Ellerston India Fund

Ellerston Capital

Monthly Report as at 30 April 2025

APIR Code: ECL0339AU | ARSN 618 549 796

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^^ (p.a.)
Gross Return Before Tax+	2.3%	-5.4%	8.4%	13.8%	16.3%	11.4%
Benchmark**	2.1%	0.7%	5.8%	13.1%	18.6%	11.8%
Strategy Relative Performance	**+0.2%**	**-6.1%**	**+2.6%**	**+0.7%**	**-2.3%**	**-0.4%**

+ Strategy performance before taking into account fees, costs and applicable capital gains taxes.
*** Benchmark is MSCI India Net Return Index (AUD) and does not take into account capital gains taxes.*
^^ 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^^ (p.a.)
Net Return After Tax^	4.5%	-3.2%	6.4%	11.6%	14.1%	9.5%
Benchmark**	2.1%	0.7%	5.8%	13.1%	18.6%	11.8%
Investor Relative Performance	**+2.4%**	**-3.9%**	**+0.6%**	**-1.5%**	**-4.5%**	**-2.3%**

^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.
*** Benchmark is MSCI India Net Return Index (AUD) and does not take into account capital gains taxes.*
^^ Inception date is 4 May 2017

Key Information

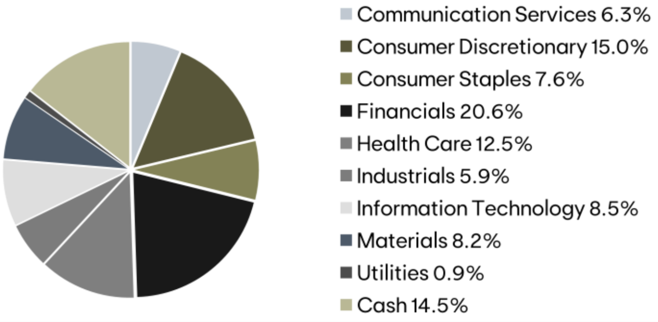
Investment Objective	To outperform the Benchmark on a net of fees and tax basis, with a focus on capital growth and downside protection.
Benchmark	MSCI India Net Return Index (AUD)
Liquidity	Daily
Target Number of Holdings	20-50
Number of Holdings at Month End	45
Minimum Investment	Initial investment - $10,000 Additional investment - $5,000
Distribution Frequency	Half-Yearly (where available)
Management Fee	1.10% p.a.
Performance Fee[1]	15.00%
Buy/Sell Spread	0.25% / 0.25%
Unit Prices	Application – $1.1422 Net Asset Value – $1.1394 Redemption – $1.1366

[1]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
HDFC Bank Limited	Financials	7.5%
Bajaj Finserv Limited	Financials	4.2%
Axis Bank Limited	Financials	3.9%
Bharti Hexacom Limited	Communication Services	3.1%
Mahindra & Mahindra Ltd.	Consumer Discretionary	3.0%
Sonata Software Limited	Information Technology	2.7%
Dabur India Limited	Consumer Staples	2.7%
Eris Lifesciences Ltd	Health Care	2.6%
Rainbow Childrens Medicare Limited	Health Care	2.3%
Go Fashion (India) Limited	Consumer Discretionary	2.3%

Source: Ellerston Capital

COMMENTARY

The Ellerston India Fund (EIF) was up 4.5% (net) in April versus the MSCI India Index (MXIN) which was up 2.1%. April saw a sharp increase in volatility and a decent pullback from lows in early April. The uptick was driven by better-than-expected quarterly results across Financials, Tech and Industrials. Furthermore, Foreign Institutional Investors (FIIs) returned with vigour, driven by attractive valuations, India's emerging role as a safer destination amongst global trade tensions, as well as benefitting from fall in crude (~15%) and DXY(~4.5%).

The S&P 500 fell 0.7% while the Nasdaq rose 0.9% in April. The month was one of the most volatile in recent memory, driven by heightened geopolitical risk and macroeconomic uncertainty, driven by Trump's 'Liberation Day' tariff announcement at the start of the month. These tariffs were higher and more widespread than had been anticipated, and importantly, offered no demands or 'off-ramps' for countries in which to negotiate. This significantly raised the risk of recession, leading to the S&P 500 experiencing its worst two-day performance since March 2020, plunging ~ 10%. Policy adjustments (including tariff reprieves and trade talks with key partners) and positive economic data, led to a sharp recovery by the end of the month.

In India, FIIs were net buyers in April 2025 to the tune of USD$1.2bn (secondary) and Domestic Institutional Investors (DIIs) remained net buyers to the tune of USD$2.8bn. Domestic retail equity inflows have remained stable in April, despite heightened volatility. For the first time, DIIs surpassed FIIs in the ownership of companies listed on the National Stock Exchange. In the March quarter, DII ownership rose to 17.6% while FII holdings were down to 17.2%. Over the last ten years, FII holdings have come down from ~21%, while DII holdings have increased from ~10%. This is driven by increased retail participation in mutual funds, the national pension system, insurance products and direct equities.

Note that salaries and pensions of government employees are reviewed once a decade by the Central Pay Commission (CPC), set up by the Government of India under the Ministry of Finance. The 8th CPC is now in progress, seeking to finalize the decadal increase in government salaries by March 2026 and will retrospectively apply from Jan 2026. This will impact ~12mn central government employees and pensioners, half of those work in the defense forces. After this, the pay revisions for the PSU and State Governments will follow, impacting another 10mn employees. The 6th and 7th CPCs saw a salary jump of 40.0% and 23.5% respectively, with an expectation of a ~24% pay increase in the 8th. The fiscal impact from the 8th CPC could be ~0.75% of GDP and the total fiscal impulse including PSU/state governments could be ~1.5% of GDP. The consumption impact from the salary hike could be visible over 2026 and 2027.

Early trends coming out from the results season point to a strong trajectory versus benign market expectations. Two-thirds of the companies have reported earnings beats, mostly driven by better margins. Earnings growth has been stronger in Industrials, Healthcare, and Consumer Durables. Earnings beat has been higher in Industrials, Financials, and Energy.

April GST collection was robust, up 13% YoY. The seasonally adjusted HSBC India manufacturing purchasing managers' index (PMI) advanced to a new high of 58.2 in April (the fastest pace since June 2024), driven by increased factory orders. Further, the number of people seeking work under the unproductive rural jobs scheme of the government's MGNREGA scheme was down 9.5% YoY in April to 27.3mn people. This implies improved economic activity is making people return to non-farm jobs. However, global uncertainty still poses a risk, as highlighted by the finance ministry in its March economy review. It stated that uncertainties stemming from global developments pose a key risk to the financial year 2026 growth outlook, which in turn could hurt private sector capex.

April headline CPI inflation declined to a near six-year low of 3.2% YoY (in-line with consensus). Driving this was a fall in food inflation to 2.1% YoY (a 3.5-year low), on the back of continued sequential contraction in vegetable prices. Overall, there is an expectation for inflation to continue falling through the year, given the drop in crude oil price, and the likelihood of a normal monsoon and relatively mild summer season. This, along with stable FX reserves and favorable exchange rate increases, increases the Reserve Bank of India's (RBI) ability to cut rates through this cycle. The RBI did cut the repo rate by 25bps in April and changed its stance to accommodative, with a clear focus on growth concerns amidst uncertainty.

Portfolio Performance

Turning to Portfolio performance, our positions in Consumer Discretionary and IT Sector were key contributors to alpha. Conversely, our positions in Financials and having no exposure to Energy were the main detractors for the month.

At the company level, **Sonata Software, Bharti Hexacom** and **not owning Infosys** were the largest contributors to relative performance. On the other hand, our positions in **Bajaj Finserv and Dr. Agarwal's Healthcare,** and not owning **Reliance Industries** were the main detractors.

Sonata Software flagged a deeper-than-expected drop in its international business, citing weaker revenue from its largest client, Microsoft, which contributes ~25% of revenue. This led to a sharp correction in the stock. We bought into this correction as we had been waiting for the weak earnings' release and remain positive on its quality franchise and higher growth potential within the IT services sector. The stock recovered ~40% from lows by April end.

Bharti Hexacom entered into a significant agreement with Adani Data Networks, acquiring 400 MHz of spectrum. The strategic move enhanced the company's service capabilities and was taken positively by investors. Bharti Hexacom is a pure play Indian telecommunications company and a subsidiary of Bharti Airtel focusing on the higher growth Rajasthan and the Northeast telecom circles of India.

Infosys stock has been under pressure due to rising risks of US recession, post the trade tensions escalating in early April.

Reliance Industries 4QFY25 EBITDA was ~3% above consensus, driven by a strong beat in retail and more resilient energy earnings. Retail saw sharp turnaround with completion of stores and B2C restructuring. Furthermore, the new energy vertical also showed more traction, following the commencement of solar module production and the completion of the EPC work for 10GW of integrated solar capacity.

Bajaj Finserv is the holding company of NBFC Bajaj Finance and has been a top contributor to performance over the last few months, leading us to book some profits across April. Bajaj Finserv reported marginally weaker 4QFY25 results, with 14% YoY growth in revenue and profits. Bajaj Finance reported 26% YoY AUM growth which was in-line, although NIM was down 13bps with slightly elevated credit costs. For FY26, it has guided to AUM growth of 25%, stable NIMs (reducing COF and taking away yield pressure) and credit costs of 190bps (dropping below pre-covid levels by 3QFY26). The insurance subsidiaries of Bajaj Finserv also delivered mixed performance.

Dr. Agarwal's Healthcare is the largest chain of eye care hospitals in India with 221 facilities as of Dec'24. It is leading the way in a high growth sector, helping the market shift from unorganized to organized. The company is a recent listing (Jan-25) and we have been building our position in April as the market exuberance settles down on the stock.

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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