



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.

## Strategy Performance Summary

Period	1 Month	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception <sup>^^</sup> (p.a.)
Gross Return Before Tax <sup>+</sup>	2.8%	11.0%	37.8%	14.9%	15.6%	13.2%
Benchmark <sup>**</sup>	2.1%	2.6%	22.6%	13.2%	15.4%	12.6%
<b>Strategy Relative Performance</b>	<b>0.7%</b>	<b>8.4%</b>	<b>15.2%</b>	<b>1.7%</b>	<b>0.2%</b>	<b>0.6%</b>

<sup>+</sup> Strategy performance before taking into account fees, costs and applicable capital gains taxes.

<sup>\*\*</sup> Benchmark is MSCI India Net Return Index (AUD) and does not take into account capital gains taxes.

<sup>^^</sup> Inception date is 4 May 2017

## Investor Performance Summary

Period	1 Month	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception <sup>^^</sup> (p.a.)
Net Return After Tax <sup>^</sup>	2.8%	8.0%	30.8%	12.1%	12.6%	10.9%
Benchmark <sup>**</sup>	2.1%	2.6%	22.6%	13.2%	15.4%	12.6%
<b>Investor Relative Performance</b>	<b>0.7%</b>	<b>5.4%</b>	<b>8.2%</b>	<b>-1.1%</b>	<b>-2.8%</b>	<b>-1.7%</b>

<sup>^</sup> Fund return is calculated after taking into account management fees and expenses as well as capital gains taxes on unrealised gains/losses. This return is based on the NAV calculation and reflects the return received by investors in the Fund.

<sup>\*\*</sup> Benchmark is MSCI India Net Return Index (AUD) and does not take into account capital gains taxes.

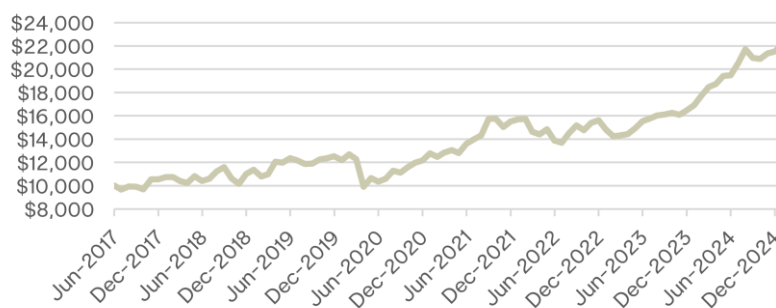
<sup>^^</sup> Inception date is 4 May 2017

## 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>	43
<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 - \$1.2243 Net Asset Value - \$1.2212 Redemption - \$1.2181

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

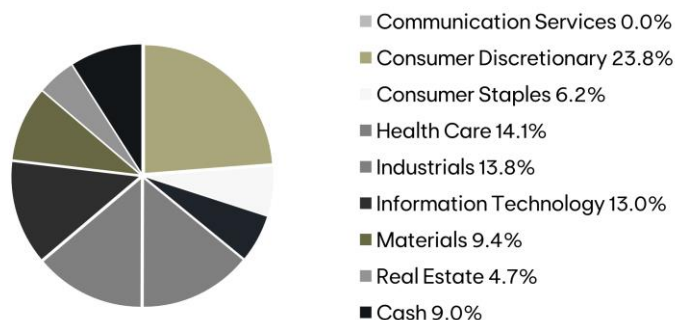
## Growth of \$10,000 Investment



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
Syrma SGS Technology Limited	Information Technology	4.7%
Brigade Enterprises Limited	Real Estate	3.4%
Sona BLW Precision Forgings Ltd.	Consumer Discretionary	3.0%
Cello World Limited	Consumer Discretionary	2.8%
Titagarh Rail Systems Ltd	Industrials	2.8%
NCC Limited	Consumer Discretionary	2.7%
CreditAccess Grameen Ltd.	Financials	2.7%
Eris Lifesciences Ltd	Health Care	2.4%
Kalpataru Projects International Limited	Industrials	2.4%
Sonata Software Limited	Information Technology	2.3%

Source: *Ellerston Capital*

## COMMENTARY

Ellerston India Fund (EIF) was up 2.8% (net) in December versus the MSCI India Index (MXIN) which was up 2.1%. The Index was down 1.6% in Indian Rupee (INR) but a 4% depreciation of the Australian Dollar (AUD) versus INR helped boost returns for the month. The Indian equity market is worried about 1) concerns of a weaker results season based on the initial print from the third quarter result releases, 2) stronger USD and higher US bond yields, and 3) still relatively weaker consumer demand. The S&P500 also declined -2.4% in December, though the magnitude of decline was larger barring the 'Magnificent seven'; it was driven by the US Federal Reserve guiding for lower rate cuts than expected by the market.

Foreign Institutional Investors (FII) continued their selling through December. FIIs sold to the tune of USD\$566mn in the secondary market and Domestic Institutional Investors (DIIs) remained net buyers to the tune of USD\$4bn. Despite the market correction and continued FII selling, domestic inflows into equity mutual funds are very strong. Domestic inflows rose by 15% month-on-month to USD\$4.7bn in Dec and marked the 46th consecutive month of inflows, indicating sustained investor interest, particularly in small-cap and mid-cap funds.

For December, 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). Dec manufacturing PMI dropped to a 12-month low of 56.4 (versus 56.5 in Nov and 57.5 in October). 2-wheelers registration fell by 18% year-on-year and passenger vehicles registrations fell by 2% year-on-year. 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 Nov-2024 merchandise trade deficit rose to all-time high of USD\$38bn in (vs USD\$27bn in Oct 2024 and USD\$30bn previous peak in Oct-2023). It was led by significantly higher gold imports and a spike in net oil imports with WTI up 10% month-on-month. The Reserve Bank of India's (RBI) strong intervention to stabilize the rupee against the USD also negatively impacted reserves and hurt domestic liquidity. This led to forex reserves falling to 10-month low of USD\$635bn as on 3Jan'2025, marking a \$70bn drop from the all-time high in Sep'24.

At the other end, December headline CPI inflation declined to 5.2% year-on-year (vs consensus of 5.3%, November: 5.5%), driven by a 50bp decline in food inflation on the back of a sequential contraction in vegetable and pulses (legumes) prices. RBI core inflation (headline inflation excluding food and fuel) remained unchanged at 3.6% year-on-year as a modest increase in core goods inflation was offset by a decline in gold and silver inflation. Headline inflation is expected to trend down further to below 5% in H1'2025.

Another key development for the month was that the government has appointed Mr. Sanjay Malhotra as the new RBI Governor. He is a seasoned bureaucrat with more than 33 years of experience. Since late 2022, he has been serving as the Secretary of Department of Revenue, Ministry of Finance. Mr. Malhotra has taken over from December 11, 2024, with February 2025 being his first Monetary Policy Committee (MPC) meet, he will have a three-year term. Mr. Shaktikanta Das ends his successful term as the second-longest serving Governor of the RBI having preserved macro and financial market stability even amid the difficulty of Covid and volatile geopolitics.

## Portfolio Performance

Turning to portfolio performance, our positions in Information Technology and Industrials were key contributors to alpha. Conversely, our positions in Consumer Discretionary and Healthcare were the main detractors.

At the company level, **Newgen Software, Kalpataru Projects and Manappuram Finance** were the largest contributors to relative performance. On the other hand, **Go Fashion, NCC and Neuland Laboratories** were the main detractors.

**Newgen Software** is one of the few software product companies based in India. It is a low code software and application development platform that is focused on BFSI, digitization and SAAS. It received an implementation and maintenance order for RBI for Regulatory Application Management System (RAMS). The company also received a decent number of international projects including an end-to-end trade finance order from Middle east, a Knowledge and Records Management System (KRMS) award from a Singapore based client and an order from a US based healthcare client.

**Kalpataru Projects** is one the largest and well diversified (both on sub-segments and international operations) Engineering, Procurement, and Construction (EPC) companies in India. In December, Kalpataru announced INR22bn worth of orders in domestic and international Transmission & Distribution and one large design and EPC for an elevated metro project in India. Another INR10bn order was received in the Railways and Building and Factory segment. In Dec, it also raised INR10bn via QIP (Qualified Institutional Placement) at INR1,201.

**Manappuram Finance** - The RBI had placed lending restrictions on Asirvad, the Micro Finance (MFI) subsidiary of Manappuram in Oct 2024. In Dec, The RBI lifted its lending restrictions on another MFI (Navi Finserv) that had similar challenges, within one and half months after getting comfort on the revamped processes. This raised investor hopes in December of a similar possibility playing out for Manappuram. Note that the RBI did lift lending restrictions placed on Asirvad MFI in Jan 2025.

**Go Fashion** fell bearing the brunt from weak consumer demand in India. The company is focused on women's bottom wear and has a solid long-term growth path. However, consumption in India has been weak due to higher inflation which is having an impact on the entire consumer sector which has seen a significant de-rating in the current downturn.

**NCC** is one of the largest regional Engineering, Procurement, and Construction (EPC) companies in India. It has seen good progress in execution, but has recently been impacted by slower government capital spend, hurting orderbook growth.

**Neuland Laboratories** benefitted from positive export trends over Oct and Nov while its Contract Development and Manufacturing Organization (CDMO) business is progressing well. However, the stock has been up almost 3x in 2024. This led to some profit booking in December with one large FII exiting their 3.8% holding in the company.

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

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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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