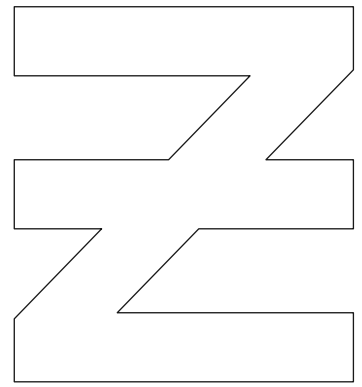


# Ellerston India Fund



## Monthly Newsletter, June 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	Fredy Hoh
Application Price	\$1.2858
Net Asset Value	\$1.2826
Redemption Price	\$1.2794
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 above the benchmark, after recovering any underperformance in past periods

### Performance Summary

Period	Gross (INR)	FX Impact	Gross (AUD)	Total Tax <sup>+</sup>	Gross After Tax <sup>+</sup> (AUD)	MSCI India Net Pre Tax <sup>+</sup> AUD*	Net After Tax <sup>+</sup> (AUD)^
<b>1 Month</b>	2.1%	0.7%	2.8%	-0.1%	2.7%	2.4%	2.6%
<b>FYTD21</b>	50.7%	-12.2%	38.5%	-5.4%	33.1%	43.4%	31.6%
<b>1 Year</b>	50.7%	-12.2%	38.5%	-5.4%	33.1%	43.4%	31.6%
<b>3 Years (cumulative)</b>	58.7%	-16.2%	42.5%	-5.5%	36.9%	37.8%	31.6%
<b>Since Inception^^ (cumulative)</b>	81.8%	-28.6%	53.2%	-5.8%	47.4%	47.2%	39.6%
<b>Since Inception^^ (p.a.)</b>	15.4%		11.2%		9.8%	9.7%	8.3%

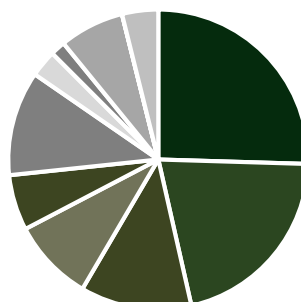
^ The net return figure is calculated after fees, expenses and taxes. Past performance is not a reliable indication of future performance  
\* MSCI India Net Return Index (AUD) + References to tax refer to capital gains tax applicable in India

### Portfolio Characteristics

#### Top 10 Holdings

Company	Sector	Weight
<b>Infosys</b>	Information Technology	11.7%
<b>Reliance Industries</b>	Energy	11.3%
<b>Housing Development Finance Corp</b>	Financials	7.5%
<b>ICICI Bank</b>	Financials	6.1%
<b>Tata Consultancy Services</b>	Information Technology	6.0%
<b>Maruti Suzuki India</b>	Consumer Discretionary	4.1%
<b>Bajaj Finance</b>	Financials	3.7%
<b>Hindustan Unilever</b>	Consumer Staples	3.4%
<b>UltraTech Cement</b>	Materials	3.1%
<b>Axis Bank</b>	Financials	3.0%

#### Sector



- Financials, 25.5%
- Information Technology, 21.0%
- Energy, 12.0%
- Materials, 8.9%
- Consumer Staples, 6.0%
- Consumer Discretionary, 11.3%
- Communication Services, 2.9%
- Industrials, 1.6%
- Health care, 7.0%
- Cash, 3.9%

Source: Ellerston Capital.

## Commentary

The Ellerston India Fund (EIF) was up 2.65% in June versus the MSCI India Index which was up 2.38%. In the 2021 financial year, EIF was up 31.62% compared to the benchmark which was up 43.39%. As highlighted in the performance summary table, the FX and tax impacts on the portfolio performance continues to be material.

The month of June saw a rapid improvement in the COVID trajectory in India. The number of daily reported COVID-19 cases has fallen to ~40,000 from a peak of about 400,000 at the start of May. Meanwhile, the daily fatality rate is now below 1,000 deaths a day vs the peak of about 4,000. Whilst we remain somewhat sceptical over the reported numbers, our channel checks have suggested that things have definitely improved. Conversations with people on the ground suggests that the short and sharp localised lockdowns across the country in April and May along with compliance on mask wearing and social distancing have had the desired effect. This has been confirmed by data releases during the month such as auto sales, electricity demand and freight movements that showed a recovery in both economic and corporate activity.

Based on these tangible signs of improvement, we added to our positions in Maruti Suzuki, Reliance Industries and Tata Motors during the month. We however continue to monitor the COVID-19 situation closely as we believe India is still susceptible to another resurgence in cases in the coming weeks. This concern stems from India's low vaccine penetration rate, which currently sits at 5% of the country's population. This compares to many developed countries such as the US, UK, Germany, Italy and France where only vaccine penetration is already above 30%. India's vaccination rate has indeed ramped up to 4.6m per day (vs 3.3m in May), but this has to nearly double in order for the country to achieve the Government's goal of achieving 'herd immunity' and fully vaccinating the entire adult population of 950m by the end of 2021. Indian equity markets meanwhile touched new all-time highs during June and does not appear to be pricing in the possibility of further COVID -19 related disruptions.

Given these risks, we expect both fiscal and monetary policy to remain accommodative in the coming months. Indeed the Government announced another small fiscal package during the month to support both the rural and SME segments. Further tailored fiscal measures are likely and this will put further pressure on the fiscal deficit and the currency. We hold a number of exporters in the portfolio that would benefit from a lower INR such as Infosys, TCS, Dr Reddy's and UPL.

Turning to performance, Utilities was the largest sector alpha generator during the month due to a large sell-off in four Adani Group companies that were caught up in a regulatory investigation of three of its largest shareholders. Financials and Materials were our biggest detractors. At a stock level, Infosys and Reliance were our largest alpha contributors. Specifically on Reliance, the company held its AGM during the month and confirmed that a strategic stake sale of its oil-to-chemicals business was imminent. Whilst JSW Steel, Mahindra and Mahindra and IndiaMart were the largest 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](mailto:info@ellerstoncapital.com).

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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](mailto:info@ellerstoncapital.com) or visit us at [ellerstoncapital.com](http://ellerstoncapital.com).

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

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