

Ellerston Asia Growth Fund (Hedge Fund)

Monthly Report as at 31 December 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 [^]	5.7%	6.1%	10.4%	29.6%	15.4%
Benchmark*	5.3%	3.5%	9.0%	21.0%	11.8%
Alpha	0.4%	2.6%	1.4%	8.6%	8.6%

[^] 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

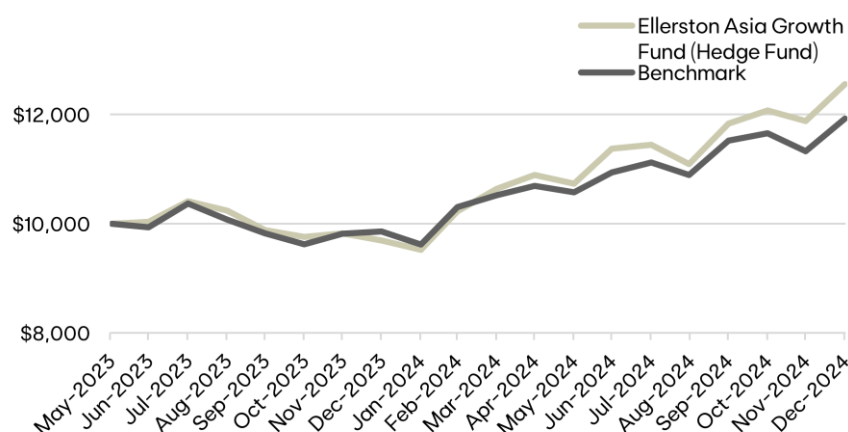
Investment Objective	To outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection.
Benchmark	MSCI Asia Ex Japan (non-accumulation) Index in AUD.
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	49
Minimum Investment for Applications 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 - \$7.6033 Net Asset Value - \$7.5843 Redemption - \$7.5653
Fund Size	\$ 37,306,258

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

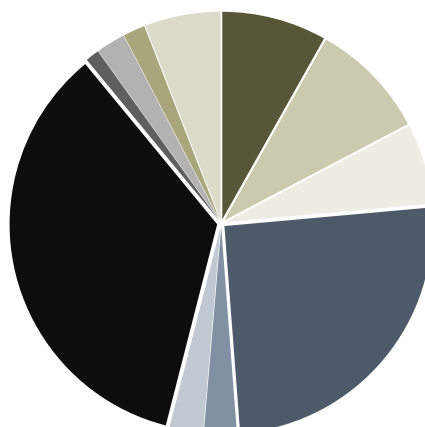


Fund Performance shown is net of fees, assuming all distributions are reinvested.

Past performance is not a reliable indication of future performance.

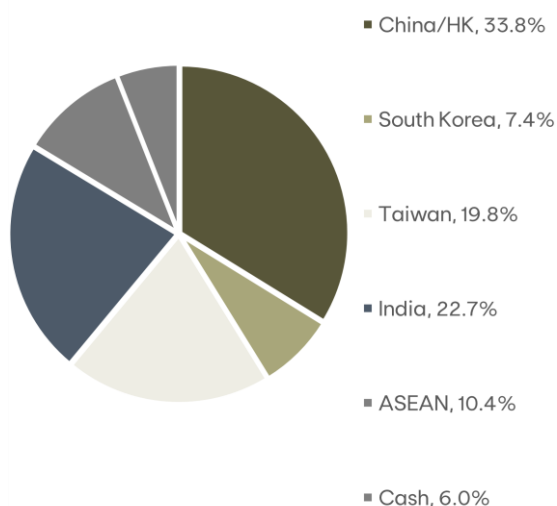
Source: Ellerston Capital.

Sector Allocation



- Communication Services 8.2%
- Consumer Discretionary 9.1%
- Consumer Staples 6.3%
- Financials 25.2%
- Health Care 2.6%
- Industrials 2.6%
- Information Technology 35.0%
- Materials 1.1%
- Real Estate 2.3%
- Utilities 1.7%
- Cash 5.9%

Geographic Allocation



Source: Ellerston Capital.

Top Holdings

Company	Sector	Portfolio Weight	Benchmark Weight
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	14.4%	11.9%
Xiaomi Corp. Class B	Information Technology	3.5%	1.0%
Tencent Holdings Ltd.	Communication Services	3.3%	5.1%
MediaTek Inc	Information Technology	3.1%	1.0%
Agricultural Bank of China Limited Class H	Financials	2.7%	0.2%
ICICI Bank Limited	Financials	2.5%	1.1%
DBS Group Holdings Ltd	Financials	2.4%	0.9%
Delta Electronics, Inc.	Information Technology	2.3%	0.4%
Trip.com Group Ltd.	Consumer Discretionary	2.3%	0.6%
HDFC Bank Limited	Financials	2.2%	1.7%

Source: Ellerston Capital.

MARKET COMMENTARY

The Ellerston Asia Growth Fund (Hedge Fund) (EAFZ) was up 5.7% (net) in December, compared to the MSCI Asia ex Japan (non-accumulation) (AUD) (MXASJ) Index, which was up by 5.3%.

Market Summary

Global equities sold off towards year end as markets reacted to further disappointing stimulus out of China and a more hawkish tone from the US Federal Reserve. The Fed revised inflation projections and dot plots higher after the PPI, CPI and non-farm payroll all came in higher than expected, causing the market to price in a slowing easing cycle.

In Asia, the Central Economic Work Conference (CEWC) held its annual meeting which sets the national agenda for the Chinese economy and its financial and banking sectors. In short, policymakers saw boosting domestic demand, especially household consumption, as their top policy priority for 2025. To achieve this aim, policymakers intend leveraging up the central government to boost fiscal spending. Fiscal policy will be more proactive, by increasing the budget deficit and increasing ultra-long Treasury bond and special local government bond quotas. Additionally, monetary policy will aim to be "moderately loose". Post the CEWC, rumours quickly spread that China could raise its budget deficit budget deficit to 4% of GDP in 2025, the highest on record, but there has been no confirmation as yet.

The CEWC meeting and a weaker Yen (BoJ stood pat) saw Asian markets generally rebound. Japan's Nikkei rose 4.5% after BOJ Governor Ueda hinted to a longer timeline before interest rates were lifted and the Hang Seng rose 3.3%, followed by China's SSE at +0.5%. India's SENSEX was down 2.1%. India's high frequency indicators remained weak. December GST collection was the lowest in 3 months and increased only 7.3% year-on-year (Nov up 8.5% year-on-year). December manufacturing PMI dropped to a 12-month low of 56.4 (versus 56.5 in Nov and 57.5 in October). Credit growth (non-food) weakened to 10.6% year-on-year in November, its lowest since June 2022, while retail credit growth was also weak at 13.3%. The biggest laggard within Asia was the Korea's KOSPI, which closed 2.3% lower, not helped by President Yoon Suk Yeol briefly imposing Martial Law and the current tumultuous political situation.

PERFORMANCE SUMMARY

At the country level, **Taiwan** was the largest contributor to alpha, while **Indonesia** was the relative underperformer. Our stock picks in Taiwan delivered strong returns during the month, finishing the year with a total return of over 60% in Australian dollar terms. On the sector level, **Information Technology** made the biggest contributions to relative performance, whereas **Communication Services** was the relative underperformer.

At a company level, **Xiaomi**, **Agricultural Bank of China** and **TSMC** were the largest contributors to alpha, adding a combined 96bps. Meanwhile, **Bilibili**, **Sona BLW** and **CP All Public Company** detracted 52 bps from alpha during the month.

Xiaomi, a leading global electronics company renowned for its affordable, high-quality smartphones, continued its strong performance in December. Its EV delivery volume exceeded 135,000 units in 2024, surpassing its annual delivery target. Xiaomi also raised its 2025 EV shipment target to 300,000 units. The market has finally begun to factor in the valuation of Xiaomi's exceptional

EV business. Since we initiated a position in September 2023, Xiaomi has generated over 200% return for the Fund and has naturally grown into one of our largest positions. As many positives have already been priced in, we are now starting to take profits but remain very optimistic about the company's next stage of growth. Below is a highlight of our original thesis for the stock:

"...We have spoken to all brokers on the street, and none—none—view Xiaomi's EV business as a positive catalyst due to the potential cash burn and the competitive nature of the market. This contrasts with our desktop research, conversations with company employees, Xiaomi's supply chain partners, and, most importantly, the personal efforts devoted by Xiaomi's founder, Lei Jun. You simply cannot underestimate Lei Jun's entrepreneurship, determination, and ability to market the product. His track record in building Kingsoft and Xiaomi (two of the best Chinese internet companies) from scratch indicates there is a high chance that Xiaomi's EV business will succeed and we love the fact that the market thinks otherwise..."

Agricultural Bank of China (ABC) is one of the China's "Big Four" state-owned commercial banks. ABC is one of the key stocks that we picked to play the "Yuan carry trade" theme, which we believe is structural. As the China Government Bond 10-year yield falls below 2%, we believe that Chinese insurance companies, pension funds, and local governments will have no choice but invest in low-beta, high-dividend-yield stocks to meet their investment hurdles and future payout liabilities. The simple arbitrage involves borrowing at 2% from the central government and investing in a bond-proxy stock like ABC, which offers a dividend yield of over 5%. ABC trades at 0.5x book value, reflecting low expectations for NIM expansion, growth, and asset quality. However, its high dividend yield and backing by the central government make it a compelling opportunity.

Taiwan Semiconductor Manufacturing Company (TSMC) is the exclusive manufacturer of NVIDIA's advanced data center graphics processing units (GPUs) and supplies AI accelerators to companies like AMD, Google, Amazon, and Intel. In December, TSMC's share price performed strongly following Broadcom's optimistic comments about AI ASIC chips. While there is ongoing debate about whether AI ASIC chips will start to take market share from NVIDIA, TSMC produces all of them regardless. We believe TSMC will allocate 25-30% of CoWoS capacity for ASICs in 2025, with better margins contributing to its growth.

Bilibili, often referred to as "B Station," is a leading video-sharing platform in China that has evolved into a multifaceted entertainment and cultural hub. There is no stock-specific news that drove share price weakness except it is a high beta stock that typically underperforms in a market correction. **CP All Public Company** is a leading Thai company and a flagship subsidiary of Charoen Pokphand Group (CP Group), one of Thailand's largest and most diversified conglomerates. CP ALL is best known as the exclusive operator of 7-Eleven convenience stores in Thailand and is a major player in retail and wholesale distribution within the region. CP All stock fell after its subsidiary, CPAXT, invested in a mixed-use real estate development. While we do not expect significant earnings dilution, corporate governance concerns may keep the share price volatile in the near term. However, at its trough multiple, we believe the risk/reward is now favorable, given the company's strong business momentum. **Sona BLW** is a leading Indian manufacturer of automotive components, specializing in precision-forged and machined products. It caters to a global clientele in the automotive and industrial sectors and is a key player in the transition toward electric mobility. The stock's recent decline aligns with broader weakness in Indian small- and mid-cap stocks, with no company-specific news driving the performance.

During the month, we initiated positions in the China online lending sector, where we see structural tailwinds amid China's prolonged rate-cut cycle. We are especially excited about **Lexin Fintech (LX US)** which presents a compelling turnaround story with low market expectations contrasting with emerging positive developments. The corporate strategy has pivoted from loan growth to asset quality growth with a new Chief Risk Officer hire. Lexin has a poor track record of execution in the past which leads to market questioning its turnaround story. We spent a large amount of time understanding the role of the new CRO (i.e. his background, his team and his motivation of moving from Ant Group to Lexin) within the firm and believe he has given enough authority to improve asset quality for the business, which is the key thesis for the stock. Essentially, there is no significant barriers preventing Lexin from improving its asset quality to industry leaders like Qifu and Finvolution as the previous book only requires a maximum of 12 months to roll over. Trading at <4x of 2026 EPS, we believe the business is significantly undervalued should the thesis plays out.

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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