



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%               | 6.4%            | 6.3%                   | 5.9%                       |
| 6 Months                                   | 23.0%              | 25.5%           | 20.1%                  | 22.3%                      |
| 1 Year                                     | 36.9%              | 40.8%           | 40.0%                  | 35.4%                      |
| 3 Years (cumulative)                       | 56.5%              | 57.2%           | 69.4%                  | 51.5%                      |
| Since Inception <sup>^^</sup> (cumulative) | 137.1%             | 131.2%          | 157.0%                 | 117.2%                     |
| Since Inception <sup>^^</sup> (p.a.)       | 12.7%              | 12.3%           | 13.9%                  | 11.3%                      |

<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<br>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 - \$1.2007<br>Net Asset Value - \$1.1977<br>Redemption - \$1.1947                                       |

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

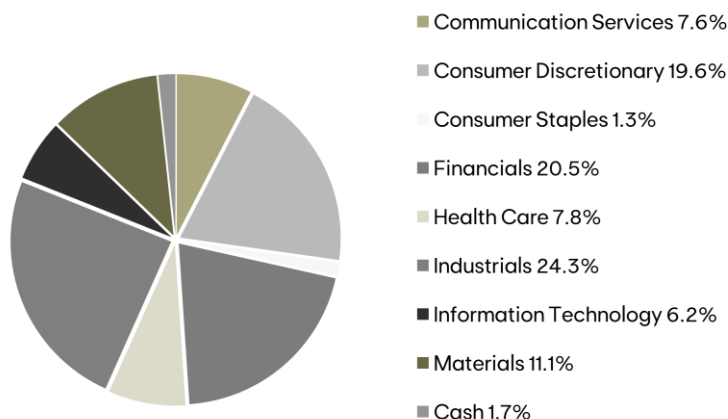
## Growth of \$10,000 Investment



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 |
|---|------------------------|------------------|
| Vodafone Idea Ltd                         | Communication Services | 3.8%             |
| ICICI Bank Limited                        | Financials             | 3.6%             |
| NCC Limited                               | Consumer Discretionary | 3.6%             |
| HDFC Bank Limited                         | Financials             | 3.5%             |
| Kalpataru Projects International Limited  | Industrials            | 3.1%             |
| Orchid Pharma Limited                     | Health Care            | 3.0%             |
| Aptus Value Housing Finance India Limited | Financials             | 2.8%             |
| Insecticides (India) Limited              | Materials              | 2.8%             |
| Manappuram Finance Limited                | Financials             | 2.8%             |
| Syrma SGS Technology Limited              | Information Technology | 2.7%             |

Source: Ellerston Capital

## COMMENTARY

The Ellerston India Fund (EIF or Fund) was up 5.89% (net) in July versus the MSCI India Index (MXIN) which was up 6.34%. Indian equity market had a very strong July with all 10 key sectors delivering positive returns on an absolute basis. This performance was driven by positive results in the IT and FMCG sectors, as well as budgetary support for infrastructure and rural upliftment projects. Meanwhile, the S&P 500 returned 1.2% in July, buoyed by positive economic data. However, the US market saw an interesting divergence, with a rotation out of much-loved mega-caps and AI-related names into smaller companies.

As we highlighted in our last newsletter, EIF fully accrues all potential future capital gains tax payable on the portfolio investments, even if those positions have not been realized. During months of very strong market performance, this accrual leads to a significant drag on our fund's returns, which are reported on a post-tax basis, while the benchmark returns are pre-tax. Note that while this is a performance drag, for investors, there is no additional tax burden as they receive a tax offset due to the double tax avoidance agreement between India and Australia.

In July, foreign institutional investors were net buyers of USD 2.5 billion, with domestic institutional investors purchasing another USD 2.8 billion. Despite the recent increased volatility in global currencies, the INR has remained stable, supported by India's bulging currency reserves, which reached USD 667 billion in August, the fourth largest in the world.

The key event in July was the first budget from the 3rd Modi government. Despite political pressures to provide more sops, the budget maintained its pro-growth stance along with a commitment to fiscal prudence. The budget's key focus areas included: 1) Agriculture and rural development to support rural demand and contain food inflation, 2) Employment generation, particularly in the formal sector, 3) Manufacturing and productivity improvement, 4) Capital expenditure on infrastructure, energy, and urban development, and 5) Adherence to macro stability and fiscal prudence, with the fiscal deficit projected to decrease to 4.9% of GDP from 5.1%. The budget also introduced a slew of tax changes, including increases on various asset classes, and cuts in customs duties on gold, silver, mobile phones, and other consumer goods.

India's key macro indicators are holding steady. The international monetary fund (IMF) raised India's growth forecast for 2024-25 to 7% from 6.8%, driven by improving private consumption, particularly in rural India. This is the IMF's second upward revision; it had previously raised its forecast for India's GDP growth to 6.8% from 6.5% in April. GST collections were up 10.3% y/y in July, marking the third-highest monthly collection since the GST regime began 7 years ago. With the monsoon season nearing its end, India's cumulative rainfall was 6% above the long-period average (LPA) as of 4th August. Non-food credit growth came in at 17.4% y/y as of June 2024, led by the Retail (25.6% y/y), Services, and Agriculture (17.4% y/y) sectors.

The RBI MPC (Monetary Policy Committee) voted 4:2 to keep the policy repo rate unchanged at 6.50% at the August meeting and retained the policy stance of "withdrawal of accommodation," in line with expectations. Headline CPI moderated to a five-year low of 3.5% in July (down from 5.1% in June), marginally lower than market expectations. This was primarily driven by a deceleration in food inflation and deflation in fuel prices, particularly LPG. IIP grew by 4.2% y/y in June, down from 5.9% in May and below the estimate of 5.4%, reflecting a slowdown in manufacturing and electricity, though mining activity surged.

## Portfolio Performance

Turning to portfolio performance, overweight positions in Industrials and Materials were the key contributors to alpha. Meanwhile, Financials and the underweight position in IT were the primary detractors for the month.

At the company level, **Tips Industries**, the decision to not own **Reliance Industries**, and **Orchid Pharma** were the biggest contributors to relative performance. Conversely, not owning **Infosys**, **Vodafone Idea**, and **Hitachi Energy** were the key detractors from relative performance.

**Tips Industries** is a new addition to EIF. It is a music label company with a 10% market share, and approximately 75% of its revenues come from digital streaming. **Tips** capitalizes on India's digitization and increasing music consumption via smartphones. The company has a large music library and a strong pipeline, leading to an expected earnings growth of 25-30% over the mid-term. **Reliance Industries** reported a weak quarter due to a pivot in its retail vertical towards margins in favour of growth and slightly lower refining margins, which led to stock consolidation. **Orchid Pharma**, another new position in EIF, is an Active Pharmaceutical Ingredient (API) manufacturer. The company is on a strong growth trajectory, producing limited-competition molecules and exploring further value-added offerings. **Orchid** benefits from the government's Production Linked Incentive (PLI) schemes for import substitution and the China+1 policy in the CDMO and chemical manufacturing sectors.

**Infosys** reported better-than-expected numbers and marginally upgraded its FY25 revenue growth guidance to 3-4% (from 1-3%) while keeping its margin guidance flat. This led to a 2-3% earnings upgrade, and given the low expectations, the stock price reacted strongly. **Vodafone Idea** and **Hitachi Energy** have been strong performers over the last few months and have significantly contributed to EIF's outperformance; however, they experienced some profit booking in July.

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:

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

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