

Ellerston Asia Growth Fund

Performance Report | January 21

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year (p.a.)	Since Inception (p.a.)
Net [^]	4.74%	6.63%	14.84%	16.25%	7.98%	12.29%
Benchmark*	4.58%	9.57%	16.89%	16.31%	6.43%	12.10%
Alpha	0.16%	-2.94%	-2.05%	-0.06%	1.55%	0.19%

Source: Ellerston Capital

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

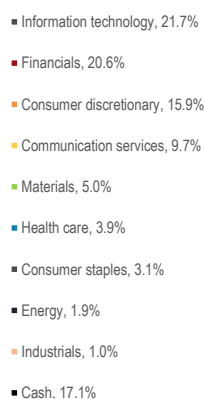
*MSCI Asia ex Japan (non-accumulation) (AUD)

PORTFOLIO CHARACTERISTICS

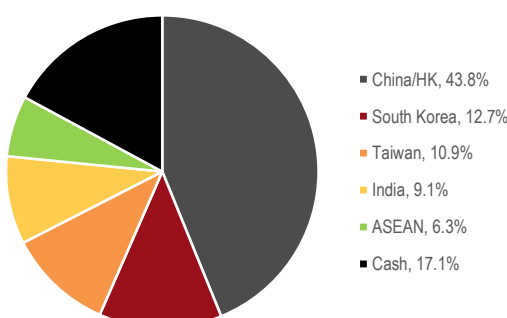
HOLDINGS

Top 10 holdings	Sector	%
TSMC	Information Technology	9.1%
Tencent Holdings Ltd	Communication Services	8.0%
Samsung Electronics	Information Technology	6.9%
Alibaba Group Holding Ltd	Consumer Discretionary	6.7%
Hong Kong Exchanges & Clearing Ltd	Financials	2.9%
AIA Group Ltd	Financials	2.9%
Meituan	Consumer Discretionary	2.1%
LG Chem Ltd	Materials	1.9%
Reliance Industries Ltd	Energy	1.9%
Sun Pharmaceutical Industries Ltd	Health Care	1.9%

SECTOR ALLOCATION



GEOGRAPHIC ALLOCATION



Source: Ellerston Capital

Investment Objective

To outperform the MSCI Asia Ex Japan (non-accumulation) (AUD) benchmark on a net of fees basis, with a focus on capital growth and downside protection.

Investment Strategy

The Fund's investment strategy is to provide access to a high quality portfolio of primarily large cap Asian Companies using the Manager's distinctively high growth, high conviction and benchmark-independent investment approach. The Manager believes that the trade-off between risk and potential returns at the portfolio level is improved by implementing highest conviction ideas from a filtered universe of securities that offer the best risk/reward.

Key Information

Strategy Inception	4 January 2017
Portfolio Manager	Mary Manning
Application Price	\$1.2614
Net Asset Value	\$1.2583
Redemption Price	\$1.2552
Liquidity	Daily
No Stocks	44
Management Fee	1.00% p.a.
Performance Fee	15%
Buy/Sell Spread	0.25%/0.25%

PORTFOLIO COMMENTARY

The Ellerston Asia Growth Fund (the "Fund") was up 4.7% (net) during January versus the benchmark which was up 4.6%. For the financial year to date in 2021, the Fund is up 20.6%.

MARKET OUTLOOK

The commentary below discusses key market drivers in Asia in January and key factors to watch in the next few months: (1) the transition to a Biden administration in the US and implications for China; (2) Vaccine roll out in Asia and around the world; (3) India's expansionary budget; and (4) Asia's IPO pipeline.

BIDEN ADMINISTRATION AND CHINA

The first half of January saw the Democrats win both seats in the US Senate runoff elections and civil unrest on Capitol Hill. The second half of January saw Biden's inauguration and announcements on key appointments to positions that will impact the relationship between the US and China. Specifically, Biden nominated Antony Blinken as Secretary of State and Katherine Tai as the top US trade official. Blinken is a known Europeanist and a multi-lateralist, a marked change from Mike Pompeo. Katherine Tai has a reputation for being a robust negotiator and being tough on China. She is also seen as being more partial to multilateralism than her predecessor Robert Lighthizer.

While we do not expect the Biden administration to be soft on China, we do expect relations and communications to be more rational and multi-lateral. This will be a welcome change from the Trump administration.

VACCINE UPDATE

The world continues to struggle with vaccine roll outs and Asia is no exception. The table below outlines the vaccine candidate(s) and vaccination targets in major Asian markets. Note that in a number of countries there are both internationally developed and locally developed vaccines available. China recently pushed back its target to inoculate 50 million people given supply constraints and hesitancy among the population to get vaccinated. Vaccines made by local Chinese developers Sinovac Biotech and Sinopharm's China National Biotech Group have encountered some scepticism from the local population.

Likewise in India, India has approved both the AstraZeneca vaccine and a locally developed candidate from Bharat Biotech, the latter of which is still in trials. Indians do not know which vaccine they are going to get when they make an appointment for vaccination, but most patients have a preference for an internationally developed vaccine. We have already heard anecdotal evidence of a dual class structure emerging in some developing countries (China and India included) where people who can afford to secure the more effective international vaccine are attempting to do so and are bypassing the locally developed versions. This may create political and socio-economic problems down the road.

Country	Current Situation	Vaccine Candidate(s)	Vaccination Targets	Comments
China	Vaccinations underway in 75 cities	Locally developed vaccine by Sinopharm	50m people by Chinese New Year	1) Question marks over efficacy of locally developed vaccine, 2) People don't get to choose which vaccine to take
Hong Kong	Early Feb 2021	Pfizer-BioNTech vaccine (Fosun Pharma)	Entire population vaccinated by 3Q21	People will have a choice on which vaccine to take
India	More than 1.5m people vaccinated	Oxford-AstraZeneca candidate and locally developed candidate from Bharat Biotech	Target 300m people by Jul/Aug 2021	1) People don't get to choose which vaccine to take, 2) daily run-rate of vaccinations well below targeted rate
Singapore	More than 6,000 frontline healthcare workers vaccinated	Pfizer-BioNTech candidate approved	Entire population in 6 months	Plan to set up 36 vaccination centres that can process 2,000 people per day
South Korea	Middle of Feb 2021	Pfizer, Moderna, AstraZeneca and J&J	35m by Sep 2021	Plan to purchase an additional 40m doses of the Novavax vaccine manufactured by local manufacturer SK Bioscience
Taiwan	End Feb/Mar 2021	Oxford-AstraZeneca candidate	No timeline fixed	Three domestic vaccine candidates under trial
Indonesia	Vaccinations underway	China made Sinovac Biotech candidate	2/3rds of population by March 2022	Prioritise vaccine shots for 18-59 year old's

Source: Ellerston Capital

INDIAN BUDGET

The Indian budget was released on February 1, 2021. Expectations were low going into the announcement given India's well known fiscal constraints, but the government and Finance Minister have apparently decided to deliver a pro-growth budget now and deal with the rating agency implications later. Specifically, the budget announced

an aggressive 35% increase in target spending for FY21-22. This will lead to a fiscal deficit target of 6.8% for FY22 (previously 5.5%) and the government outlined a very gradual reduction of the fiscal deficit target aiming to reduce to 4.5% only by FY26. In addition, some of the assumptions in the budget appear ambitious with a 17% increase in tax collections and a 5x increase in privatisation targets.

Regardless, the Indian budget was well received by capital markets, with the MSCI India Index rising over 9% in the 6 trading sessions immediately following the budget's release. Ellerston Asia has increased our weighting to India in the wake of the budget adding primarily to financials and introducing InfoEdge to the portfolio.

ASIA'S IPO PIPELINE

Asia's IPO pipeline is very robust. Late last year, Ellerston Asia participated in the JD Health IPO which rose over 55% in its debut. In February, we participated in the IPO of Kuaishou, the second largest player in short form video in China behind TikTok. Kuaishou rose approximately 160% on the first day and has continued to perform well in subsequent trading sessions.

Importantly, these IPOs are already mega-caps upon listing. JD Health has a current market cap of AUD\$81 billion and Kuaishou's market cap is approximately AUD\$237 billion. The table below shows that we expect the IPO pipeline in Asia to remain very active for the next 12 to 18 months with multiple listings of high quality, high growth, large cap companies that fit nicely with the Fund's strategy. Also note that these listings are not all out of China, with India expected to produce a number of unicorn listings in the near term. Elsewhere in Asia, Singapore and Indonesia are home to the much anticipated tech-related listings of Grab and Go-Jek, respectively.

Rank	Company	Country	Est. Valuation (US\$bn)
1	Ant Group	China	150+
2	ByteDance	China	140
3	Reliance Jio	India	70
4	Didi Chuxing	China	60
5	Reliance Retail	India	60
6	Flipkart	India	25
7	Paytm	India	16
8	Grab	Singapore	14
9	Go Jek	Indonesia	10
10	Oyo	India	8

Source: Ellerston Capital

PERFORMANCE

In January, China and Taiwan were the largest country contributors to alpha while India was the largest detractor. Information Technology was the largest sector contributor to alpha while Industrials was the largest detractor. Tencent and TSMC were the largest single stock contributors, while our position in Xinyi Solar was the largest detractor.

As always, if you have any questions regarding any aspect of the Fund, please feel free to contact us at info@ellerstoncapital.com. Our next quarterly webinar will be on Tuesday 16th March 2021 at 10am AEDT, for which you can register [here](#).

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

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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