Ellerston India Fund

Monthly Report as at 31 May 2025

APIR Code: ECL0339AU | ARSN 618 549 796

Ellerston Capital

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+	4.0%	-2.3%	11.9%	18.0%	18.3%	11.9%
Benchmark**	0.5%	1.1%	8.2%	16.0%	19.7%	11.7%
Strategy Relative Performance	+3.5%	-3.4%	+3.7%	+2.0%	-1.4%	+0.2%

+ 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^	2.0%	-2.1%	8.3%	14.9%	15.3%	9.7%
Benchmark**	0.5%	1.1%	8.2%	16.0%	19.7%	11.7%
Investor Relative Performance	**+1.5%**	**-3.2%**	**+0.1%**	**-1.1%**	**-4.4%**	**-2.0%**

^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
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 – $1.1655 Net Asset Value – $1.1626 Redemption – $1.1597

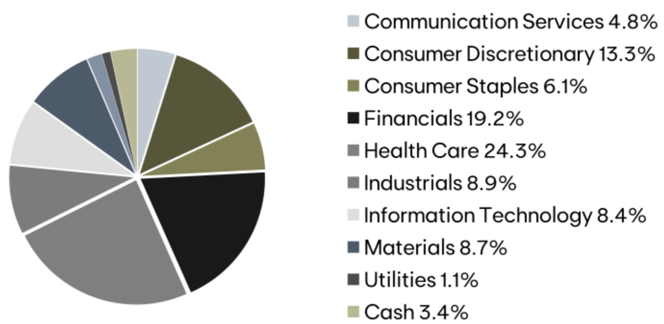
[1]Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Axis Bank Limited	Financials
Eris Lifesciences	Health Care
HDFC Bank Limited	Financials
Rainbow Childrens Medicare	Health Care
Vijaya Diagnostic Centre	Health Care

**In alphabetical order*
Source: Ellerston Capital

Sector Allocation



Source: Ellerston Capital

COMMENTARY

Ellerston India Fund (EIF) was up 2.04% (net) in May versus the MSCI India Index (MXIN) which was up 0.54%. In INR, MSCI India was up 2.5% in May and up 13.5% in last three month. In May, the market saw continuation of the April up-move driven by better than low-expectation quarterly results and heavy Institutional buying as global macro concerns abated. Even S&P 500 was up 6.2% driven by de-escalation of trade war between China and US, stronger corporate earnings and renewed exuberance towards AI spend.

In India, Foreign Institutional Investors (FIIs) were net buyers in May 2025 to the tune of USD$1.3bn (secondary) and Domestic Institutional Investors (DIIs) remained net buyers to the tune of USD$7.9bn. May has witnessed some slowdown in domestic retail equity inflows excluding the monthly SIPs (Systematic Investment plans).

India's economic indicators are now aligning in the right direction. 4QFY25 GDP was strong at 7.4%year-on-year which was a 0.6% surprise and significantly above the 6.4% growth in 3QFY25. May GST collection was solid, up 16.4% year-on-year. The seasonally adjusted HSBC India manufacturing purchasing managers' index (PMI) advanced to a new high of 58.8 in May vs 58.7 in April (fastest pace since June 2024) driven by new business intakes.

India is witnessing sharp drop in inflation. For May headline CPI inflation declined to a six-year low of 2.8% year-on-year (consensus: 3.0%, April: 3.2%). Food CPI hit a 43-month low of 1% year-on-year in May, with expectations that June would see a further decline in inflation. WPI also slowed down to a 14-month low of 0.4% year-on-year in May.

This helped the Reserve Bank of India (RBI) to cut rates by 50bps on 6th June to bring down the repo rate to 5.5%. RBI also presented a path to lower the CRR by 100bps in 4 tranches between Sep-Nov'25. RBI has front loaded the rate cut cycle and is supportive of growth in this low inflation environment. However, RBI may have limited space for further cuts in the near term as it changed the stance from 'accommodative' to 'neutral'. Additionally, RBI will transfer INR 2.69trn (0.75% of GDP) in dividend to the government in FY26, this is ~0.1%-of-GDP higher than the budgeted dividend and helps cushion income tax cut costs (0.28% of GDP) and any extra defense spending.

On Q4FY25 earnings, the Top 500 companies (ex-OMCs) reported revenue and PAT growth of 9% and 10% year-on-year ahead of the low expectations and better than 8% in Q3FY25. While the top line stayed weak, PAT growth was helped by cost rationalization (wage bill growth just 5%). Metals, telecom, chemicals and cement sectors reported better earnings while financials and Industrials reported weaker numbers. Overall, FY25 has seen 9% earnings growth, and the street is now forecasting a 15% earnings CAGR for FY25–27. We expect earnings to bottom out, we have now seen 4 quarters of earnings cut totalling to 10% including with 3% cut in Q4 for FY26 earnings.

Portfolio Performance

Turning to portfolio performance, our positions in Consumer Discretionary and IT Sector were key contributors to alpha. Conversely, our position in Real Estate was the main detractor for the month.

At the company level, EPL, **Eureka Forbes** and **Jubilant Pharmova,** were the largest contributors to relative performance. On the other hand, **Orchid Pharma** and **Gujarat Fluorochemicals** were the main detractors.

EPL reported a strong quarter with revenue growth was above expectations driven by Americas and China. It also improved the gross and net margin along with better working capital management. Its guidance of double-digit growth was also ahead of expectations. **Eureka Forbes** also reported a 10% EBITDA beat with 11% year-on-year revenue growth (in-line) but a sharp increase in margin leading to 30% year-on-year EBITDA growth. It expects growth momentum to sustain, led by its premium IOT enabled water purifier and robot vacuum cleaner segments. **Jubilant Pharmova** delivered a robust quarterly performance in its pharmaceutical Contract Development, Research and Manufacturing (CDMO) business and in its allergy businesses. It reported 27% EBITDA (10% beat) and 136% PAT growth year-on-year while further deleveraging its balance sheet.

At the other end **Orchid Pharma** reported in-line number but muted guidance for FY26 driven by pricing pressure in Base API (Active Pharmaceutical Ingredients) business and delay in key capacity expansion projects. **Gujarat Fluorochemicals** reported decent results with 8% revenue and 29% EBITDA growth year-on-year. But market did not appreciate the slower than expected ramp-up in its key growth vertical the Electric Vehicle's base chemical manufacturing Unit.

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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