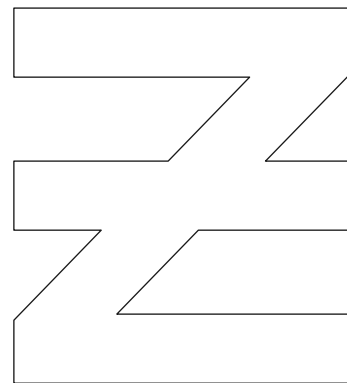


Ellerston Asia Growth Fund



Monthly Newsletter, May 2021

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	Fredy Hoh
Application Price	\$1.2621
Net Asset Value	\$1.2590
Redemption Price	\$1.2559
Liquidity	Daily
No Stocks	39
Management Fee	1.00%
Performance Fee	15%
Buy/Sell Spread	0.25% on application/ 0.25% on redemption

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception^^ (p.a.)
Net^	0.64%	0.40%	6.51%	24.50%	15.35%	8.49%	11.32%
Benchmark*	0.80%	0.71%	7.57%	27.38%	14.00%	7.19%	11.40%
Alpha	-0.16%	-0.32%	-1.06%	-2.88%	1.35%	1.30%	-0.07%

^ 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)

Fund update: Portfolio Manager Mary Manning has resigned from Ellerston Capital and is replaced by Deputy Portfolio Manager Fredy Hoh. Ellerston Capital would like to thank Dr Manning for her valuable contribution to the Fund since its inception and wishes her all the best in her future endeavours.

The Ellerston Asia Growth Fund was up 0.64% (net) during May versus the benchmark which was up 0.80% (net). Financial year to date in 2021, EAGF is up 20.67%.

COMMENTARY

The discussion below provides: (1) an analysis of how Asia has fallen behind developed markets with respect to COVID cases and vaccinations; (2) an update on US China relations; (3) CATL as a stock in focus; and (4) a discussion of performance in May.

COVID RESURGENCE AND VACCINATION DELAYS IN ASIA

Many Asia countries (India, Malaysia, Taiwan, Thailand, Vietnam) that managed the first wave of COVID well are now in the middle of second waves, some of which require lock downs. Indonesia, Malaysia, the Philippines and Thailand all continue to post daily cases of between 2,000 and 6,000. We have discussed the implications for India in previous monthly newsletters, but the sharp reduction in daily cases from approximately 400,000 in early May to only ~90,000 by early June suggest some serious issues with testing and reporting in India. The outbreak in Taiwan is new and has significant implications for the technology supply chain. Cases seem to have plateaued at the 200-300 case per day level, but Taiwan remains in level 3 lockdowns until the end of June.

Vaccine roll outs in Asia significantly lag the roll out in the developed world. As shown in the table below, Israel, the US and the UK lead the world in terms of vaccinations with most Asian countries below 5% vaccination penetration and years away from reaching any level of herd immunity at the current rate. Singapore and Hong Kong are the only bright spots in Asia but these are high income, city state outliers and are not indicative of the broader regional capabilities with respect to vaccination roll out.

We continue to have no exposure to Indonesia, Malaysia, Thailand or the Philippines and have reduced our India exposure versus April.

	25-Apr	2-May	9-May	16-May	23-May	30-May	6-Jun	Change	# of Weeks from 60%
Israel	56.4%	56.3%	56.0%	56.3%	56.5%	56.7%	56.7%	0.1%	36
US	26.0%	29.0%	31.6%	37.1%	39.3%	41.2%	42.3%	1.2%	15
UK	18.2%	21.7%	25.1%	28.5%	32.5%	36.7%	40.6%	4.0%	5
Singapore	15.1%	14.9%	22.0%	22.8%	25.3%	28.3%	31.0%	2.6%	11
Italy	8.4%	9.9%	11.7%	13.7%	16.5%	19.4%	21.4%	2.0%	19
Germany	7.1%	7.7%	9.1%	10.9%	13.6%	17.1%	20.7%	3.7%	11
France	7.8%	9.4%	11.2%	13.0%	14.6%	16.2%	18.5%	2.3%	18
Hong Kong	5.7%	6.6%	8.3%	9.8%	11.7%	13.2%	14.6%	1.4%	32
Korea	0.2%	0.5%	0.9%	1.8%	3.4%	4.2%	4.5%	0.3%	206
Indonesia	2.5%	2.8%	3.1%	3.3%	3.6%	3.8%	4.1%	0.3%	175
Malaysia	1.6%	1.7%	2.1%	2.3%	2.9%	3.4%	3.5%	0.1%	513
India	1.6%	1.9%	2.4%	2.9%	3.0%	3.1%	3.3%	0.2%	378
Japan	0.7%	0.8%	0.9%	1.2%	1.9%	2.4%	3.1%	0.7%	81
Australia	0.0%	0.0%	0.0%	0.0%	1.6%	1.9%	2.2%	0.3%	206
Thailand	0.2%	0.5%	0.7%	1.0%	1.4%	1.6%	1.6%	0.0%	NM
Philippines	0.2%	0.3%	0.4%	0.6%	0.9%	1.0%	1.1%	0.2%	368
WORLD	3.1%	3.5%	4.0%	4.4%	5.0%	5.5%	5.9%	0.5%	120

Source: John Hopkins as of June 8, 2021.

UPDATE ON US CHINA RELATIONS

A number of recent events suggest US-China relations will continue to be tense during the Biden administration, but not as adversarial or hostile as during the Trump administration. In March, US courts blocked the enforcement of a US investment ban on Xiaomi, calling the legal decision to blacklist the technology company "deeply flawed." We re-invested in Xiaomi on this legal clearance. Then in early June, President Biden signed an executive order revoking the Trump bans on TikTok and WeChat. This is a marginal positive for our position in Tencent.

One area of US China tension that remains sensitive is Taiwan. It is our view that a pre-emptive military conflict in the Taiwan Straits is unlikely in the near term because of Taiwan's critical and dominant position in the global semiconductor supply chain. The validity of this view has been highlighted by a number of recent events including: the global chip shortage, the announcement by Intel that it is making (another) foray into the foundry business; SMIC's difficulties in achieving technological expertise and scale; and the consternation in the global supply chain over Taiwan possibly going into level 4 COVID lock downs. These issues were discussed in detail in a recent Livewire post which can be found at <https://www.livewiremarkets.com/wires/potential-us-china-conflict-over-taiwan-a-semiconductor-perspective>.

STOCK IN FOCUS: CONTEMPORARY AMPEREX TECHNOLOGY LTD (CATL)

CATL is the largest pure play EV battery company in the world with a market cap of US\$160 billion. The EV battery total addressable market is forecast to grow by ~25% CAGR to US\$210 billion by 2030 helped by a desire from many countries to reduce greenhouse gas (GHG) emissions. We believe CATL currently provides the best exposure to the EV supply chain in Asia. The company is a technology and cost leader and is the most profitable EV battery maker globally. Earnings growth is expected to be above 30% for the next 3 years and the company is also free cash flow positive and net cash. The stock is up approximately 28% since our entry price.

PERFORMANCE

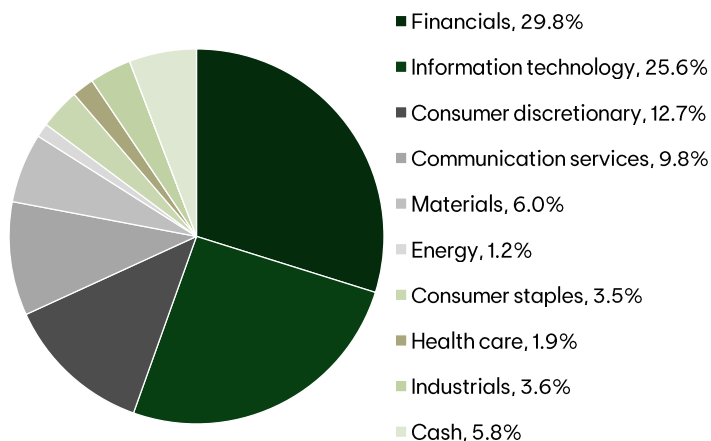
In May, Hong Kong and China were the largest country contributors to alpha while Taiwan was the largest detractor. At a sector level, financials were the largest contributor to alpha while consumer discretionary was the largest detractor. At a stock level, China Merchants Bank, Moutai and CATL were the largest contributors to alpha while our position in LG Chem was the largest detractor.

The LG Chem share price was under pressure during the month due to reports that the company would need to recall energy storage system batteries that were made in 2017/18. The expected cost of the recall could be as much as KRW400bn (4% of expected revenues).

As always, if you have any questions regarding any aspect of Ellerston Asia or the portfolio, please feel free to contact us at info@ellerstoncapital.com.

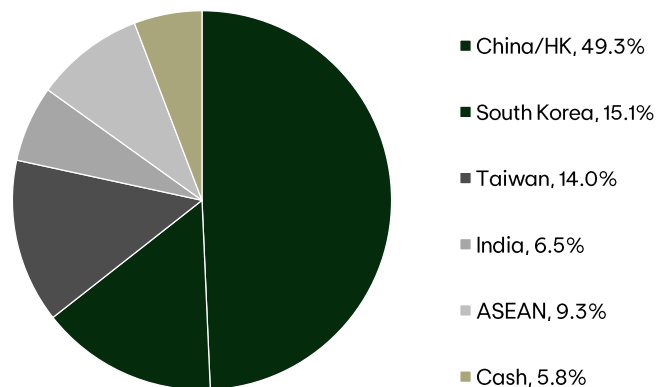
PORTFOLIO CHARACTERISTICS

SECTOR ALLOCATION



Source: Ellerston Capital.

GEOGRAPHIC ALLOCATION



Source: Ellerston Capital.

TOP 10 HOLDINGS

Company	Sector	Weight
TSMC	Information Technology	8.9%
Tencent Holdings Ltd	Communication Services	7.7%
Alibaba Group Holding Ltd	Consumer Discretionary	6.8%
Samsung Electronics	Information Technology	6.2%
Hong Kong Exchanges & Clearing Ltd	Financials	5.3%
DBS Group Holdings Ltd	Financials	3.9%
OCBC Ltd	Financials	3.4%
China Merchants Bank Co.	Financials	3.1%
China Construction Bank Corp	Financials	2.8%
AIA Group Ltd	Financials	2.4%

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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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