

Ellerston India Fund

Performance Report | December 20

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year (p.a.)	Since Inception (p.a.)
Net [^]	4.83%	10.05%	20.43%	4.56%	5.90%	6.91%
Benchmark*	5.22%	12.43%	24.14%	5.27%	5.31%	6.84%
Alpha	-0.39%	-2.38%	-3.71%	-0.71%	0.59%	0.07%

Source: Ellerston Capital

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

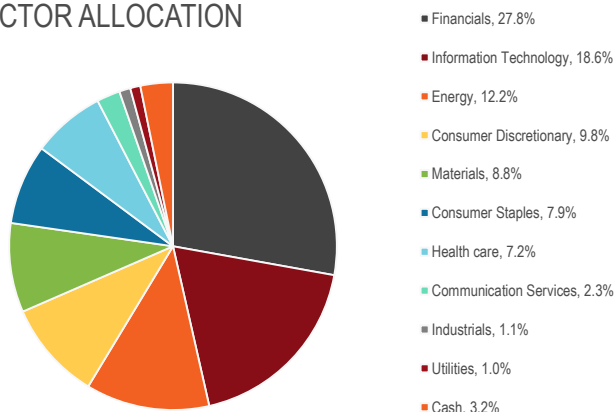
* MSCI India Net Return Index (AUD)

PORTFOLIO CHARACTERISTICS

HOLDINGS

Top 10 holdings	Sector	%
Reliance Industries Ltd	Energy	11.7%
Infosys Ltd	Information Technology	9.8%
Housing Development Finance Corp Ltd	Financials	8.2%
ICICI Bank Ltd	Financials	7.3%
Tata Consultancy Services Ltd	Information Technology	5.5%
Maruti Suzuki India Ltd	Consumer Discretionary	4.6%
Bajaj Finance Ltd	Financials	4.0%
Hindustan Unilever Ltd	Consumer Staples	3.5%
UltraTech Cement Ltd	Materials	3.4%
Axis Bank Ltd	Financials	3.1%

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	\$1.1765
Net Asset Value	\$1.1736
Redemption Price	\$1.1707
Liquidity	Daily
No Stocks	35
Management Fee	1.10%
Performance Fee	15%
Buy/Sell Spread	0.25%/0.25%

COMMENTARY

The Indian market performed strongly in 2020, which was a surprising result in a year ravaged by the COVID-19 pandemic. The positive performance was driven by strong foreign inflows and a quicker than expected recovery from the negative impacts brought on by COVID-19. The Ellerston India Fund (EIF) returned 4.56% in CY2020 versus the benchmark of 5.27%. We note that the Indian Rupee depreciated against the Australian Dollar by ~11% in 2020 and this was a headwind to absolute returns during the year. Our biggest contributors to alpha in 2020 were Infosys, Sun Pharmaceutical and ICICI Bank. Whilst Mahindra and Mahindra, Tata Steel and AU Small Finance Bank were the biggest detractors.

In the month of December, EIF was up 4.83% compared to the MSCI India Index, which was up 5.22%. This was the seventh consecutive up month for the index and the market is now trading on an all-time high PE multiple of 23x. Elevated valuations despite an ongoing pandemic is a backdrop that makes us wary heading into 2021. We will be watching the upcoming earnings season for confirmation that consensus EPS growth expectations in FY22 of 39%yoy remain intact. Any disappointment could be a potential catalyst for earnings downgrades and a market de-rating.

We also continue to monitor the COVID-19 situation in India and on that front, we are pleased to report that daily cases have been trending down and is now averaging at below 20,000 per day. India has done well to bring down its virus numbers despite being too densely populated for social distancing, having too many cases for effective contact tracing and no fiscal headroom to support more lockdowns. Based on our conversations with people on the ground, a near universal acceptance of masks once the lockdowns lifted has been a major reason for the lower number of cases. On the vaccine front, India has approved two vaccine candidates - the Oxford-AstraZeneca candidate locally produced by the Serum Institute of India and another locally developed vaccine by Bharat Biotech. Rollout is expected to begin as early as the middle of January 2021 with healthcare/frontline workers and the elderly population first in line to be immunised. This is ahead of our initial estimates of a rollout by March/April 2021. An estimated 300m people are expected to receive the vaccine initially and the government has reportedly set up 31 main hubs from where the vaccines will be distributed to 29,000 immunisation points across the country with the help of the state governments. This is an immense logistical exercise and a successful vaccine rollout will be critical to further containing the spread of the virus and also supporting equity market valuations.

In the meantime, the Indian economy continues to post healthy numbers with GST collections reaching all-time highs in December 2020. Furthermore, the real estate sector appears to be seeing a revival in demand with property registrations in the state of Maharashtra for example jumping 130%yoy in December 2020. While some of this can be attributed to pent up demand from the lockdown, we believe a revival in real estate could be positive for the Indian economy as the real estate sector which accounts for more than 10% of GDP has been a drag on economic growth since 2013. We are well positioned to capture this trend with positions in real estate dependent plays such as Asian Paints, HDFC, Ultratech Cement and Astra Poly Technik.

Turning to portfolio performance in December, Financials and Materials were the two largest contributors to alpha during the month. While Consumer Staples and Utilities were the largest detractors. The largest contributors to alpha were ICICI Bank, Infosys and Indiamart and the largest detractors were Hindustan Unilever, Hero Motocorp and Britannia. Cash at the end of December was 3.0%.

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, please contact our Investor Relations team on 02 9021 7701 or info@ellerstoncapital.com or visit us at <https://ellerstoncapital.com/>

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