



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



Targets companies which offer attractive risk/reward profiles, utilizing 'bottom up' analysis, along with a 'top down' analysis of macroeconomic conditions and structural themes.



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

## Performance Summary

Period	Gross <sup>+</sup>	Net Before Tax*	MSCI India Net Pre-Tax	Net After Tax <sup>^</sup>
1 Month	3.1%	3.0%	1.9%	2.2%
6 Months	7.4%	6.8%	8.6%	5.8%
1 Year	7.0%	5.8%	6.7%	5.2%
3 Years (cumulative)	45.1%	40.6%	59.0%	34.9%
Since Inception <sup>^^</sup> (cumulative)	85.2%	70.8%	92.6%	64.4%
Since Inception <sup>^^</sup> (p.a.)	9.8%	8.5%	10.5%	7.8%

<sup>+</sup>References to the gross fee and pre-tax contribution components of the total Net After Tax return figures.

\* Net Before Tax return figures calculated after fees and expenses, assuming all distributions are reinvested.

<sup>^</sup>Net After Tax return figure is calculated after fees, expenses, and taxes, assuming all distributions are reinvested.

<sup>^^</sup>Inception date is 4 May 2017.

All return figures in above table shown are in AUD. Past performance is not a reliable indication of future performance.

## Key Information

Portfolio Manager(s)	Fredy Hoh
Investment Objective	To outperform the Benchmark on a net of fees and tax basis, with a focus on capital growth and downside protection.
Benchmark	MSCI India Net Return Index (AUD)
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	30
Minimum Investment	Initial investment - \$10,000 Additional investment - \$5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.10% p.a.
Performance Fee <sup>1</sup>	15.00%
Buy/Sell Spread	0.25% / 0.25%
Unit Prices	Application - \$1.3115 Net Asset Value - \$1.3082 Redemption - \$1.3049

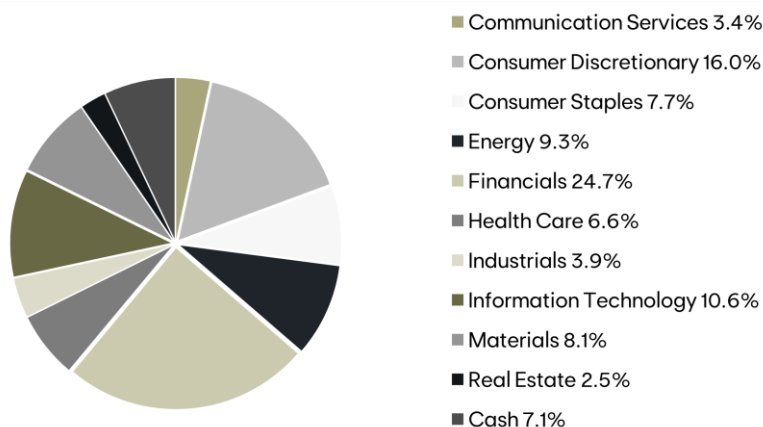
<sup>1</sup>Of the investment return above the benchmark, after recovering any underperformance in past periods.

## Growth of \$10,000 Investment



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

## Sector Allocation



Source: Ellerston Capital

## Top Holdings

Company	Sector	Portfolio Weight
Reliance Industries	Energy	9.3%
ICICI Bank	Financials	8.1%
HDFC Bank	Financials	7.5%
Infosys	Information Technology	4.5%
Axis Bank	Financials	3.9%
Maruti Suzuki India	Consumer Discretionary	3.7%
Varun Beverages	Consumer Staples	3.7%
UltraTech Cement	Materials	3.6%
Bharti Airtel	Communication Services	3.4%
Max Healthcare Institute	Health Care	3.3%

Source: Ellerston Capital.

## COMMENTARY

The Ellerston India Fund (EIF) was up 2.2% (net) in November versus the MSCI India Index (MXIN) which was up 1.9%.

As highlighted in the performance summary table, the accrual of taxes and currency fluctuations continue to have a material impact on portfolio performance. As a reminder, EIF accrues the full potential of future capital gains tax payable on underlying movements in the portfolio, even if these positions are not realized during the given month. Please bear this in mind when comparing relative performance as our returns are stated on a post-tax basis while the benchmark is pre-tax. On currency, note that the AUD appreciated against the Indian Rupee (INR) by ~4% during the month, which was a headwind for absolute returns.

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.

The Indian market performance was driven by a number of positive catalysts. Firstly, September quarter real GDP print came in stronger than expected at 7.6%, driven by capex investments (+11%yoy). This reaffirmed India's status as the fastest growing major economy in the world. The investment led growth is likely to continue given the government's strong fiscal position (tax revenues +22%yoy 11MYTD) and elevated private capex intentions (+70%yoy in the 12 months to June 30). We have exposure to the capex upcycle through investments in Ultratech Cement, ABB India and Astral.

Another positive catalyst during the month was further signs of moderating inflation, with CPI coming in at 4.9% in October. Core CPI came in at 4.3% and now sits comfortably within the Reserve Bank of India's (RBI) 2-6% inflation band. This provides further evidence that the RBI tightening cycle is likely over. Indeed, the RBI maintained its policy rate at 6.5% in early November. A stable monetary policy setting should provide a favourable backdrop for business investment and consumption.

Finally, the Indian market was boosted by expectations around 5 state elections across the country during November. Exit polls in early December showed a better-than-expected performance for the BJP party. These results reinforced expectations that Modi will be returned as Prime Minister at the next general election in April/May next year. This would, in turn, mean a continuation of Modi's reformist, pro-growth agenda, which will be an ongoing tailwind for Indian equities.

These positives were partly overshadowed by the RBI's decision to raise the risk-weights on unsecured loans by 25bps for Banks and Non-Bank Financials (NBFC). This was a pre-emptive move by the central bank to address concerns over potentially unscrupulous lending practices across the system. Unsecured loans grew by ~23%yoy in the 12 months to September. Whilst this announcement in isolation will not have a large impact on private banks or NBFCs given their well capitalized positions, it may slowdown lending growth in the near term.

## PORTFOLIO PERFORMANCE

Turning to November performance, Real Estate and Consumer Staples were the key alpha contributors. Meanwhile, Financials and Energy were the key detractors for the month.

At a company level, Phoenix Mills, Varun Beverages and Hero Motocorp were the biggest contributors to relative performance during the month, adding a combined 125bps to alpha. Meanwhile Bajaj Finance, ICICI Bank and Maruti Suzuki detracted 40bps 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 EBITDA 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.

**Varun Beverages** is the largest bottler of PepsiCo outside of the US and operates in India, Sri Lanka and parts of Africa. The company reported another outstanding result during the month with revenues and EBITDA growing 22% and 26% respectively in 3QFY23. The strong earnings momentum is likely to continue in the near term due to new capacity additions and moderating commodity prices.

**Hero Motocorp** is the largest producer of motorcycles in India. The company also announced solid 2QFY24 numbers with EBITDA growing 28%yoy. High frequency data shows that sales momentum has accelerated in October/November with wholesale volumes up ~25%yoy. We believe this bodes well for near term earnings growth. The company meanwhile trades on an undemanding PE multiple of 18.5x.

**Bajaj Finance** is one of the largest NBFC in India. The company's share price was negatively impacted by two adverse regulatory decisions. The first was the RBI decision to increase risk weights on unsecured lending. The second was the decision by the central bank to suspend two Bajaj Finance digital products (ecom/Insta EMI card) due to non-compliance with regulatory lending standards. Unsecured loans account for ~35% of the company's loan book. So the increased risk weight could have a 200-300bps drag on its Tier 1 Capital ratio, which stood at a healthy 25% prior to the announcement. Meanwhile, management clarified that the suspended products are not expected to have a material financial impact on the company. Despite management assurances, Insta EMI cards accounted for ~20% of new customers added in 2QFY24. Given the uncertainty over the length of the suspension, there is a possibility that near term loan growth is negatively affected. As such, we reduced our exposure to Bajaj Finance during the month.

**ICICI Bank** is the second largest private bank in India. The company's share price was weighed down during the month by the RBI decision on unsecured lending. We do not see the announcement as having a large impact on ICICI given its relatively lower exposure to unsecured lending (i.e. <20% of the loan book) compared with NBFCs and public banks and its well capitalized position (Tier 1 capital ratio of ~16%).

**Maruti Suzuki** is the largest and most recognisable automotive company in India with ~43% market share. While there was no company specific news during the month, sentiment around domestic automakers were impacted by concerns over slowing near term consumer demand in favour of motorcycles.

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.

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Find out more:

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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).

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