APIR Code: ECL1411AU

Ellerston Asia Growth Fund

Monthly Newsletter, February 2023

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	$0.8180
Net Asset Value	$0.8160
Redemption Price	$0.8140
Liquidity	Daily
No Stocks	37
Management Fee	1.00%
Performance Fee	15%
Buy/Sell Spread	0.25%/0.25%

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception ^^ (p.a.)
Net^	-3.78%	-0.28%	-1.41%	-13.90%	-4.56%	-0.92%	3.12%
Benchmark*	-2.67%	-0.31%	-1.02%	-10.03%	-2.23%	-0.21%	4.24%
Alpha	-1.11%	0.03%	-0.39%	-3.87%	-2.33%	-0.72%	-1.11%

^ 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)

Commentary

The Ellerston Asia Growth Fund (EAI) was down 3.8% (Net) in February versus the MSCI Asia ex Japan (MXASJ) Index, which was down 2.7%.

Asian markets, led by Greater China, were weak in February, giving back some of the January gains. China's reopening story softened with the rise of political tensions between US and China. The revised market expectation of US interest rates staying "higher for longer" likely triggered the global risk off which got further accentuated in Asia due to increased geo-political tensions. However, the overall market sentiment in EM remained good with continued fund inflows from both active and passive mandates.

China reopening rally taking two steps forward and one step backwards.

Greater China markets corrected in February due to risk off factors, heightened US-China tensions and February data mismatch caused by base effect of early Chinese New Year this year.

However, as the market awaits policy directives coming out of the *Two Sessions* in early March, the underlying Chinese economic recovery in February has been strong. We are particularly enthused by the stable property sales and rise in new home prices after consistent month-on-month decline over past 12 months. China mobility indicators are improving with Intra-city mobility reaching pre-COVID levels. Business travel in China is recovering well, with hotel occupancy ratio tracking at the best February reading in more than 10 years after accounting for seasonality. Construction has been picking up and industry surveys suggest that consumer spending is robust. Furthermore, February credit growth beat expectations and accelerated due to front-loaded infrastructure lending. China's manufacturing PMI at 52.6 in February, was the highest since April 2012. Meanwhile, the non-manufacturing index also rose to 56.3.

We are seeing earnings estimates trending higher for Chinese companies, whilst MSCI China is still trading on an undemanding forward PE of 9.9x. As such the risk/reward for investing in China remains attractive. We remain mindful of the growing geopolitical uncertainty and remain focused on domestic plays that have little interlinkages with the US economy.

Portfolio Performance Summary

India and being underweight Thailand/Malaysia contributed positively to alpha during the month, whilst Greater China and Taiwan were the key detractors. At a sector level, Utilities and Healthcare were the biggest contributors to relative performance. Meanwhile, Consumer Discretionary and Information Technology were the worst performers.

At a company level, ICICI Bank and HDFC Bank were the biggest contributors to relative performance during the month. Indian Financials, ICICI bank and HDFC bank reported strong Q3FY23 numbers and continue to benefit from macro tailwinds of rising NIMs and lowest credit costs leading to all-time high ROAs. However, they had been under pressure in January from the potential impact of lending to Adani group companies. Although, such concerns have now abated as the above banks have both miniscule exposure (<1%) to the Adani group and relevant loans backed by assets.

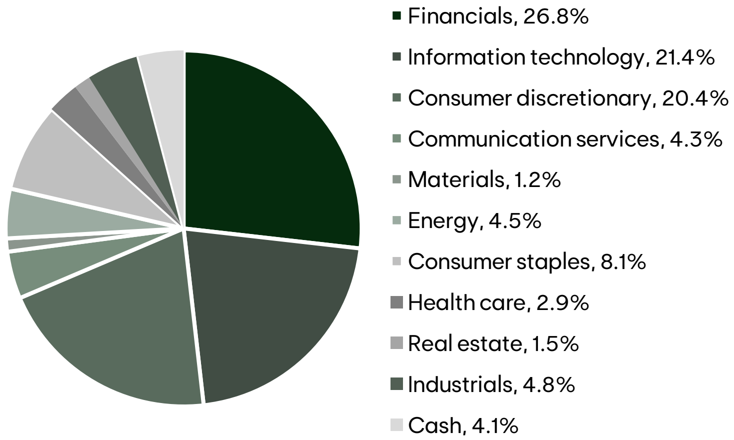
CMB (China Merchant Bank), Alibaba and CATL were the biggest drags on alpha. CMB and Alibaba saw profit taking following a very strong January. Despite reporting solid December quarter numbers that beat consensus expectations, Alibaba was particularly weak amid heighted US-China tension as it has been widely treated as a China proxy trade. CATL was sold off as investors worried about the potential overcapacity and price competition within the battery supply chain. Nevertheless, CATL's reported 2022 net profit was at the high end of previous guidance and management is also guiding to solid growth in both EV and ESS in 2023.

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,
Ellerston Asia Team

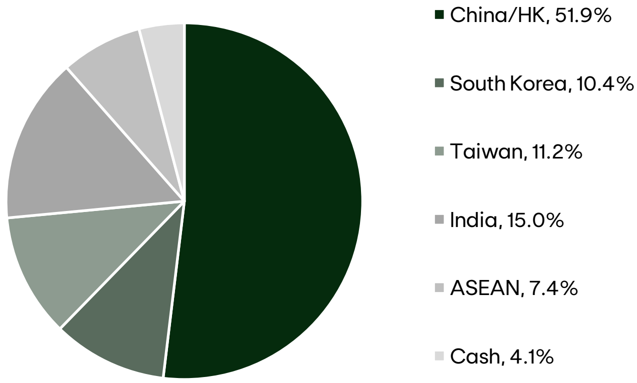
PORTFOLIO CHARACTERISTICS

SECTOR ALLOCATION



Source: Ellerston Capital.

GEOGRAPHIC ALLOCATION



Source: Ellerston Capital.

TOP 10 HOLDINGS

Company	Country	Weight
TSMC	Taiwan	9.4%
Samsung	Korea	6.9%
AIA Group	Hong Kong	4.9%
Alibaba Group	China	4.8%
Reliance Industries	India	4.5%
DBS Group	Singapore	4.4%
Tencent Holdings	China	4.3%
HDFC Bank	India	3.6%
Kweichow Moutai	China	3.3%
China Mengniu Dairy	China	3.1%

Regulatory Guide (RG240) Fund Disclosure Benchmark – Periodic Reporting (monthly)

- **Net Asset Value of the Fund and Redemption Price of Units**

Please refer to details on page one.

- **Any changes to key service providers including any change in related party status**

There have been no changes to key service providers, including any change in related party status.

- **Net returns after fees, costs and relevant taxes**

Please refer to details on page one.

- **Any material changes to the Fund's risk profile and strategy**

There have been no changes to the Fund's risk profile and strategy.

- **Any material changes related to the primary investment personnel responsible for managing the Fund**

Please refer to details on page one; there have been no changes to the primary investment personnel responsible for managing the Fund.

Contact Us

Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
info@ellerstoncapital.com

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, Automic Group on **1300 101 595** or ellerstonfunds@automicgroup.com.au

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