

Ellerston Asia Growth Fund (Hedge Fund)

Monthly Report as at 31 May 2024

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	6 Months	Since Inception (p.a.) ^{^^}
Net [^]	-1.4%	4.9%	9.3%	7.3%
Benchmark*	-1.1%	2.6%	7.7%	5.7%
Alpha	-0.3%	2.3%	1.6%	1.6%

[^] 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.

Key Information

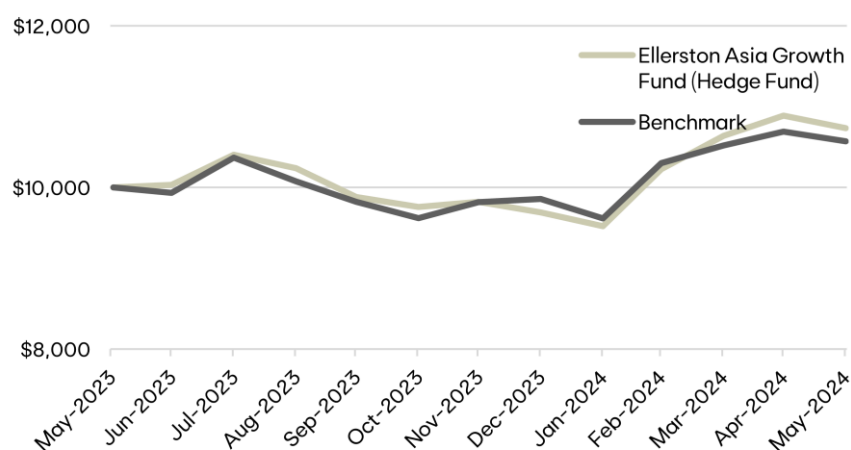
Investment Objective	To outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection.
Benchmark	MSCI Asia Ex Japan (non-accumulation) Index in AUD.
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	39
Minimum Investment for Applications Direct with Unit Registry ¹	Initial investment - \$10,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	0.75% p.a.
Performance Fee ²	10%
Buy/Sell Spread ³	0.25% / 0.25%
Unit Prices	Application - \$6.6053 Net Asset Value - \$6.5888 Redemption - \$6.5723
Fund Size	\$39,688,823

¹ Minimum number of units required for purchases made via the ASX will be dependent on each stockbroker.

² Of the investment return above the Benchmark after recovering any underperformance in past periods.

³ Applicable only to investors buying and selling directly with the manager.

Growth of \$10,000 Investment

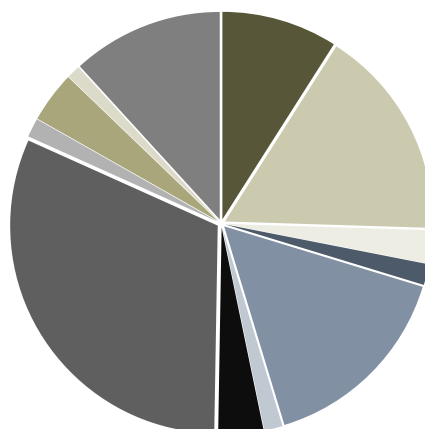


Fund Performance shown is net of fees, assuming all distributions are reinvested.

Past performance is not a reliable indication of future performance.

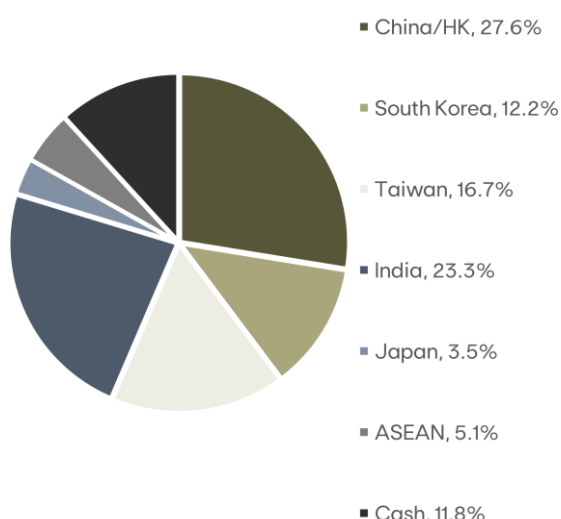
Source: Ellerston Capital.

Sector Allocation



- Communication Services 9.0%
- Consumer Discretionary 16.5%
- Consumer Staples 2.6%
- Energy 1.6%
- Financials 15.6%
- Health Care 1.4%
- Industrials 3.5%
- Information Technology 31.5%
- Materials 1.5%
- Real Estate 4.0%
- Utilities 1.0%
- Cash 11.8%

Geographic Allocation



Source: Ellerston Capital.

Top Holdings

Company	Sector	Portfolio Weight	Benchmark Weight
Taiwan Semiconductor Manufacturing	Information Technology	13.1%	9.8%
Samsung Electronics	Information Technology	7.7%	4.0%
Tencent Holdings	Communication Services	7.5%	4.8%
ICICI Bank	Financials	3.6%	1.1%
SK hynix Inc.	Information Technology	3.5%	1.2%
Trip.com Group	Consumer Discretionary	2.8%	0.4%
MediaTek	Information Technology	2.5%	0.9%
Maruti Suzuki India	Consumer Discretionary	2.5%	0.3%
China Resources Land	Real Estate	2.2%	0.2%
Midea Group Co.	Consumer Discretionary	2.1%	0.0%

Source: Ellerston Capital.

MARKET COMMENTARY

The Ellerston Asia Growth Fund (Hedge Fund) (EAFZ) was down 1.4% (net) in May versus the MSCI Asia ex Japan (non-accumulation) (AUD) (MXASJ) Index which was down 1.1%.

MARKET SUMMARY

Global equity markets continued their upward momentum in May, with major indices in the U.S. and Europe hitting new record highs. The S&P 500 rose 5.0% for the month, bringing its year-to-date gain to over 11%, as robust corporate earnings and hopes for an imminent Fed rate cut boosted investor sentiment. European markets also rallied, with the EURO STOXX 50 Index posting a 2.1% gain and closing at a fresh record high, as prospects for rate cuts by the ECB lifted markets across the euro zone.

Asian markets were relative underperformers with MXASJ down 1.1%, driven by weak currencies in many countries. Asian currencies have been under pressure in the month, driven by expectations of prolonged high US interest rates and relatively slower monetary tightening in the region. Markets with currency stability saw better performance with the Hang Seng Index (US dollar pegged) up 2.5% in the month. In Hong Kong, investor sentiment was further boosted by a series of comprehensive measures introduced by the Chinese government, aimed at stabilizing its troubled property market. Taiwan is also a relative outperformer on the back of renewed AI optimism with NVIDIA posting another strong result during the month. On the other hand, the Indian equity market experienced significant volatility in the month, primarily driven by pre general elections jitters. The market trended higher during the month but gave up all the gains in the last five trading days, as investors lightened their positions heading into exit polls (1st June) and results on 4th June.

PORTFOLIO PERFORMANCE SUMMARY

South Korea was the largest contributor by country to alpha during the month, whilst our UW position for China was the relative drag. At a sector level, Communication Services was the biggest contributor to relative performance. Meanwhile, Consumer Discretionary was the worst performer.

At a company level, **MediaTek**, **Titagarh Rail System** and **Vodafone Idea** were the largest contributors to alpha adding a combined 102bps. Meanwhile, **PT Bank Mandiri**, **Samsung Electronics** and **Samsonite International** detracted 80bps from alpha during the month.

MediaTek is the largest chip design house in Asia. The Company specializes in multimedia and wireless IP for SoC design. The stock has performed strongly during the month on the expectation that it may partner with NVIDIA for a WoA (Windows-on-Arm) chip that could position them to benefit from the growing AI PC market.

Vodafone Idea (VI) is the third largest telecom services provider in India with 18% market share. The Government of India is the largest shareholder in the company, though VI continues to be run by its private sector promoters Vodafone and Idea. The Government is keen to maintain competitive intensity in the telecom sector and not let it become a duopoly; it is receptive to improving price environment (hikes) and to reconsider the large USD28bn government dues of VI. EAFZ participated in the VI FPO that raised USD2.2bn equity from investors at INR11. Meanwhile, another USD240mn was infused by the promoters at a 35% premium. We expect an improved pricing environment, growing data demand and benevolent government policies to help beleaguered VI revive.

Titagarh Rail Systems is one of the key plays on the upswing in India's capex that is increasingly focused on Railway sector, with the intent to increase the share of Railway in India's freight traffic. It saw increased investor and broker interest during the month.

PT Bank Mandiri, the second largest bank in Indonesia, reported weaker than expected earnings for Q1 2024 in early May, driven by higher interest expenses and operating cost. Management also lowered its FY24 guidance. We have trimmed our position on the back of a downgraded growth outlook.

Samsung Electronics is the global leader in smartphones, home appliances, display panels, and the production of memory chips. Samsung's share price was down in the month as reports suggest its HBM 3E 8H (High-Bandwidth-Memory) qualification test was failed. This is followed by a workers' union strike at the month-end. We believe the market has put too much focus on its HBM 3 progress and overlooked the significantly improved business fundamentals.

Samsonite is a global manufacturer and retailer of suitcases, toiletries bags and briefcases. Samsonite's share price was weak as it reported a softer-than-expected revenue growth in 1Q, despite a strong earnings beat. We believe the stock is unfairly punished as topline growth is unlikely being priced in at 7x 2024 EBITDA and a >10% Free Cash Flow Yield. We view the key investment thesis as balance sheet deleverage and improving shareholder return which remain intact.

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.**

There have been no changes to the primary investment personnel responsible for managing the Fund.

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 or visit us at ellerstoncapital.com.

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

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