

# Ellerston India Fund

## Monthly Newsletter, March 2023

### 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-17
Portfolio Manager	Fredy Hoh
Application Price	\$1.1662
Net Asset Value	\$1.1633
Redemption Price	\$1.1604
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	\$5,000
Distribution Frequency	Half Yearly (i.e. June & December)

\*\* Of the investment return above the benchmark, after recovering any underperformance in past periods

### Performance Summary

Period	Gross*	Net Before Tax*	MSCI India Net Pre Tax	Net After Tax^
1 Month	0.90%	0.80%	1.85%	0.81%
FYTD	6.50%	5.63%	4.43%	5.43%
1 Year	-0.27%	-1.37%	-1.52%	0.26%
3 Years (cumulative)	52.49%	47.71%	66.84%	45.69%
Since Inception^^ (cumulative)	59.27%	48.29%	59.80%	44.49%
Since Inception^^ (p.a.)	8.18%	6.89%	8.25%	6.42%

^ The net return figure is calculated after fees, expenses and taxes. Past performance is not a reliable indication of future performance.

All returns shown in AUD.

+References to the gross fee and pre-tax contribution to the total Net After Tax and Fee return.

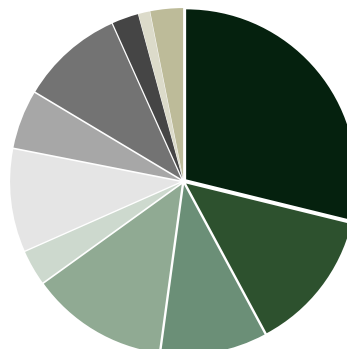
\*Net return figure is calculated after fees and expenses.

### Portfolio Characteristics

#### TOP 10 HOLDINGS

Company	Sector	Weight
Reliance Industries Limited	Energy	12.9%
ICICI Bank Limited	Financials	9.2%
Infosys Limited	Information Technology	8.5%
Housing Development Finance	Financials	7.5%
Hindustan Unilever Limited	Consumer Staples	4.4%
Maruti Suzuki India Limited	Consumer Discretionary	4.0%
Varun Beverages Ltd.	Consumer Staples	3.6%
HDFC Bank Limited	Financials	3.5%
Bharti Airtel Limited	Communication Services	3.3%
State Bank of India	Financials	3.0%

### Sector Allocation



- Financials 28.8%
- Information Technology 13.3%
- Consumer Discretionary 10.0%
- Energy 12.9%
- Communication Services 3.3%
- Consumer Staples 9.7%
- Health Care 5.5%
- Materials 9.7%
- Industrials 2.5%
- Real Estate 1.1%
- Cash 3.1%

## Commentary

The Ellerston India Fund (EIF) was up 0.81% (net) in March versus the MSCI India Index (MXIN) which was up 1.85%. For the March 2023 quarter, EIF was down 2.4% compared the MXIN which was down 5.2%.

March was a volatile month for Indian equities with the banking turmoil in the US and Europe and concerns over global contagion risk weighing on returns early in the month. This was followed by a strong rebound after measures to stabilise the financial sector were announced. The domestic market was also helped by a recovery in Adani related stocks following reports of an investment by a prominent overseas investor.

The Indian market has retraced by ~10% from the peak in December 2022 and has underperformed most global indices in 2023. We however continue to view the recent correction as a healthy pullback given the market's relative outperformance in 2022 and previously elevated valuations.

The positive domestic demand story meanwhile, remains intact as evidenced by recent PMI (manufacturing 56.4, services 57.8), credit growth (+16%YoY), housing (property sales +14%YoY from Jan-Mar) and consumption (vehicles sales +14%YoY) data. Furthermore, the stabilization in oil prices in 2023 have alleviated near term inflationary pressures. Indeed, the latest CPI reading of 5.66% is back within the Reserve Bank of India's (RBI) 2-6% target band and the central bank has projected inflation to fall further to 5.1% in 1QFY24. The improving outlook for inflation has allowed the RBI to turn incrementally less restrictive by keeping the policy rate on hold at 6.5%. Robust domestic demand coupled with a less hawkish monetary policy outlook provides a more favourable backdrop to achieve the RBI's GDP growth forecast of 6.5% in FY24, which would make India the fastest growing major economy in the world over the next 12 months.

On the external risks presented by the recent collapse of Silicon Valley Bank, Silvergate Capital and Signature Bank in the US, we see limited impact to Indian banks. Domestic banks such ICICI Bank and HDFC Bank have more diversified and less risky liability and asset exposures than their US peers. Further, Indian banks are bound by much stricter regulations around capital and liquidity and regulators provide more comprehensive deposit insurance coverage than their overseas counterparts. As such, we see any contagion risk from the banking turmoil overseas as manageable.

The recent correction in Indian equities has seen valuations move back to a more reasonable level with the MXIN trading at 19x forward PE. This looks inexpensive compared to earnings growth for the Indian market of 19% over the next 12 months. We have therefore used the recent market weakness as an opportunity to increase exposure to high quality companies in the consumer and industrials sectors.

## Portfolio Performance

Turning to March performance – Materials and Consumer Staples were the key alpha contributors. Meanwhile, Consumer Discretionary & Information Technology were our biggest detractors for the month.

At company level, Varun Beverages and SRF were the key alpha contributors. Varun Beverages is benefitting from the prospects of higher demand for carbonated cold drinks driven by record high temperatures across India. SRF is India's largest specialty chemical manufacturer and is also benefitting from hotter than expected weather leading to increased refrigeration gas demand. SRF is also seeing tailwinds from falling raw material prices, improved export realizations and demand opportunities emerging from the implementation of 'China + 1' sourcing policies in US and Europe.

Not owning the Adani Group of companies, namely Adani Green Energy, Adani Transmission and Adani Enterprise were the key detractors during the month. The Adani Group made a strong comeback in March helped by a A\$2.8bn investment by GQG Partners into four listed Adani companies (Adani Ports, Adani Green Energy, Adani Transmission, and Adani Enterprises). Adani Group has used these inflows to pay down near term debt commitments and reduce loans against shares. This has helped to allay investor worries over Adani Group's debt servicing capabilities. There however remains corporate governance concerns that are still yet unresolved.

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

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

All holding enquiries should be directed to our register, Automic Group on **1300 101 595** or **[ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au)**

---

This report has been prepared by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, as the responsible entity of the Ellerston India Fund ARSN 618 549 796 without taking account the objectives, financial situation or needs of individuals. Before making an investment decision about the Fund persons should read the Fund's Product Disclosure Statement and Target Market Determination (TMD) which can be obtained from the Manager's website [www.ellerstoncapital.com](http://www.ellerstoncapital.com) or by contacting [info@ellerstoncapital.com](mailto:info@ellerstoncapital.com) and obtain advice from an appropriate financial adviser. Units in the Fund are issued by Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000. This information is current as at the date on the first page.

This material has been prepared based on information believed to be accurate at the time of publication. Assumptions and estimates may have been made which may prove not to be accurate. Ellerston Capital undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, none of Ellerston Capital Limited ABN 34 110 397 674 AFSL 283 000, or any member of the Ellerston Capital Limited Group of companies makes any warranty as to the accuracy or completeness of the information in this newsletter and disclaims all liability that may arise due to any information contained in this newsletter being inaccurate, unreliable or incomplete. Past performance is not a reliable indicator of future performance.