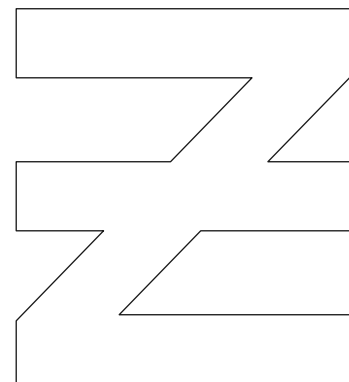


Ellerston India Fund



Monthly Newsletter, April 2021

Investment Objective

To outperform the MSCI India Net Return Index (AUD) with a focus on risk management and capital preservation.

Investment Strategy

The Funds 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 themes 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	\$1.1803
Net Asset Value	\$1.1774
Redemption Price	\$1.1745
Liquidity	Daily
No Stocks	31
Management Fee	1.10% p.a.
Performance Fee	15%**
Buy/Sell Spread	0.25% on application 0.25% on redemption
Minimum Investment	\$10,000
Minimum Additional Investment	\$10,000
Distribution Frequency	Half Yearly (June & December)
APIR Code	ECL0339AU

** Of the investment return, after recovering any underperformance in past periods

Performance Summary

Period	Gross (INR)	FX Impact	Gross (AUD)	Total Tax ⁺	Gross After Tax ⁺ (AUD)	MSCI India Net Pre Tax ⁺ AUD*	Net After Tax ⁺ (AUD) [^]
1 Month	0.5%	-2.6%	-2.0%	0.2%	-1.8%	-2.3%	-1.9%
FYTD21	40.4%	-13.8%	26.6%	-4.7%	21.9%	29.1%	20.8%
1 Year	46.3%	-21.1%	25.2%	-3.6%	21.6%	27.5%	20.1%
2 Years	33.5%	-19.1%	14.5%	-4.5%	10.0%	9.5%	6.9%
3 Years	45.5%	-17.4%	28.0%	-4.8%	23.2%	21.0%	18.4%
Since Inception^^	69.4%	-29.3%	40.1%	-5.0%	35.1%	32.6%	28.2%

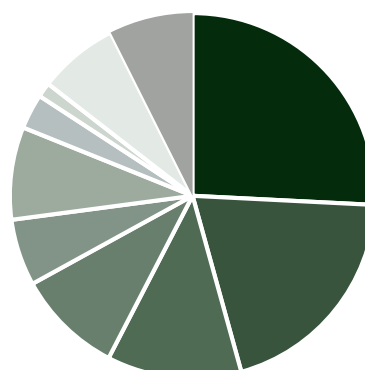
[^] The net return figure is calculated after fees, expenses and taxes. Past performance is not a reliable indication of future performance
^{*} MSCI India Net Return Index (AUD)
⁺ References to tax refer to capital gains tax applicable in India

Portfolio Characteristics

Top 10 Holdings

Reliance Industries Ltd	Energy	11.4%
Infosys Ltd	Information Technology	10.7%
Housing Development Finance Corp Ltd	Financials	7.8%
ICICI Bank Ltd	Financials	6.2%
Tata Consultancy Services Ltd	Information Technology	5.8%
JSW Steel Limited	Materials	4.1%
Bajaj Finance Ltd	Financials	3.5%
Hindustan Unilever Ltd	Consumer Staples	3.4%
Axis Bank Ltd	Financials	3.1%
UltraTech Cement Limited	Materials	3.0%

Sector Allocation



- Financials, 25.8%
- Information Technology, 19.9%
- Energy, 11.9%
- Materials, 9.4%
- Consumer Staples, 5.9%
- Consumer Discretionary, 8.2%
- Communication Services, 3.1%
- Industrials, 1.3%
- Health care, 7.1%
- Cash, 7.4%

Source: Ellerston Capital.

Performance

The Ellerston India Fund (EIF) was down 1.9% in April versus the MSCI India Index (MXIN) which was down 2.3%. The enhanced disclosure with respect to performance highlights that the cumulative impact of tax and FX continues to be significant.

Commentary

We continue to be surprised by how well the Indian market has held up despite escalating COVID-19 cases. The MXIN is trading at 21x forward PE, which is only slightly below its all-time high of 23x. Yet the country has now surpassed 20m cumulative COVID-19 cases, with daily cases rising by over 350,000 and deaths now consistently above 3,000 per day. Vaccinations meanwhile have dropped off to 2.7m shots per day (vs ~4m at the start of April) due to the surge in cases as people seek shelter at home and the medical infrastructure is busy dealing with COVID-19 cases. Specifically on India's healthcare infrastructure, there are severe shortages of vaccines, hospital beds, oxygen and essential workers. All of these factors suggest that things could get worse before they get better.

Prime Minister Modi is now under intense criticism for his mishandling of the second wave of COVID-19. There were a number of key state elections in early May and Modi continued to allow and support large political rallies despite the possibility of them becoming super-spreader events. He has also refused to impose a nation-wide lockdown due to the adverse economic implications and has instead handed off that responsibility to the state level. As a result, the rules remain a patchwork of restrictions in effect for different time frames. Currently only about 30-40% of the country is under some form of lockdown or restrictions.

Feedback from on the ground is that local fund managers continue to hold stocks and put new money to work as long as they are confident there will be no national lock down and as long as the case load in Mumbai is under control. However our view is that without a proper 'circuit breaker', the path to recovery will be challenged and likely prolonged. As such, we believe that a nationwide lockdown is still a possibility and this is not being priced in by the market. Further fuelling the market complacency is recent comments by the Reserve Bank of India (RBI), which expects the economic impact of the second wave to be less than that first one.

Our cautious view on India's COVID-19 situation has been shared by a number of companies throughout the current 4QFY21 reporting season. Several companies across the Financials, Materials and Consumer sectors have highlighted the second wave as a potential risk to FY22 earnings. Earnings downgrades for FY22 have thus far been mild, but could accelerate in coming weeks for domestically focused companies. We have trimmed our portfolio over the past few weeks and currently sit at 10.5% cash and remain overweight exporters such as Infosys and Dr Reddy's.

On portfolio performance, Materials, Consumer Staples and Industrials were the largest contributors to alpha during April. The Materials performance was driven by our overweight in JSW Steel, which was up by ~25% during the month. Sun Pharma and Dr Lal Pathlabs were also positive alpha contributors. The largest detractors during April at a sector level were Consumer Discretionary and IT. At a stock level, Ultratech Cement, Maruti Suzuki and Mahindra and Mahindra 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
Portfolio Manager

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Find out more

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 ellerstoncapital.com.

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

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