Ellerston India Fund

Ellerston Capital

Monthly Report as at 31 March 2024

APIR Code: ECL0339AU | ARSN 618 549 796

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+	Net Before Tax*	MSCI India Net Pre-Tax	Net After Tax^
1 Month	1.6%	1.5%	0.6%	1.5%
6 Months	18.1%	17.5%	17.4%	15.3%
1 Year	35.4%	34.0%	40.5%	29.7%
3 Years (cumulative)	52.2%	47.4%	65.4%	43.4%
Since Inception^^ (cumulative)	113.7%	96.7%	124.5%	87.4%
Since Inception^^ (p.a.)	11.6%	10.3%	12.4%	9.5%

+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.*
^Net After Tax return figure is calculated after fees, expenses, and taxes, assuming all distributions are reinvested.
^^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

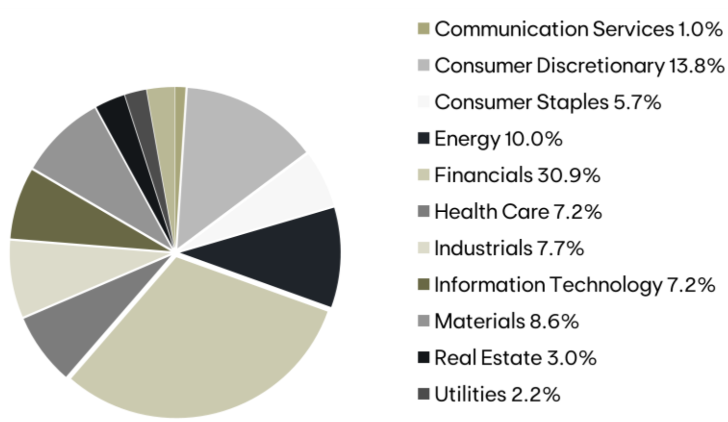
Investment Objective	To outperform the Benchmark on a net of fees and tax basis, with a focus on capital growth and downside protection.
Benchmark	MSCI India Net Return Index (AUD)
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	45
Minimum Investment	Initial investment - $10,000 Additional investment - $5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.10% p.a.
Performance Fee[1]	15.00%
Buy/Sell Spread	0.25% / 0.25%
Unit Prices	Application – $1.4946 Net Asset Value – $1.4909 Redemption – $1.4872

[1]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	10.0%
ICICI Bank	Financials	8.0%
HDFC Bank	Financials	5.4%
Infosys	Information Technology	4.0%
Sun Pharmaceutical Industries	Health Care	4.0%
Axis Bank	Financials	3.9%
UltraTech Cement	Materials	3.6%
Varun Beverages	Consumer Staples	3.3%
Tata Consultancy Services	Information Technology	3.1%
Phoenix Mills	Real Estate	3.0%

Source: Ellerston Capital

COMMENTARY

The Ellerston India Fund (EIF) was up 1.5% (net) in March versus the MSCI India Index (MXIN) which was up 0.6%.

The Indian market continued its journey towards new all-time highs. For the month of March, the MSCI India Index was up 1.4% in local currency (INR), helped by a ~1% up-move on the last trading day of the month. Since March marks the closure of financial year in India, these movements are possible towards the end of the year. Global indices also came in strong during March as a rebound in global PMIs ratcheted up economic growth expectations, while the risk of recession continues to get priced out of the market.

For the financial year 2023 ending March, the MSCI India Index provided a total return of 39% (INR), one of the strongest returns in the history of the index. For the year, mid-caps and small-caps led the rally, with their indexes having even stronger returns of 57% and 52% respectively in INR. In March, this led to SEBI and RBI cautioning on the overheated small and mid-cap stocks (via financial stability report and increased risk and volatility disclosures). RBI also asked NBFCs to curtail lending to smaller peers and to tighten lending norms.

March saw massive institutional inflows with FIIs buying to the tune of USD $3.7bn, while Domestic Institutional Investors bought another USD $6.8bn. Bank credit growth (adjusted for the HDFC-HDFC Bank merger) improved to 16.7% y/y in Feb-24, compared to 16.4% in Jan-24; growth was led by Services, Industry (ex Infra) and Infrastructure.

Macro trends stayed positive, with Moody's raising India's GDP growth forecast for FY24 to around 8% from 6.6%, on the back of strong domestic consumption and capital expenditure. CPI based inflation was down by one basis point to 5.09% in February, compared to 5.1% in January 2024. India's WPI-based inflation moderated further to a near-term low of 0.20% in February on an annual basis, as against 0.27% in January. Also, India's GST collection in the month of March 2024 rose to 11.5% y/y.

Other interesting data points for the month were **1)** recovery in tourism - the month of Dec 2023 saw foreign tourist arrivals in India cross the 1mn mark for the first time since Feb 2020. In CY23, foreign tourist arrivals stood at 9.2mn, a 43.5% increase from CY22. **2)** India's FX reserves touched an all-time high of USD $646bn by March end, rising by ~USD $70bn from Mar 2023 and crossing the previous peak in Sep-21. It had dipped to a low of USD $524bn during the peak of the Ukraine crisis. A narrowing current account deficit and stronger FII flows led to this sharp rise.

The market has been warming up to the big event starting from mid-April - India's General Election to elect the next central government for next 5 years. The Election Commission has announced a 6-week-long election which will start on April 19 and stretch over seven phases, with different states voting at different times and results to be announced on the 4th of June. Various surveys and market run-up suggest a victory for the ruling Bharatiya Janata Party. While the victory is not certain, the government seems keen to carry-on with its growth agenda and not let elections slowdown the process. Prime Minister, Mr. Modi, has set an ambitious target of almost doubling GDP and has already asked officials to finalise plans by around May to expand the economy to USD $6.7trn in nominal terms by 2030, from around USD $3.5trn currently. For the next 6 years, Modi's goal is to raise per capita income to USD $4,418 from around USD $2,500 currently, as well as doubling exports.

PORTFOLIO PERFORMANCE

Turning to portfolio performance, Information Technology and Consumer Discretionary were the key alpha contributors. Meanwhile, Materials and Industrial were the key detractors for the month.

At a company level, **ABB India**, **Bharti Airtel** and not owning **Hindustan Unilever** were the biggest contributors to relative performance. Meanwhile, not owning **Larsen & Tubro** and **Tata Steel**, as well as previously owning **Orient Cement** were the key detractors to relative performance.

ABB India reported very strong results in Feb and the market was enthused by the 35% year over year growth in new orders (leading to 30% growth in the order book) driven by renewables, data centers, railways, robotics, discrete automation, and electronics. ABB is a key beneficiary of India's public and private sector capex. **Bharti Airtel** has moved up based on the market's expectation of ARPU hikes in the coming months post elections, which would be needed to help the third player, Vodafone Idea, to survive. **Hindustan Unilever** is expected to report a weak Q1 with flat sales and a slight EBITDA decline. Slowing sales growth has been leading the multiple de-rating for the stock.

Larsen & Tubro is one of the key plays on upswing in India's capex and defense spending. In March, it won AUD $2bn defense contracts and commissioned its first indigenously built Hydrogen Electrolyzer at Hazira, India. Given the high defense exposure in the stock, EIF is unable to own the company. **Tata Steel**, along with other domestic steel players surged in March due to muted steel production data out of China, while industrial output and demand prints were relatively strong in India and Asia. **Orient Cement's** share price was under pressure owing to near term demand and pricing concerns and March did see weakness in certain mid and small cap stocks.

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.

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

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Find out more:

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All holding enquiries should be directed to our register, Automic Group on 1300 101 595 or ellerstonfunds@automicgroup.com.au.

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