

Ellerston Asia Growth Fund (Hedge Fund)

Monthly Report as at 30 November 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	1 Year	Since Inception (p.a.) ^{^^}
Net [^]	-1.6%	7.1%	10.7%	20.9%	12.2%
Benchmark*	-2.8%	4.0%	7.1%	15.4%	8.6%
Alpha	1.2%	3.1%	3.6%	5.5%	3.6%

[^] 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

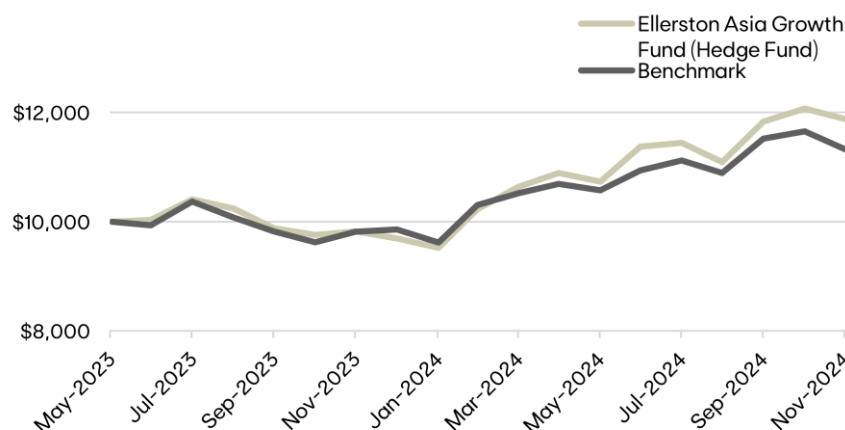
Investment Objective	To outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection.
Benchmark	MSCI Asia Ex Japan (non-accumulation) Index in AUD.
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	45
Minimum Investment for Applications 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 - \$7.1940 Net Asset Value - \$7.1761 Redemption - \$7.1582
Fund Size	\$ 37,617,675

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

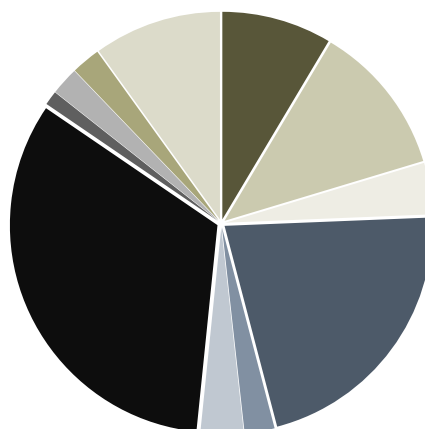


Fund Performance shown is net of fees, assuming all distributions are reinvested.

Past performance is not a reliable indication of future performance.

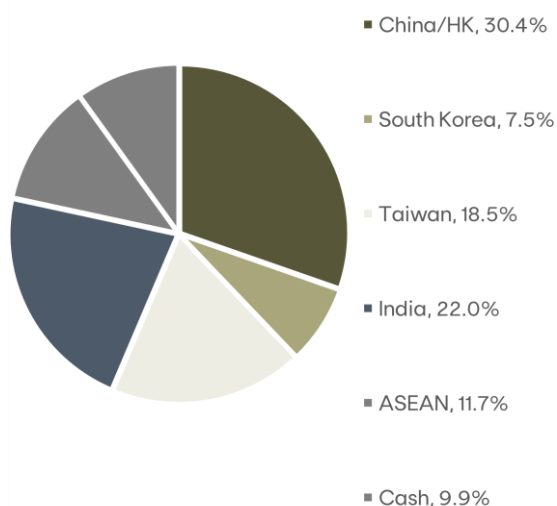
Source: Ellerston Capital.

Sector Allocation



- Communication Services 8.6%
- Consumer Discretionary 11.8%
- Consumer Staples 4.0%
- Financials 21.6%
- Health Care 2.3%
- Industrials 3.4%
- Information Technology 32.9%
- Materials 1.1%
- Real Estate 2.2%
- Utilities 2.3%
- Cash 9.9%

Geographic Allocation



Source: Ellerston Capital.

Top Holdings

Company	Sector	Portfolio Weight	Benchmark Weight
Taiwan Semiconductor Manufacturing Co.Ltd.	Information Technology	14.0%	11.1%
Tencent Holdings Ltd.	Communication Services	5.2%	4.9%
Samsung Electronics Co., Ltd.	Information Technology	2.8%	2.7%
Xiaomi Corp. Class B	Information Technology	2.6%	0.8%
ICICI Bank Limited	Financials	2.4%	1.2%
Syrma SGS Technology Limited	Information Technology	2.3%	0.0%
Agricultural Bank of China Limited Class H	Financials	2.3%	0.2%
Power Assets Holdings Limited	Utilities	2.3%	0.1%
DBS Group Holdings Ltd	Financials	2.2%	0.9%
Agricultural Bank of China Limited Class A	Financials	2.2%	0.1%

Source: Ellerston Capital.

MARKET COMMENTARY

The Ellerston Asia Growth Fund (Hedge Fund) (EAFZ) was down 1.59% (net) in November, compared to the MSCI Asia ex Japan (non-accumulation) (AUD) (MXASJ) Index, which was down by 2.83%.

Market Summary

Global equities experienced a strong rally in November, with the MSCI World Index gaining 4.9% in local currency terms. The surge was primarily driven by the U.S. market, where the S&P 500 rose by 5.9%, reaching new all-time highs and crossing the 6,000 mark. This performance was largely attributed to the outcome of the U.S. presidential election, which saw Donald Trump return to the White House and Republicans regain control of Congress. Investor sentiment was buoyed by the prospect of tax cuts, deregulation, and a more business-friendly environment, which energized markets and particularly benefited sectors such as financials and energy. However, the rally was uneven across regions, with European and emerging market equities underperforming due to concerns about potential U.S. trade policies and a strengthening dollar.

In Asia, the much-anticipated NPC Standing Committee meeting in China concluded on November 8 with the approval of a new fiscal expansion plan focusing on local government debt resolution. A RMB10 trillion local government special bond (LGSB) quota was allocated for local debt swaps over the next five years. The NPC meeting emphasized, "By reallocating the resources that were originally used for debt repayment, we can now utilize them to stimulate development and enhance the well-being of the people." While this fiscal expansion is expected to positively impact the consumption environment, the outcome of the meeting was seen as underwhelming by market observers. Key issues such as fiscal support for housing de-stocking, central government bond issuance for bank recapitalizations, and an additional consumption stimulus package lacked substantial progress. However, these measures remain a work in progress and could materialize in the future.

The combination of the underwhelming NPC meeting and concerns over Trump's tariff proposals saw Asian markets struggle. India's SENSEX rose 0.6%, and China's SSE edged up 0.5%. In contrast, Japan's Nikkei declined by 2.2%, and Korea's KOSPI fell 3.9%. The clear laggard was Hong Kong's Hang Seng, which closed 4.2% lower.

PERFORMANCE SUMMARY

At the country level, **China** was the largest contributor to alpha, while **Philippines** was the relative underperformer. Our positions in China benefited from strong stock selection, generating solid positive returns despite a market correction. On the sector level, **Consumer Discretionary** made the biggest contributions to relative performance, whereas **Industrials** was the relative underperformer. The Fund was relatively quiet during the month, as our positions were already defensively positioned ahead of the U.S. election and China's reporting season. That said, we are actively assessing different opportunities as we believe risks around Trump's tariff and US dollar strengthening have started to price in.

At a company level, **DPC Dash**, **Syrma SGS** and **SuneVision** were the largest contributors to alpha, adding a combined 83 bps. Meanwhile, **SM Investments**, **CreditAccess Grameen** and **not owning Sea Limited** detracted 32 bps from alpha during the month.

DPC Dash is the exclusive master franchisee for Domino's Pizza in mainland China. Last month, DPC Dash's share price was negatively impacted by Domino's US (DPZ US)'s sale of a 5% stake in the business. The stocks, however, saw a strong rebound from the recent lows as liquidity improves and business momentum remains strong. Despite the volatility, the stock has generated approximately a c.40% return since we initiated a position last year. It is worth presenting our investment thesis here to explain why we believe it represents a multi-bagger opportunity.

"We have experienced significant growth across all our markets, driven by our deeper penetration in existing cities and our expansion into new ones. We successfully entered eight cities at the end of last year and launched the four additional cities in the first half of 2024. The performance of our new stores has been exceptional, contributing significantly to our overall success. As of July 31 of 2024, we probably hold 28 out of the top 30 positions within Domino's global system in terms of the first 30-day sales" – from 1H24 earnings call (August 2024)

DPC Dash is a high quality yet under-penetrated and under-monetized global QSR brand in China. It currently operates only 1,000 stores compared to its closest competitor, Pizza Hut, which has around 3,000 stores, leaving significant runway for growth. Its average store sales and margins have ample room for improvement, given that most of its new stores are still in the ramp-up phase. Domino's is a globally successful brand, and there is no reason it cannot replicate or surpass this success in China. Historically, growth was hindered by franchise and capital constraints. Initially, the franchise agreement in 2008 allowed operations in only five provinces. In 2017, the agreement was renewed to cover all of mainland China, Hong Kong, and Macau. The restructuring also brought in a new management team led by industry veteran Aileen Wang (ex-McDonald's China), along with a buyout of smaller shareholders. Since 2017, DPC Dash has doubled its market share, driven by store rollouts and consistent above-industry same-store sales growth. Trading at less than 15x EBITDA, with both revenue and EBITDA growing at a 30% CAGR, we believe this under-discovered gem presents an exceptionally favourable risk/reward profile for our investors.

SuneVision, a recent addition to the portfolio, is the largest data center operator in Hong Kong, holding a 35% market share. Its facilities are last-mile and low-latency, with the company also owning a sea cable landing station. With the highest power capacity and lowest latency in the region, we believe Sunevision is well-positioned to benefit from the structural growth in Hong Kong's IDC market as demand for generative AI shifts from training to inferencing. **Syrma SGS** is one of the largest PCBA (Printed Circuit Board Assembly) manufacturers in India. It is a key Electronics manufacturing services (EMS) player and is well placed to benefit from India's push for exports, job creation and increased local manufacturing. The company reported strong earnings beat with 45% year-on-year growth in EBITDA and EBITDA margin of 8.5% vs expectation of 6-6.5%.

SM Investments is a leading conglomerate in the Philippines, known for its diversified portfolio across high-growth industries. Its share price weakened amid a broader market retreat driven by U.S. dollar strengthening after the U.S. election. We decided to exit the position to rebalance our regional exposure. **CreditAccess Grameen**, India's largest microfinance institution, experienced share price weakness following a broker downgrade toward the month's end. However, we believe that most of the risks highlighted by the broker are already well-known to the market and largely priced in.

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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