Ellerston Asia Growth Fund (Hedge Fund)

Ellerston Capital

Monthly Report as at 30 November 2023

APIR Code: ECL1411AU | ARSN 626 690 686

Portfolio of 20-50 Asian Companies built through a distinctive high conviction and benchmark independent investment approach.

Focus on high quality companies with superior growth characteristics, sustainable earnings, and quality management.

Aims to outperform the Benchmark with a focus on capital growth and downside protection.

Performance Summary

Performance	1 Month	3 Months	1 Year	Since Inception^^
Net^	0.64%	-4.05%	--	-1.78%
Benchmark*	2.04%	-2.57%	--	-1.84%
Alpha	-1.40%	-1.48%	--	0.06%

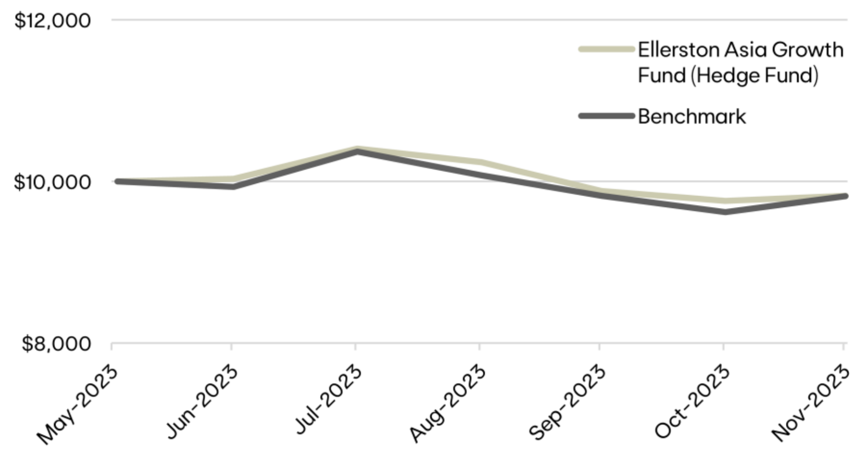
^ The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.
** MSCI Asia Ex Japan (non-accumulation) Index in AUD.*
^^ Inception Date is 01/06/2023. The Ellerston Asia Growth Fund (Hedge Fund) was formerly known as the Ellerston Asia Growth Fund, with a strategy inception date of 04/01/2017. The performance was reset following a restructure of the fund into an exchange traded managed fund which took effect on 01/06/2023. Cumulative return since inception.

Key Information

Portfolio Manager(s)	Fredy Hoh
Investment Objective	To outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection.
Benchmark	MSCI Asia Ex Japan (non-accumulation) Index in AUD.
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	33
Minimum Investment for Applications Direct with Unit Registry[1]	Initial investment - $10,000
Distribution Frequency	Half-Yearly (where available)
Management Fee[2]	0.75% p.a.
Performance Fee[3]	10%
Buy/Sell Spread[4]	0.25% / 0.25%
Unit Prices	Application – $6.0453 Net Asset Value – $6.0302 Redemption – $6.0151
Fund Size	$42,276,628.67

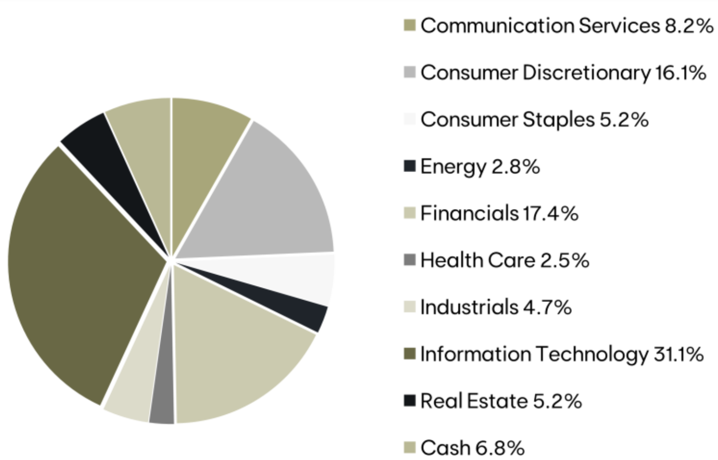
[1] Minimum number of units required for purchases made via the ASX will be dependent on each stockbroker.
[2] The Manager is waiving the management fee for the first year following quotation of units on the ASX.
[3] Of the investment return above the benchmark, after recovering any underperformance in past periods.
[4] Applicable only to investors buying and selling directly with the manager.

Growth of $10,000 Investment



Fund Performance shown is net of fees, assuming all distributions are reinvested.
Past performance is not a reliable indication of future performance.
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital

Geographic Allocation

Source: Ellerston Capital.

Top Holdings

Company	Country	Sector	Portfolio Weight
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	10.3%
Samsung Electronics	Korea	Information Technology	8.6%
Tencent Holdings	China	Communication Services	6.2%
SK Hynix Inc.	Korea	Information Technology	4.5%
AIA Group	Hong Kong	Financials	3.9%
Kweichow Moutai Co.	China	Consumer Staples	3.7%
HDFC Bank	India	Financials	3.6%
PT Bank Mandiri (Persero) Tbk	Indonesia	Financials	3.5%
MediaTek Inc.	Taiwan	Information Technology	3.3%
ICICI Bank Limited	India	Financials	3.1%

MARKET COMMENTARY

The Ellerston Asia Growth Fund (Hedge Fund) (EAFZ) was up 0.6% (net) in November versus the MSCI Asia ex Japan (non-accumulation) (AUD) (MXASJ) Index which was up 2.0%.

Global markets were buoyed in November by expectations that the US Fed is likely to pivot from its monetary tightening stance due to moderating inflation. This drove increased confidence that a hard landing for the US economy can be avoided. As a result, US 10-year yields fell 60bps during the month, driving an 8.9% rally in US equities led by growth stocks, with the Nasdaq up 10.7%.

Not to be outdone, all Asian markets, with the exception of China/HK, were up. Korea (+11.3%), Taiwan (+9.0%) and India (+6.7%) were the relative outperformers. Korea and Taiwan are export driven economies with a particularly large skew towards technology, so the rally in US tech stocks buoyed sentiment in these two markets. The Korean market was also helped by the decision of the financial regulator to ban short selling on listed equities until June 2024. The Indian market meanwhile was driven by a strong September quarter real GDP print of +7.6%yoy, moderating inflation of 4.9%, and positive expectations of favourable state election results for Prime Minister Modi's BJP party ahead of next year's federal election. India remains our second largest regional exposure given strong cyclical and structural tailwinds driving high teens earnings growth.

China/HK on the other hand underperformed with the Hang Seng and CSI300 down 0.4% and 2.1% respectively. The market continues to be weighed down by weak investor sentiment amid choppy economic data. Solid retail sales (+7.6%yoy) and industrial production (+4.6%yoy) were offset by muted inflation (CPI -0.2%yoy and PPI -2.6%yoy). The Chinese government rolled out more supportive policies including the issuance of RMB1tn in bonds for the property sector along with a 'white-list' of property companies that are eligible for easier access to funding. Whilst investors have been disappointed by the lack of 'big bang' stimulus so far, we believe the incremental measures that have been rolled out over the past two years and further supportive policies in the coming months will collectively translate into improved economic data in 2024. This, together with easing geopolitical tensions following the Xi-Biden meeting in November and historically cheap valuations (MSCI China PE at 9x vs 16% earnings growth) provides an attractive risk-reward backdrop for investing in Chinese equities.

PORTFOLIO PERFORMANCE SUMMARY

India was the largest contributor by country to alpha during the month, whilst China/HK and our South Korea exposures were the relative drags. At a sector level, Information Technology and Real Estate were the biggest contributors to relative performance. Meanwhile, Consumer Discretionary and Industrials were the worst performers. Our cash holding was also a drag on alpha during the month.

At a company level, **Phoenix Mills, SK Hynix** and **not owning Meituan** were the biggest contributors to relative performance during the month, adding a combined 110bps to alpha. Meanwhile **Yum China, Samsonite** and **not owning PDD** detracted 95bps to relative performance.

Phoenix Mills is India's premier luxury shopping mall developer and operator and is one of the best proxies for India's urban consumption growth and rising income stories. The company reported a strong 2QFY24 result with revenues and EBTIDA growing 34%yoy and 33%yoy respectively, driven by like for like retail mall growth of 10%yoy, and the ramp-up of new mall openings.

SK Hynix is one of the world's leading makers of memory semiconductors including higher bandwidth memory (HBM), which is essential for generative AI development. While there was no company specific news during the month, sentiment around the memory sector was boosted by Nvidia results that highlighted the continued strength in generative AI related demand.

Yum China is the largest restaurant company in China and operates the KFC, Pizza Hut, and Taco Bell franchises. The company reported weaker than expected 3Q23 numbers. Although revenues and net income grew 9%yoy and 18%yoy respectively, the company disappointed on same store sales growth (+4%yoy) and operating margins due to higher-than-expected promotions and labour costs. Management however reiterated its FY24-26 growth targets of 'high single to double digit' revenue CAGR, 'double digit' EPS CAGR, and a commitment to return US$3bn back to shareholders in the form of dividends and share buybacks. We believe Yum China is on track to deliver on these targets and the stock is undervalued, trading at a rough multiple of 8x forward EV/EBITDA.

Samsonite is a leading manufacturer and retail of luggage, briefcases and bags. The company's share price was under pressure due to concerns around the peaking of travel demand globally and the potential impacts of a reported pneumonia outbreak in Northern China. We have been monitoring the outbreak and thus far it appears to be stable and fairly well contained. Furthermore, the Chinese government has shown no inclination to re-impose strict social distancing or lockdown conditions. China accounts for ~20-25% of Samsonite revenues. The company meanwhile reported solid 3Q23 results during the month with revenues (+21%yoy) and EBITDA (+45%yoy) beating expectations. We have spoken to the company after the quarterly result and came away more confident in their growth strategy and path to deleveraging its balance sheet. We believe the company is undervalued given the strong earnings momentum relative to current multiples (9x forward PE, 12% FCF yield).

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

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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