.0 in July. The services PMI meanwhile only improved marginally to 34.2 (vs 33.7 in June). We therefore remain cautious with regards to portfolio positioning and continue to hold companies that are less negatively impacted by the COVID-19 situation in India such as rural (Coromandel, Hindustan Unilever), healthcare (Sun Pharma, Cadila) and exporters (Infosys).

Finally on fund performance, Energy, IT and Consumer Staples were our largest contributors to alpha during the month. Whilst Consumer Discretionary, Financials and Materials were the key detractors. At a stock level, Infosys, Sun Pharma and Reliance were the biggest alpha contributors in July. Meanwhile, Indraprastha Gas, ICICI Bank and not owning HCL Tech were the biggest detractors.

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

All holding enquiries should be directed to our registrar, **Link Market Services** on 1800 992 149 or ellerston@linkmarketservices.com.au

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Should investors have any questions or queries regarding the Fund,
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