Ellerston Asia Growth Fund Complex ETF

Ellerston Capital

Monthly Report as at 31 March 2025

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^	-0.6%	-1.0%	5.1%	16.8%	12.6%
Benchmark*	-0.4%	0.8%	4.3%	14.2%	10.5%
Alpha	-0.2%	-1.8%	0.8%	2.6%	2.1%

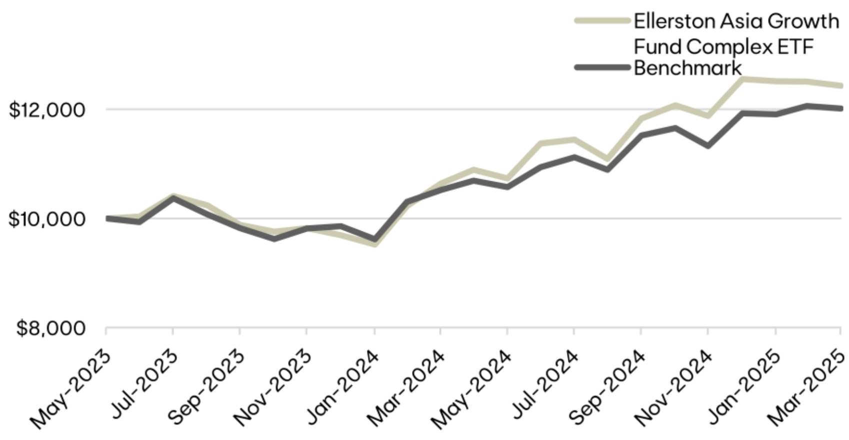
^ The net return figure is calculated after fees & expenses, assuming all distributions are reinvested. Past performance is not a reliable indication of future performance.
** MSCI Asia Ex Japan (non-accumulation) Index in AUD.*
^^ Inception Date is 01/06/2023. The Ellerston Asia Growth Fund Complex ETF was formerly known as the Ellerston Asia Growth Fund (Hedge 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	47
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 – $7.3480 Net Asset Value – $7.3297 Redemption – $7.3114
Fund Size	$ 35,889,397

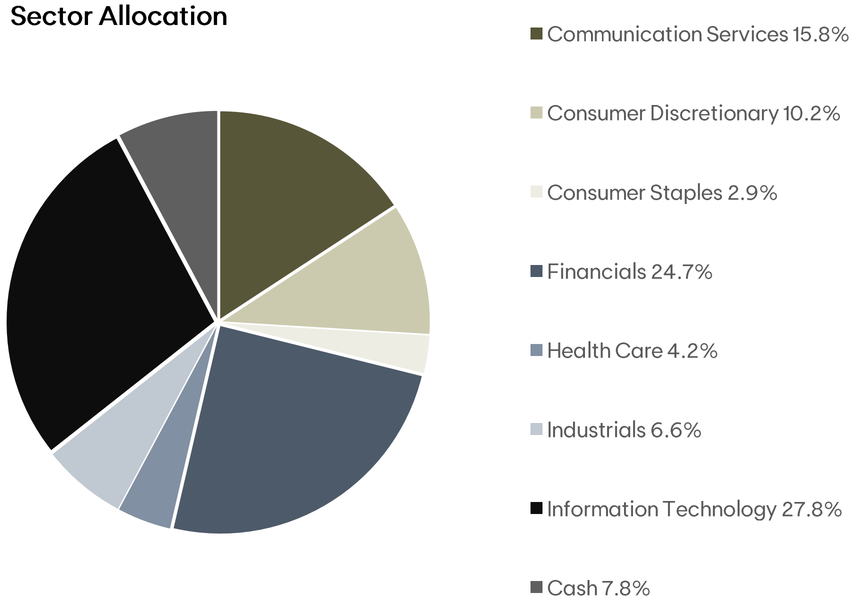
[1] Minimum number of units required for purchases made via the ASX will be dependent on each stockbroker.
[2] Of the investment return above the Benchmark after recovering any underperformance in past periods.
[3] Applicable only to investors buying and selling directly with the manager.

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



Geographic Allocation

Source: Ellerston Capital.

Top Holdings

Company	Sector	Portfolio Weight	Benchmark Weight
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	11.2%	9.8%
Tencent Holdings Ltd.	Communication Services	6.2%	6.0%
Alibaba Group Holding Limited	Consumer Discretionary	3.4%	3.9%
Samsung Electronics Co., Ltd.	Information Technology	3.0%	2.7%
Agricultural Bank of China Limited Class H	Financials	3.0%	0.2%
DBS Group Holdings Ltd	Financials	2.7%	1.0%
HDFC Bank Limited	Financials	2.6%	1.8%
MediaTek Inc	Information Technology	2.4%	0.9%
Bajaj Finserv Limited	Financials	2.4%	0.1%
Netease Inc	Communication Services	2.1%	0.6%

Source: Ellerston Capital.

MARKET COMMENTARY

The Ellerston Asia Growth Fund Complex ETF (EAFZ) declined by 0.61% (net) in March, compared to the MSCI Asia ex Japan (non-accumulation) (AUD) (MXASJ) Index, which fell 0.37%.

Market Summary

Escalating geopolitical tensions, more tariff threats and softening key US economic data drove market volatility higher. The MSCI World Index fell 5.0%, underperforming the MSCI Emerging Markets Index which posted a modest return of +0.3% in local currency terms. Energy (+4.0%) and Utilities (+1.7%) topped the global sector tables, with Information Technology (-9.1%) the major laggard. The S&P 500 was down 5.7% and on the home front, the S&P/ASX200 succumbed to broad based selling pressure, posting a loss of 3.4%. Domestically, the best sectors included Utilities (+1.5%), Materials (-0.3%) and Consumer Staples (-1.5%).

China's National Peoples Congress met in March, reinforcing ambitious GDP growth targets of "around 5%" for 2025, also announcing a broad fiscal expansion of 1.5-2% of GDP to support ongoing growth. Kick starting consumption is a top priority, so the CNPC gave local governments more autonomy and available funds to facilitate inventory destocking. The emphasis was on boosting high-quality growth and supporting the private sectors, vowing to deepen the opening-up of domestic markets. Given domestic and external growth headwinds, the government may need to roll out additional policy support this year to achieve its stretch growth target.

Asian equity markets surprisingly bucked the trend and outperformed, with India's SENSEX the standout performer, rising 5.8%, followed by the Hang Seng at +1.1%, China's SSE up 0.5%, Korea's KOSPI ended 2.0% lower, with Japan's Nikkei again the laggard, down 3.3%.

PORTFOLIO PERFORMANCE SUMMARY

At the country level, **Taiwan** was the largest contributor to alpha, while **China** was the relative underperformer. On the sector level, **Financials** made the biggest contributions to relative performance, whereas **Industrials** was the relative underperformer.

At a company level, **LexinFintech, FinVolution** and **Pop Mart** were the largest contributors to alpha, adding a combined 73 bps. Meanwhile, **GDS, Accton Technology** and **DiDi Global** detracted 87 bps from alpha during the month. The swift momentum reversal toward the end of the month negatively impacted Fund performance. Additionally, a few stock selection missteps during the reporting season—namely, GDS and DiDi Global—further weighed on returns. We will discuss these two names in more detail later in the newsletter.

On the positive side, LexinFintech and **FinVolution,** both are China-based fintech companies, that provide technology-driven consumer finance services, including installment loans, e-commerce, and credit risk management solutions, primarily targeting young consumers. As noted in our December newsletter, we initiated positions in both companies late last year, supported by structural tailwinds from China's prolonged rate-cutting cycle. LexinFintech's share price rose on the back of strong 2024 earnings, an increased dividend payout ratio, and growing investor confidence in its expanding tech-empowerment services. FinVolution also performed well after announcing a 17% dividend hike, a new US$150 million share repurchase program, and issuing a positive revenue outlook for 2025. **Pop Mart,** a leading Chinese toy company known for its collectible designer toys sold in blind boxes, has captured the attention of young consumers globally and established itself as a dominant force in the designer toy market. Its share price surged after reporting 2024 financial results that far exceeded expectations: revenue rose 106.9% year-over-year to RMB13.04 billion, and net profit jumped 188.8%, driven by the global success of its Labubu line and robust international expansion. The results beat consensus estimates by 40% and outperformed our already bullish forecast by 20%. We believe Pop Mart is in the early stages of an IP super-cycle, led by the growing popularity of Labubu. While we previously owned the stock and exited due to concerns about the scalability of its IP overseas—given most characters were designed for Chinese youth—this bear thesis was invalidated as Labubu gained traction across several international markets. We re-initiated our position earlier this year, and the stock has since appreciated by nearly 50%.

Source: Pop Mart

On the negative side, GDS is a leading developer and operator of high-performance data centers in China. GDS's share price was down after its 2025 capex guidance fell short of elevated market expectation as management provided a cautious tone around chipset supply. The recent deconsolidation of GDS International also created noise around whether the company's results missed street expectations (in fact, they beat). However, the "beat but no raise" outcome disappointed investors, raising concerns that demand from DeepSeek may be a short-term phenomenon rather than a sustained driver.

GDS was our key detractor for the month, and we have since held a follow-up call with management to reassess our investment thesis. Below, we outline why we remain bullish on GDS and believe DeepSeek-related demand could be more sustainable than the market currently perceives:

- **Hyperscaller capex cycle thesis intact**: Both Alibaba (35% of GDS's committed capacity) and Tencent have tripled their capex in 2024. Hyperscaler capex is expected to grow steadily over the next 3 years at a low-teens CAGR, and 2024 investments should drive accelerated data centre move-ins from 2025–2027 which is a major positive for GDS.

- **Data centre pricing recovery may come earlier than expected**: Our channel checks suggest that the ~1.5–2.0GW of spare capacity in North China—currently a key driver of soft pricing—will likely be absorbed by ByteDance, even without DeepSeek. With additional orders from Alibaba and Tencent, we expect pricing to begin recovering in 2H25 (within 3–9 months), ahead of management's current 6–12 month guidance.

- **Chip supply risk appears de-risked**: Management cited uncertainty around Nvidia's H20 chip supply as the reason for conservative capex guidance. We believe this guidance effectively de-risks the potential supply constraint and provides a clean base for future earnings upgrades—should either (a) H20 supply prove less constrained, or (b) a domestic alternative become available within the next 12 months.

Accton Technology, a Taiwanese firm specializing in networking and communication hardware, saw its share price decline due to investor concerns around potential market saturation and intensifying competition in the networking hardware space, which may weigh on future revenue growth.

DiDi Global, a leading Chinese mobility platform, also underperformed after providing a lower-than-expected profit guidance, citing plans to increase investment in its international business. We followed up with management post-results and understand that a faster-growing overseas segment could help boost DiDi's IPO valuation under a sum-of-the-parts (SOTP) approach. Even though the management was reluctant to provide more details around the potential HK re-listing, the timing of this capital deployment suggests it is underway.

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.

Contact Us

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Find out more:

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All holding enquiries should be directed to our registry, Automic Group on 1300 101 595 or ellerstonfunds@automicgroup.com.au.

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