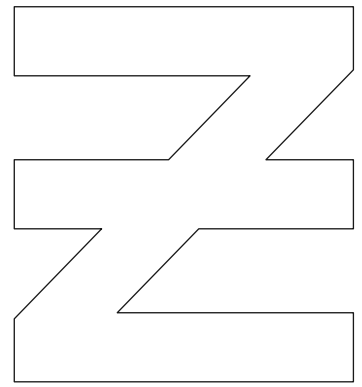


Ellerston India Fund



Monthly Newsletter, October 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	\$1.3034
Net Asset Value	\$1.3001
Redemption Price	\$1.2968
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	0.4%	-4.8%	-4.3%	0.0%	-4.4%	-4.6%	-4.5%
FYTD22	10.7%	-1.0%	9.8%	-1.6%	8.2%	11.6%	7.8%
1 Year	45.1%	-12.6%	32.5%	-5.5%	27.1%	40.4%	25.7%
3 Years (cumulative)	76.3%	-15.3%	61.0%	-7.1%	53.8%	62.3%	48.0%
Since Inception^^ (cumulative)	101.4%	-34.5%	66.8%	-7.4%	59.5%	64.3%	50.5%
Since Inception^^ (p.a.)	16.8%		12.0%		10.9%	11.7%	9.5%

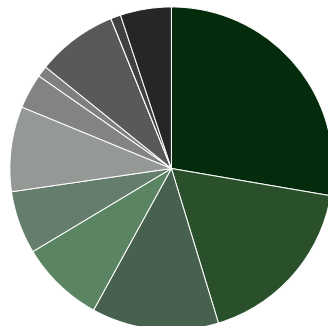
[^] The net return figure is calculated after fees, expenses and taxes. Past performance is not a reliable indication of future performance
^{*} MSCI India Net Return Index (AUD). ⁺ References to tax refer to capital gains tax applicable in India.

Portfolio Characteristics

Top 10 Holdings

Company	Sector	Weight
Reliance Industries	Energy	11.94%
Housing Development Finance Corp	Financials	8.65%
ICICI Bank	Financials	8.22%
Infosys Limited	Information Technology	8.04%
Bajaj Finance	Financials	4.26%
Hindustan Unilever	Consumer Staples	3.52%
Tech Mahindra	Information Technology	3.31%
UltraTech Cement	Materials	3.25%
Divi's Laboratories	Health Care	2.93%
Tata Consultancy Services	Information Technology	2.89%

Sector



- Financials, 27.7%
- Information Technology, 17.6%
- Energy, 12.7%
- Materials, 8.4%
- Consumer Staples, 6.3%
- Consumer Discretionary, 8.5%
- Communication Services, 3.5%
- Industrials, 1.1%
- Health care, 8.1%
- Utilities, 1.0%
- Cash, 5.1%

Source: Ellerston Capital.

Commentary

The Ellerston India Fund (EIF) was down 4.48% (net) in October versus the MSCI India Index (MXIN) which was down 4.59%. We note that the Indian market was flat for the month in local currency terms, but a weakening Indian Rupee against the Australian Dollar (AUD) meant that the AUD was a headwind for absolute returns. As highlighted in the performance summary table, the FX and tax impacts on the portfolio performance remains material.

The Indian market consolidated at all-time high levels during the month as rising oil prices, some weaker than expected earnings results and upcoming IPOs saw some investors trim positions.

The oil price rose another 11% in October and is up 22% in the past two months. We've previously highlighted rising oil prices as a potential risk to the economic growth and equity market outlook for India given the country's reliance on oil imports for its energy needs. The Indian government has attempted to mitigate this risk by reducing the fuel excise duty during the month. Furthermore, the recovery in domestic consumption and improvements in the non-oil trade deficit over the past few years should also soften the macro impact from surging oil prices. Nonetheless, the EIF portfolio is biased towards high quality companies with the ability to grow earnings sustainably through the cycle.

The 2QFY22 reporting season wrapped up with aggregate profits growing by ~25%yoy driven primarily by solid top-line growth. Margin pressure was seen across a number of industries such as IT, Consumer and Industrials due to cost push inflation from raw material prices, higher wages and supply chain related issues. We believe these cost pressures are likely to persist for a few more quarters. In this environment companies with the pricing power to pass on higher input costs are likely to do well. EIF holds a number of companies such as Reliance, Tech Mahindra and Ultratech Cement with the ability to protect and even grow margins when costs are rising. Our financials holdings should also fare relatively well in an inflationary environment.

October also saw investors prepare for a wave of large primary issuances in early November such as Nykaa, Paytm and Policybazaar. This continues the strong IPO momentum throughout 2021, where new listings are running at the highest rate in two decades. We have a disciplined and selective approach to IPOs and all deals that we invest in must meet the same investment criteria as other portfolio companies. As such, we have only participated in one IPO this year – Zomato, which we have since exited for a decent gain. We remain excited by India's IPO pipeline, given many of the companies coming to market are 'new economy' type businesses and will look to participate if these opportunities provide us with the appropriate margin of safety to invest.

Turning to performance, Financials and Consumer Discretionary were the biggest contributors to performance during the month. Whilst IT and Consumer Staples were our biggest detractors. At a stock level, ICICI Bank was the biggest alpha contributor for the Fund as the company reported a very strong 2QFY22 result with +17%yoy loan growth and net interest income growth of +25%yoy. Conversely, Jubilant Foodworks and Tata Consultancy Services (TCS) were the biggest drags on alpha as both companies reported weaker than expected financial results. As a result, we have trimmed our TCS position and redeployed the proceeds to Tech Mahindra within the IT services sector. Meanwhile, our Jubilant Foodworks position remains unchanged as we believe the company can continue to deliver 30%+ earnings growth over the next few years driven by rising penetration of restaurant food consumption and store and product rollouts.

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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