

Ellerston India Fund

Performance Report | November 20

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year (p.a.)	Since Inception (p.a.)
Net [^]	1.76%	9.40%	17.79%	-2.83%	4.92%	5.67%
Benchmark*	3.52%	10.93%	21.48%	-2.27%	4.16%	5.50%
Alpha	-1.76%	-1.53%	-3.69%	-0.56%	0.76%	0.17%

Source: Ellerston Capital

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

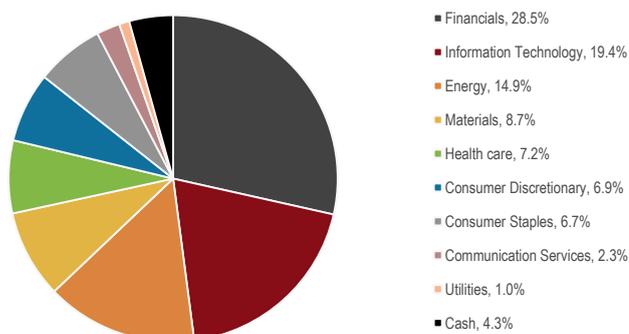
* MSCI India Net Return Index (AUD)

PORTFOLIO CHARACTERISTICS

HOLDINGS

Top 10 holdings	Sector	%
Reliance Industries Ltd	Energy	14.4%
Infosys Ltd	Information Technology	10.8%
Housing Development Finance Corp Ltd	Financials	9.3%
ICICI Bank Ltd	Financials	8.8%
Tata Consultancy Services Ltd	Information Technology	5.6%
Maruti Suzuki India Ltd	Consumer Discretionary	4.6%
Bajaj Finance Ltd	Financials	4.0%
UltraTech Cement Ltd	Materials	3.4%
Axis Bank Ltd	Financials	3.3%
Asian Paints Ltd	Materials	2.2%

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	\$1.1223
Net Asset Value	\$1.1195
Redemption Price	\$1.1167
Liquidity	Daily
No Stocks	31
Management Fee	1.10%
Performance Fee	15%
Buy/Sell Spread	0.25%/0.25%

COMMENTARY

Ellerston India Fund (EIF) was up 1.76% in November compared to the MSCI India Index which was up 3.52%. We note that the Indian market was up 8.5% for the month in local currency terms, but a weakening Indian Rupee against the Australian Dollar (AUD) meant the currency was a headwind for absolute returns. Calendar year to date in 2020, EIF is up 1.17% and has outperformed the benchmark by 1.13% (net).

November was another strong month for the Indian market driven by an improving COVID situation, solid economic data and strong foreign inflows. The MSCI India Index is now up 70% since the March 23 lows. This is despite expectations of only low single digit earnings growth in FY21 due to the impact of COVID. Given the lack of earnings growth this year, multiple expansion has been the largest driver of Indian stock market performance over the past 8 months. The MSCI India Index is now trading on 23x forward PE, which is 2.5 standard deviations above the historical average. We believe earnings growth will need to catch up to justify these lofty valuations. Indeed, consensus is forecasting 38%yoy EPS growth in FY22, which represents a high hurdle to achieve, particularly given COVID remains a concern throughout the country. The number of daily cases in India remains at ~30,000, albeit this is down more than 2/3rds from the peak reported in the middle of September. We remain wary of a COVID second wave in India particularly given the just concluded festive season (i.e. more people gathering in groups), an increase in urban pollution and lower temperatures as the country enters winter. A second wave would be a potential catalyst for earnings downgrades and a market de-rating.

Despite our cautiousness, the market optimism has been supported by the announcements of several COVID vaccines in recent weeks. While India is a global powerhouse when it comes vaccine manufacturing capabilities, it lacks the healthcare and distribution (cold-chain) infrastructure to rapidly deploy the vaccine to its population of 1.3 billion people. As such, positive vaccine news may not translate to lower COVID cases as quickly as it would for more developed countries.

Another factor supporting Indian markets has been incrementally positive economic data. 2QFY21 GDP came in at -7.5%yoy, which was better than market expectations of a 9% contraction. India's industrial production increased 3.6%yoy in October 2020 versus a contraction of 6.6% in October 2019. November manufacturing PMI came in at 56.3. Meanwhile, foot traffic at retail outlets have reported returned to 70-80% of pre-COVID levels. We believe the festive season in Oct-Nov had a big role to play in the uptick in economic activity at the retail/consumer level. But as the festive season winds down we are seeing initial signs of the economy losing some steam. Again, this leads us to temper our enthusiasm around the recent market rally.

Turning to portfolio performance, Healthcare and Financials were the largest contributors to alpha during the month. While, Consumer Discretionary, Energy and Industrials were the key laggards. At a stock level, Bajaj Finance, ICICI Bank and Varun Beverages were our largest alpha generators in November. Meanwhile, Mahindra and Mahindra, Titan and Reliance were our 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](mailto:linkmarket@linkmarketservices.com.au) on 1800 992 149 or linkmarket@linkmarketservices.com.au

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Should investors have any questions or queries regarding the Fund,
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