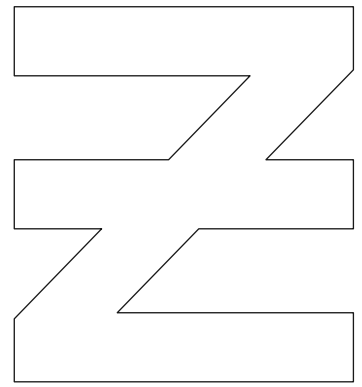


Ellerston India Fund



Monthly Newsletter, September 2021

Investment Objective

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

Investment Strategy

The Fund's 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	\$1.3645
Net Asset Value	\$1.3611
Redemption Price	\$1.3577
Liquidity	Daily
No Stocks	32
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)

** 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 ⁺	Gross After Tax ⁺ (AUD)	MSCI India Net Pre Tax ⁺ AUD*	Net After Tax ⁺ (AUD) [^]
1 Month	0.8%	-0.4%	0.4%	-0.2%	0.2%	1.8%	0.1%
FYTD22	10.3%	4.4%	14.7%	-1.5%	13.1%	17.0%	12.8%
1 Year	46.7%	-4.1%	42.7%	-5.4%	37.2%	51.9%	35.7%
3 Years (cumulative)	68.2%	-6.9%	61.3%	-7.1%	54.2%	61.5%	48.2%
Since Inception^^ (cumulative)	100.5%	-26.4%	74.1%	-7.3%	66.8%	72.3%	57.5%
Since Inception^^ (p.a.)	17.1%		13.4%		12.3%	13.1%	10.8%

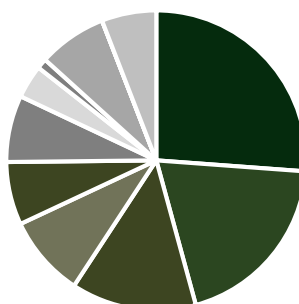
[^] The net return figure is calculated after fees, expenses and taxes. Past performance is not a reliable indication of future performance
^{*} MSCI India Net Return Index (AUD) + References to tax refer to capital gains tax applicable in India

Portfolio Characteristics

Top 10 Holdings

Company	Sector	Weight
Reliance Industries	Energy	12.71%
Housing Development Finance Corp	Financials	8.31%
Infosys	Information Technology	8.02%
ICICI Bank	Financials	7.13%
Tata Consultancy Services	Information Technology	6.97%
Bajaj Finance	Financials	4.38%
Hindustan Unilever	Consumer Staples	3.95%
UltraTech Cement	Materials	3.13%
Axis Bank	Financials	2.90%
Sun Pharmaceutical	Health Care	2.61%

Sector



- Financials, 26.2%
- Information Technology, 19.6%
- Energy, 13.5%
- Materials, 8.8%
- Consumer Staples, 6.8%
- Consumer Discretionary, 7.2%
- Communication Services, 3.6%
- Industrials, 1.1%
- Health care, 7.4%
- Cash, 5.9%

Source: Ellerston Capital.

Commentary

The Ellerston India Fund (EIF) was up 0.09% (net) in September versus the MSCI India Index (MXIN) which was up 1.79%. As highlighted in the performance summary table, the FX and tax impacts on the portfolio performance remain material.

India continues to be the best performing market in the region and is now up for an eighth straight month. Much of this outperformance has been driven by the strong recovery in economic activity post the Delta second wave in May. Many of the high frequency data indicators that we track such as electricity demand, freight volumes and passenger vehicle sales are now at or above pre-COVID levels. Further, we are hearing anecdotes of strong job creation across sectors such as IT services and hospitality/retail. A major reason for the broad-based economic improvements is the Government handling of COVID-19. Vaccination rates continue to ramp-up and is now at ~8m doses per day (vs 7m last month). 70% of India's eligible population has now received a first dose and 20% is fully vaccinated. Just as importantly, the Government's more tolerant attitude towards the virus has meant few economic disruptions in recent months. This along with continued supportive fiscal and monetary policy has driven increased business, consumer and investor confidence. We have turned more positive in recent weeks and added to our Financials (HDFC Bank), IT services (Tech Mahindra) and Energy (Reliance Industries) positions. Cash at the end of September was 6%.

Despite the positive market momentum, we are monitoring two potential risks that could trigger an equity market pull back. The first is the oil price which rose ~10% in September. India imports 85% of its oil requirements. So a higher oil price is typically negative for the current account balance and a potential headwind for economic growth. But given the recent pick up in domestic consumption and the improvements in the non-oil trade deficit over the past few years, we believe the overall macro impact from the recent increase in oil prices could prove to be more muted than in the past. The other risk factor we are watching is the outlook for monetary policy. A persistently higher oil price and the prospect of higher wage growth as the domestic recovery gathers pace could see the Reserve Bank of India (RBI) tighten its policy stance over the next 6-9 months. However, the latest inflation reading of 4.3% was benign and the RBI reaffirmed its accommodative stance at its October meeting, both of which remains supportive of the equity market in the near term.

Turning to performance, Energy and Industrials were the biggest contributors to performance during the month. Whilst IT and Healthcare were our biggest detractors. At a stock level, Reliance was the biggest alpha contributor as the share price was boosted by continued market share gains in its Jio telecom business, expectations of a post COVID recovery in its retail business and earnings upside in its petrochemicals and refining divisions. Meanwhile, Dr Lal Pathlabs, Ultratech Cement and ICICI Bank were the biggest drag on alpha.

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,
Fredy Hoh

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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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