



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	6.0%	5.9%	6.5%	5.3%
6 Months	24.7%	24.1%	19.4%	21.2%
1 Year	36.0%	34.6%	33.9%	30.2%
3 Years (cumulative)	57.2%	52.3%	64.1%	46.9%
Since Inception <sup>^^</sup> (cumulative)	136.7%	118.1%	141.7%	105.1%
Since Inception <sup>^^</sup> (p.a.)	12.8%	11.5%	13.1%	10.5%

<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

<b>Investment Objective</b>	To outperform the Benchmark on a net of fees and tax basis, with a focus on capital growth and downside protection.
<b>Benchmark</b>	MSCI India Net Return Index (AUD)
<b>Liquidity</b>	Daily
<b>Target Number of Holdings</b>	20-50
<b>Number of Holdings at Month End</b>	47
<b>Minimum Investment</b>	Initial investment - \$10,000 Additional investment - \$5,000
<b>Distribution Frequency</b>	Half-Yearly (where available)
<b>Management Fee</b>	1.10% p.a.
<b>Performance Fee<sup>1</sup></b>	15.00%
<b>Buy/Sell Spread</b>	0.25% / 0.25%
<b>Unit Prices</b>	Application - \$1.6362 Net Asset Value - \$1.6321 Redemption - \$1.6280

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

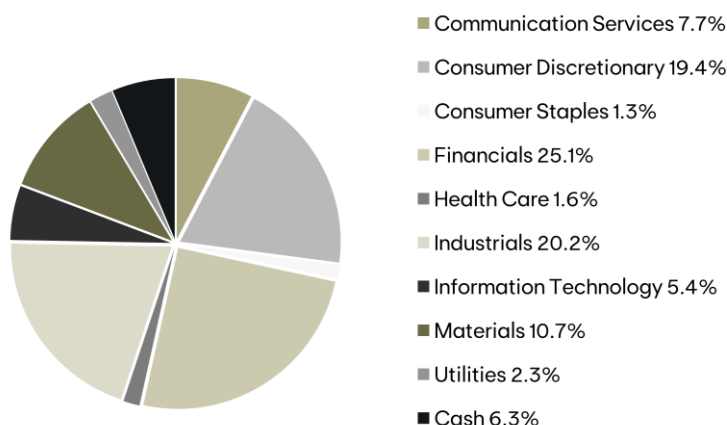
## Growth of \$10,000 Investment



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
<b>Vodafone Idea Limited</b>	Communication Services	5.9%
<b>HDFC Bank Ltd.</b>	Financials	5.5%
<b>NCC Limited</b>	Consumer Discretionary	3.7%
ICICI Bank Limited	Financials	3.5%
Kalpataru Projects International Limited	Industrials	3.0%
Hitachi Energy India Limited	Information Technology	3.0%
Aptus Value Housing Finance India Limited	Financials	3.0%
Axis Bank Limited	Financials	2.6%
Data Patterns (India) Limited	Information Technology	2.5%
Power Grid Corporation of India Limited	Utilities	2.3%

Source: Ellerston Capital

## COMMENTARY

The Ellerston India Fund (EIF or Fund) was up 5.3% (net) in June versus the MSCI India Index (MXIN) which was up 6.5%. For FY24, EIF has posted a robust return of 30.2%. In June, the Indian equity market reached an all-time high, registering one of the best monthly gains, despite the initial setback from a mixed general election outcome. Indian market recovered sharply, buoyed by positive domestic investor sentiment, led by steady political, economic and capex indicators. The move was further supported by sturdy US and European markets. The S&P 500 returned 3.6% in June, driven by corporate earnings and positive economic data; technology giants continued to lead.

As investors would know, EIF accrues the full potential future capitals gains tax payable on the portfolio's investments, even if these positions have not yet been realized. In the months of very strong market performance like June, this adds a significant drag to our Fund's returns which are reported on post-tax basis, while the Benchmark returns are pre-tax. This performance drag also holds for Financial Years like 2024, where EIF delivered a massive return. While this is a performance drag, for investors there is no additional tax burden as they get the tax offset given the double tax avoidance agreement between India and Australia.

In June, foreign institutional investors turned into net buyers, contributing to post-election purchases to the tune of USD \$2.7bn. Meanwhile, retail flows into Domestic Mutual Funds surged massively in June, with USD \$3.4bn worth of purchases from domestic institutional investors.

India is set to see an influx of large foreign inflow, courtesy of India's inclusion in the JP Morgan Emerging Market Bond Indices. Note that only Indian government bonds issued by the RBI under the Fully Accessible Route (FAR) will be included in these indices. The expectation is ~USD \$25-30bn worth of inflows over 10 months; the inclusion will happen in 10 monthly increments of 1% point each, starting on June 28. However, certain market participants believe that a third of those flows may potentially have already arrived. Foreign holdings of India's debt are ~2.4% of total outstanding debt, which is expected to double by the end of 2025. Lower INR volatility has helped fixed income investors build confidence. The stability is supported by India's currency reserves over USD \$650bn, which is fourth largest in the world.

The first parliament session of the Modi government began on the 24<sup>th</sup> of June, with the next Budget expected on the 22<sup>nd</sup> of July. The Budget would need to carefully balance growth and welfare. In this regard, the Reserve bank of India's outsized dividend (0.6% of GDP) would help. India posted a fiscal surplus of USD 1.6tn in May, (USD 2.1tn deficit in April) with the higher than budgeted dividend (USD 2.11tn, vs USD 1.02tn budget estimate) from the Reserve Bank of India. This puts the April - May 2024 (fiscal year to date, or FYTD) fiscal deficit at -1.0% of GDP, compared to the interim budget estimate of -5.1% of GDP.

The Reserve Bank of India kept rates unchanged in June, with GDP growth forecasted at 7.2% for FY25 (vs 7% earlier), while it retained inflation projections at 4.5%. Headline inflation marginally slowed to 4.75% year-on-year in May 24, driven by subdued core CPI and stable food CPI.

The key macro indicators are holding steady. Gross tax revenue (GTR) grew 16% year-on-year in May on an adjusted basis, driven by growth in personal income taxes of 80% year-on-year in May. Meanwhile, GST revenue growth was soft in June at 7.7% year-on-year. Total government spending contracted 38% year-on-year in May, primarily due to the general elections. But Bank credit growth (adjusted for the HDFC-HDFC Bank merger) improved to 16.9% year-on-year in May vs. 15.5% in April.

## PORTFOLIO PERFORMANCE

Turning to portfolio performance, an overweight position in Communication Services and Consumer Discretionary sector were the key alpha contributors. Meanwhile, Cash and overweight position in Industrials were the key detractors for the month.

At the company level, Vodafone Idea, Titagarh Rail Systems and Hitachi Energy were the biggest contributors to relative performance. Meanwhile Adani Group – Adani Energy Solutions, Adani Enterprise and Adani Ports were the key detractors to performance.

Vodafone Idea (VI) is the third largest telecom services provider in India with an 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 USD 28bn government dues. EIF participated in the VI follow-on public offer that raised USD \$2.2bn worth of equity from investors, at a price of 11 INR. Meanwhile, another USD \$240mn was infused by the promoters at 35% premium. We expect an improved pricing environment, growing data demand, and benevolent government policies to help the 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.

Hitachi Energy is one of the key plays on the upswing in the Indian government's transmission sector capex, particularly related to High Voltage Direct Current (HVDC) lines that are needed to support renewable, intermittent, and interstate transmission needs.

Adani Group – Adani Energy Solutions, Adani Enterprise and Adani Ports bore the brunt of weaker than expected numbers of seats being won by the Modi government versus initial expectations and the projections post the exit polls. The Modi led government will now have to work with coalition partners that might push the growth or capex driven government policies towards more welfare related policies.

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).

## 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.

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### Find out more:

#### Contact Us

##### Sydney

Level 11, 179 Elizabeth Street,  
Sydney, NSW 2000  
+612 9021 7701  
[info@ellerstoncapital.com](mailto:info@ellerstoncapital.com)

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 registry, Automic Group on 1300 101 595 or [ellerstonfunds@automicgroup.com.au](mailto:ellerstonfunds@automicgroup.com.au).

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