



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	5.3%	5.3%	5.7%	4.9%
6 Months	13.1%	12.5%	16.5%	10.7%
1 Year	29.5%	28.2%	35.9%	24.7%
3 Years (cumulative)	53.5%	48.8%	70.8%	42.1%
Since Inception <sup>^^</sup> (cumulative)	101.6%	85.8%	113.9%	77.6%
Since Inception <sup>^^</sup> (p.a.)	10.9%	9.6%	11.9%	8.9%

<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	32
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 - \$1.4162 Net Asset Value - \$1.4127 Redemption - \$1.4092

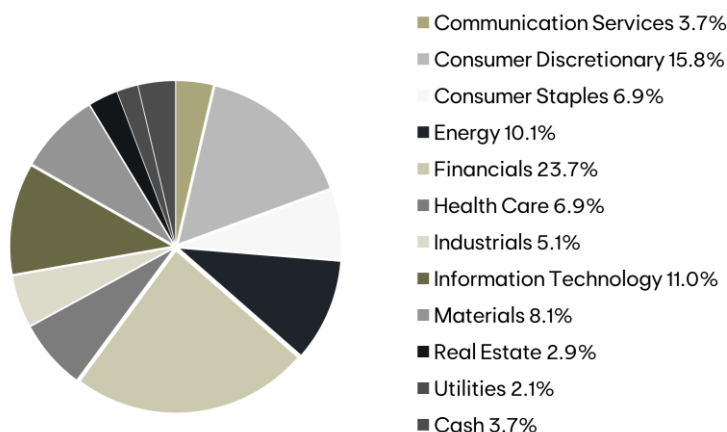
<sup>1</sup>Of the investment return above the benchmark, after recovering any underperformance in past periods.

## 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 Limited	Energy	10.1%
ICICI Bank Limited	Financials	8.2%
HDFC Bank Limited	Financials	5.7%
Axis Bank Limited	Financials	4.4%
Infosys Limited	Information Technology	4.4%
UltraTech Cement Limited	Materials	3.9%
HCL Technologies Limited	Information Technology	3.7%
Bharti Airtel Limited	Communication Services	3.7%
Sun Pharmaceutical Industries Limited	Health Care	3.6%
Varun Beverages Ltd.	Consumer Staples	3.4%

Source: Ellerston Capital

## COMMENTARY

The Ellerston India Fund (EIF) was up 4.9% (net) in January versus the MSCI India Index (MXIN) which was up 5.7%.

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. This means that in large up months, there is a tax headwind for EIF net performance. On currency, note that the AUD depreciated against the Indian Rupee (INR) by ~3% during the month, which was a tailwind for absolute returns.

Global equities started 2024 in the same way it finished 2023 with the MSCI World rising +1.1% during the month led by Japan (+8.4%) and the US (+1.6%). Within Asia, Malaysia, Philippines and India were the standout performers, up 4.0%, 3.0% and 2.2% respectively in January. China, on the other hand, continued its recent underperformance with MSCI China down 10.5%.

The Indian market reached new all-time highs in January as investors continue to take a positive view on the outlook for the world's fifth largest economy. This view was validated during the month after the IMF upgraded its GDP growth forecasts for the Indian economy to 6.7% (vs 6.3% previously) in 2023 and 6.5% in 2024. High frequency data such as PMI (manufacturing at 56.5 and services at 61.8), vehicles registrations (+10%yoy in Dec 2023 quarter) and banking sector credit growth (+16%yoy in Jan 2024) also confirms an economy that remains in expansion mode. Core inflation meanwhile fell to a 50-month low, with the January print coming in at 3.6%.

The goldilocks macro backdrop is reflected in corporate earnings during the December 2023 quarter. In aggregate, corporate India reported revenue and earnings growth of ~7%yoy and ~15%yoy respectively. Companies have shown impressive operating leverage helped by normalizing input costs and disciplined cost control. Sectors that have reported well include healthcare, property, building materials, IT services and power utilities. Meanwhile, financials, chemicals and consumer staples were softer than expected. Encouragingly, the EIF portfolio companies reported well, with median revenues and operating profit growth of +14%yoy and +23%yoy respectively. In the EIF portfolio, we remain heavily skewed towards sectors such as Financials (HDFC Bank, ICICI Bank), Consumer (Varun Beverages, Maruti Suzuki, Phoenix Mills), Healthcare (Max Health, Sun Pharma) and Industrials/Materials (Reliance, Ultratech Cement) that leverage India's domestic demand and infrastructure buildout tailwinds.

### Portfolio Performance

Turning to January portfolio performance, Healthcare, Consumer Discretionary and Consumer Staples were the key alpha contributors. Meanwhile, Financials and Industrials were the key detractors for the month.

At a company level, **Max Healthcare**, **Sun Pharma** and **not owning Asian Paints** were the biggest contributors to relative performance during the month, adding a combined 72bps to alpha. Meanwhile **HDFC Bank**, **Ultratech Cement** and **not owning ONGC** detracted 63bps to relative performance.

**Max Healthcare** is India's second largest private hospital operator. The company's share price surged 14% during the month, helped by a better-than-expected earnings result. Max reported revenue and earnings growth of 15% and 25% respectively in 3QFY24, driven by improved average revenue per occupied bed. We continue to hold a favourable view on the company's outlook given new capacity additions will allow it to capitalize on structural tailwinds such as increased insurance penetration, growing health related illnesses and rising income levels.

**Sun Pharma** is India's largest pharmaceuticals company focused on both generics and innovative products. The company reported solid 3QFY24 numbers with revenues and EBITDA growing 10%yoy and 12%yoy respectively, driven by strength in India and positive product mix tailwinds. During the month, Sun also announced that it would acquire the remaining stake in Israeli pharma company Taro. The transaction will allow Sun to better turn around the Taro business (through synergies) and access its \$1.2bn cash on balance sheet.

**HDFC Bank** is the largest private bank in India. The company reported a disappointing earnings result during the month. Whilst pro forma loan growth grew 16%yoy during the December 2023 quarter, margins were weaker than expected due to higher credit costs. Management also provided conservative guidance for NIMs to only grow gradually (by ~30bps) over the next 2 years and is targeting ROA of 1.9-2.1% (vs 2% currently) in FY24. However, we believe HDFC Bank has the ability to outperform these targets given the potential synergies from the recent merger between HDFC Bank and HDFC.

**Ultratech Cement** is India's largest cement producer with ~25% market share. The company's share price was sold off during the month on concerns over the near-term pricing environment for cement. This was despite the company reporting better than expected earnings with EBITDA growing 39%yoy in 3QFY24, driven by improved realisations. We continue to see Ultratech as one of the major beneficiaries of India's capex and property cycle stories given its pan-India presence.

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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