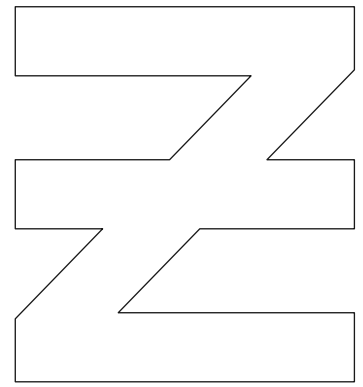


# Ellerston India Fund



## Monthly Newsletter, July 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	\$1.2420
Net Asset Value	\$1.2389
Redemption Price	\$1.2358
Liquidity	Daily
No Stocks	30
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) <sup>^</sup>
<b>1 Month</b>	1.0%	2.1%	3.1%	-0.3%	2.8%	3.0%	2.7%
<b>FYTD22</b>	1.0%	2.1%	3.1%	-0.3%	2.8%	3.0%	2.7%
<b>1 Year</b>	37.7%	-4.0%	33.6%	-5.3%	28.3%	39.4%	27.0%
<b>3 Years (cumulative)</b>	50.0%	-11.4%	38.6%	-5.8%	32.8%	34.1%	27.6%
<b>Since Inception^^ (cumulative)</b>	83.6%	-26.0%	57.6%	-6.1%	51.5%	51.7%	43.4%
<b>Since Inception^^ (p.a.)</b>	15.4%		11.8%		10.3%	10.3%	8.9%

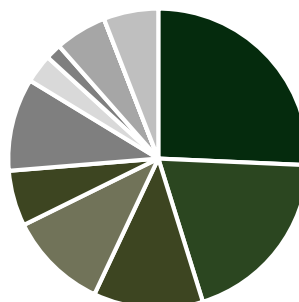
<sup>^</sup> The net return figure is calculated after fees, expenses and taxes. Past performance is not a reliable indication of future performance  
<sup>\*</sup> MSCI India Net Return Index (AUD) + References to tax refer to capital gains tax applicable in India

### Portfolio Characteristics

#### Top 10 Holdings

Company	Sector	Weight
Infosys Limited	Information Technology	12.38%
Reliance Industries	Energy	11.19%
ICICI Bank Limited	Financials	7.56%
Housing Development Finance Corp	Financials	7.53%
Tata Consultancy Services	Information Technology	4.97%
Bajaj Finance	Financials	3.88%
UltraTech Cement	Materials	3.51%
Hindustan Unilever	Consumer Staples	3.25%
Maruti Suzuki India	Consumer Discretionary	2.99%
Axis Bank	Financials	2.93%

#### Sector



- Financials, 25.7%
- Information Technology, 19.5%
- Energy, 11.8%
- Materials, 10.7%
- Consumer Staples, 6.0%
- Consumer Discretionary, 10.0%
- Communication Services, 3.1%
- Industrials, 1.7%
- Health care, 5.6%
- Cash, 5.9%

Source: Ellerston Capital.

## Commentary

The Ellerston India Fund (EIF) was up 2.71% (net) in July versus the MSCI India Index which was up 3.02%. Calendar year to date in 2021, EIF is up 12.25% compared to the benchmark which is up 18.99%. As highlighted in the performance summary table, the FX and tax impacts on the portfolio performance continues to be material.

The Indian market consolidated at near all-time high levels during the month helped by a stabilization in the COVID-19 situation along with confirmation of a solid reporting season.

On COVID-19, the number of daily reported cases has remained steady at about 40,000 cases. The daily fatality rate has nearly halved compared to last month and is now down to ~500 a day. Vaccination rates meanwhile have improved to 5.5m doses per day with people in urban areas getting vaccinated at a relatively faster rate than rural areas. Our understanding is around 50% of the adult population in several major cities across India have now received at least one vaccine shot. We view this as an important development given urban areas drive a larger proportion of economic activity. While we are encouraged by the progress that India has shown in its vaccine rollout, we note that only 8% of the population is fully vaccinated. This means the possibility of further COVID-19 related disruptions, possibly from a third wave, cannot be ruled out. Supportive monetary and fiscal policies however are likely to cap the downside risks for equity markets. Indeed during the month, the Reserve Bank of India (RBI) kept its policy rates unchanged along with an accommodative stance.

On the reporting season, results have largely been in line with expectations and outlook statement statements have been cautiously optimistic. Reported revenues have been mostly impressive despite COVID-19 related disruptions, up on average 45%yoy for the June 2021 quarter partly due to the low base effect from the lockdowns last year. While top-line was solid, margins softened during the quarter particularly for the Consumer and IT sectors due to rising input and labour costs respectively. Consumer and IT account for just over one-third of the Index. As such, margin pressure seen in those sectors have led to some concern that the earnings growth momentum for the market could slow in the coming quarters. The EIF portfolio comprises mostly large cap, high quality companies which we believe are most equipped to protect margins through price increases and cost-out programs.

Turning to performance, Healthcare and Utilities were the biggest contributors to performance during the month. Whilst Information Technology and Materials were our biggest detractors. At a stock level, Jubilant, Ultratech Cement and Sun Pharma were the biggest alpha contributors as all three companies reported better than expected numbers for 1QFY22. Meanwhile, Maruti Suzuki, and not owning Tata Steel and Hindalco were the biggest drag on alpha. We note however, that both Tata Steel and Hindalco do not meet our strict ESG criteria.

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).

Kind regards,

Fredy Hoh

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### Contact Us

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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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