

Ellerston Asia Growth Fund (Hedge Fund)*

Monthly Report as at 28 February 2025

APIR Code: ECL1411AU | ARSN 626 690 686

*In response to revised naming conventions set out by the Australian Securities and Investments Commission (ASIC) in ASIC Information Sheet 230, the Fund name was changed to Ellerston Asia Growth Fund Complex ETF effective 18 March 2025



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 [^]	-0.04%	5.27%	12.73%	22.27%	13.62%
Benchmark*	1.27%	6.50%	10.76%	17.06%	11.29%
Alpha	-1.31%	-1.23%	1.98%	5.21%	2.33%

[^] 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

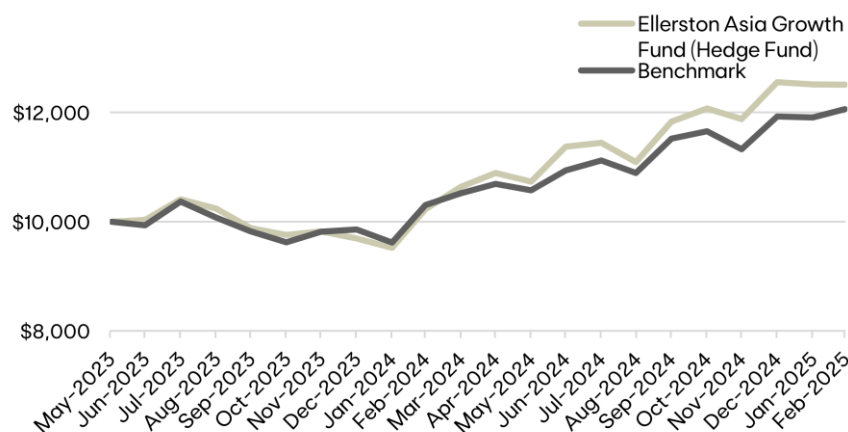
Investment Objective	To outperform the Benchmark on a net of fees basis, with a focus on capital growth and downside protection.
Benchmark	MSCI Asia Ex Japan (non-accumulation) Index in AUD.
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	46
Minimum Investment for Applications Direct with Unit Registry¹	Initial investment - \$10,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	0.75% p.a.
Performance Fee²	10%
Buy/Sell Spread³	0.25% / 0.25%
Unit Prices	Application - \$7.3928 Net Asset Value - \$7.3744 Redemption - \$7.3560
Fund Size	\$36,155,047

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

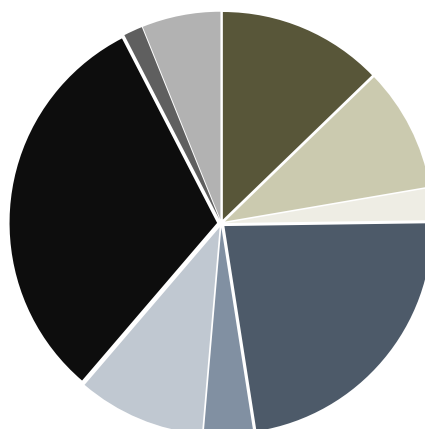


Fund Performance shown is net of fees, assuming all distributions are reinvested.

Past performance is not a reliable indication of future performance.

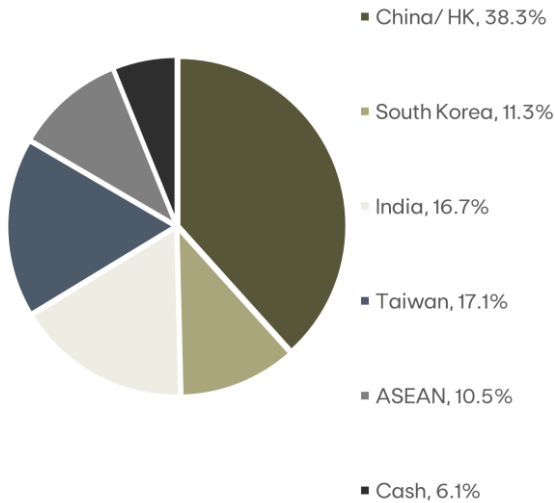
Source: Ellerston Capital.

Sector Allocation



- Communication Services 12.7%
- Consumer Discretionary 9.5%
- Consumer Staples 2.5%
- Financials 22.7%
- Health Care 3.8%
- Industrials 9.9%
- Information Technology 31.1%
- Real Estate 1.5%
- Cash 6.1%

Geographic Allocation



Source: Ellerston Capital.

Top Holdings

Company	Sector	Portfolio Weight	Benchmark Weight
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	12.8%	11.3%
Tencent Holdings Ltd.	Communication Services	5.9%	5.8%
DiDi Global Inc. Sponsored ADR Class A	Industrials	3.2%	0.0%
Agricultural Bank of China Limited Class H	Financials	2.9%	0.2%
Xiaomi Corp. Class B	Information Technology	2.9%	1.5%
Samsung Electronics Co., Ltd.	Information Technology	2.8%	2.6%
MediaTek Inc	Information Technology	2.6%	1.0%
DBS Group Holdings Ltd	Financials	2.6%	1.0%
HDFC Bank Limited	Financials	2.4%	1.6%
Singapore Telecommunications Limited	Communication Services	2.3%	0.3%

Source: Ellerston Capital.

MARKET COMMENTARY

The Ellerston Asia Growth Fund (Hedge Fund) (EAFZ) was down 0.04% (net) in February, compared to the MSCI Asia ex Japan (non-accumulation) (AUD) (MXASJ) Index, which was up 1.27%.

Market Summary

Escalating geopolitical tensions, a public Trump-Zelensky stoush in the oval office, on and off tariff threats, softening US economic data and fears of fading US "exceptionalism" drove market volatility higher. The MSCI World Index fell 0.9%, underperforming the MSCI Emerging Markets Index which posted a small positive return of +0.8% (due to MSCI China rallying 11.6%) in local currency terms. Not surprisingly, defensive sectors such as Consumer Staples (+4.5%) and Real Estate (+2.8%) topped the global sector tables, with Consumer Discretionary (-7.0%) the laggard. The S&P 500 was down 1.5% and on the home front, the S&P/ASX200 succumbed to broad based pressure, posting a loss of 3.8%.

China's National Committee of the Chinese People's Political Consultative Conference (CPPCC) and the National People's Congress will meet in March and their deliberations will be key to the country's economic recovery. Expectations are for more stimulus, with its budget deficit to move towards 4% of GDP, an all-time high. Asian markets were mixed, with the Hang Seng the standout performer, rising 13.4%, led by Alibaba's collaboration with Apple to introduce AI features for phone users in China. This helped invigorate the heavy component of Chinese tech companies in the HK index. China's SSE closed up 1.8% and Korea's KOSPI ended 0.6% higher, with both India's SENSEX and Japan's Nikkei in sharp negative territory down 5.5% and 6.1%, respectively.

The "East rises, West falls" trade: can it last?

The "East rises, West falls" trade gained momentum in February 2025, reflecting the growing divergence between Asia and Western markets. China and broader Asia saw renewed investor confidence, fuelled by strong corporate earnings, supportive policy signals, and resilient economic growth, while Western markets grappled with heightened geopolitical risks and policy uncertainty.

The stark contrast between two high-profile meetings reinforced this shift. In Washington, Trump's explosive Oval Office standoff with Zelensky—which led to a breakdown in U.S.-Ukraine relations and a suspension of military aid—deepened concerns about Western instability. Meanwhile, in China, President Xi's meeting with business leaders, including Jack Ma, signalled policy stability and a renewed embrace of private enterprise, boosting investor sentiment toward Chinese equities.



Source: BBC, The Australian

While we continue to assess the durability of this trade, one key trend we have been highlighting over the past 12 months is that the decoupling of U.S. and Chinese markets is finally coming to an end. Large-cap Hong Kong/China assets are now increasingly driven by Chinese investors, rather than U.S. institutional funds. This shift suggests that the heaviest selling pressure is now behind us, and Hong Kong is welcoming a new wave of buyers who are more resilient to movements in U.S. equity markets.

PORTFOLIO PERFORMANCE SUMMARY

At the country level, **China** was the largest contributor to alpha, while **India** was the relative underperformer. On the sector level, **Information Technology** made the biggest contributions to relative performance, whereas **Consumer Discretionary** was the relative underperformer.

The Fund's performance was negatively impacted by the unwinding of the "Long India, Short China" trade. While our China portfolio comfortably outperformed the MSCI China Index during the month, our India portfolio underperformed the MSCI India Index due to its greater exposure to Indian small- and mid-cap stocks, which were hit hard by a sharp correction in the India small-cap indices (Mid Cap index down 10% and Small Cap index down 12% respectively). Another source of underperformance came from South Korea, where defence stocks saw significant outperformance relative to the broader market. The Fund was unable to participate in this rally due to ESG reasons. In hindsight, we probably should have increased our China exposure more significantly at the early stages of the market rally but, that said, "Trump Risk" was too high back in January and the market rallied too quickly for us to time it perfectly.

At a company level, **SuneVision**, **Xiaomi** and **KE Holding** were the largest contributors to alpha, adding a combined 238 bps. Meanwhile, **Alibaba**, **Sonata** and **PT Bank Mandiri** detracted 198 bps from alpha during the month.

On the positive side, **SuneVision**, Hong Kong's largest data centre operator with a 35% market share, saw its stock surge over 130% during the month as demand for AI-driven (inference) data centres picked up following DeepSeek. The company also delivered stronger-than-expected earnings and provided a positive outlook for FY25. **Xiaomi**, a leading global electronics company known for its high-quality, affordable smartphones, maintained strong momentum in February. The company launched the Xiaomi 15 Ultra smartphone and SU7 Ultra EV on February 27 in Beijing, with initial sales exceeding market expectations. **KE Holdings**, China's largest online-offline home transaction platform by GTV, gained over 30% amid improving existing home sales data and growing investor optimism around government stimulus.

On the negative side, **Alibaba's** share price surged in February, driven by strong quarterly earnings, advancements in AI, a strategic partnership with Apple, and improving economic indicators in China. During the month, Alibaba unveiled an ambitious AI-related capex plan—\$50 billion over the next three years—which fuelled bullish sentiment in the Chinese market. While we have always liked Alibaba's cloud business, the Fund maintained an underweight position in Alibaba due to competition concerns in its e-commerce segment. Instead, we funded our underweight position with GDS Holdings, which gained 70% during the month. As the primary data centre provider for AliCloud, GDS offers a way for us to gain exposure to Alibaba's cloud business without taking on e-commerce-related risks. **Sonata Software** reported weak Q3FY25 results as one of their large clients ramped-down operations, leading to decreased revenues and margins. This impacted is expected to play out over Q3&Q4FY25. It was further impacted by overall investors' concerns on the IT services sector. **PT Bank Mandiri**, Indonesia's second-largest bank, downgraded its outlook during the month, leading to share price weakness. While we initially believed the correction had already priced in lowered expectations, investor risk appetite remains subdued amid broader market weakness in Indonesia.

This month, we added AtRenew (RERE US), a small, under-the-radar Chinese technology company, to the portfolio. Despite its strong growth profile and solid business model, AtRenew is trading at an unreasonably low multiple. Our investment thesis is that as sentiment toward China improves, the market will eventually recognise this hidden gem. If not, we see a potential privatisation opportunity, given that its largest shareholder, JD.com, could step in. AtRenew holds a unique competitive advantage through its direct access to JD.com, which commands approximately 40% of China's electronic product market. This relationship enables low customer acquisition costs and provides a steady supply of top-quality used smartphones. AtRenew also owns China's largest second-hand smartphone wholesale market (PJT), giving it access to real-time market pricing data ahead of competitors. Its

pricing expertise and ability to rapidly turn over inventory (<20 days) are unmatched by any other player globally. The stock is currently trading at 7x 2025 EPS and <1x EV/EBITDA, with a 30% EPS CAGR and 20% revenue CAGR, making it extremely undervalued.

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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