Ellerston India Fund

Monthly Report as at end of September

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, utilising '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	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception^^ (p.a.)
Gross Return Before Tax+	-4.1%	-4.9%	-24.3%	1.2%	1.7%	6.3%
Benchmark**	-4.1%	-6.0%	-15.1%	0.3%	2.3%	7.2%
Strategy Relative Performance	0.0%	1.1%	-9.2%	0.9%	-0.6%	-0.9%

+ Strategy performance before taking into account fees, costs and applicable capital gains taxes. Past performance is not a reliable indication of future performance.
*** 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	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception^^ (p.a.)
Net Return After Tax^	-4.2%	-5.2%	-22.7%	-2.0%	-0.6%	4.6%
Benchmark**	-4.1%	-6.0%	-15.1%	0.3%	2.3%	7.2%
Investor Relative Performance	-0.1%	0.8%	-7.6%	-2.3%	-2.9%	-2.6%

^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. Past performance is not a reliable indication of future performance.
*** 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%
Cumulative Unit Prices	Application – $0.7422 Net Asset Value – $0.7403 Redemption – $0.7384

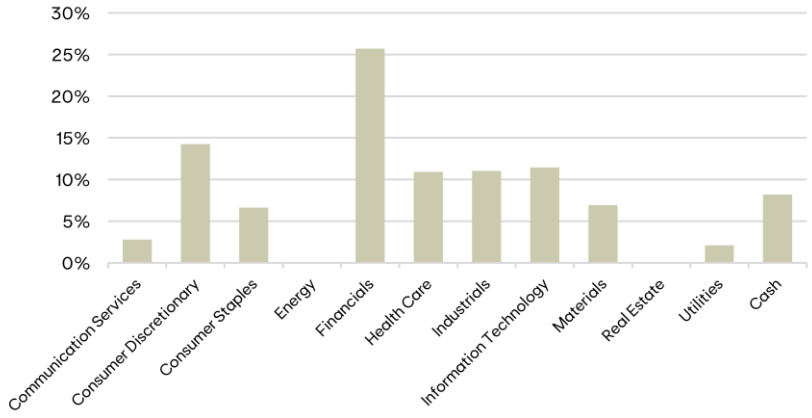
[1]Of the investment return above the benchmark, after recovering any underperformance in past periods.

Top Holdings*

Company	Sector
Bajaj Finserv Limited	Financials
Eternal Limited	Consumer Discretionary
HDFC Bank Limited	Financials
ICICI Bank Limited	Financials
Vedanta Limited	Materials

**In alphabetical order.*
Source: Ellerston Capital.

Sector Allocation



Source: Ellerston Capital

MARKET COMMENTARY

Ellerston India Fund (EIF) was down 4.2% (net) in September versus the MSCI India Index (MXIN) which was down 4.1%. For the September Quarter, EIF was down 5.2% (net) versus MXIN down 6.0%. In INR, MXIN was down 6.3% for September and down 4.4% for the quarter. September was a particularly weak month for Indian equities, driven by rising crude oil prices, tighter global monetary conditions and persistent foreign selling. This dragged the September Quarter lower after a decent start in July led by a stronger earnings print. For the quarter, IT services (depressed valuations and reversal of AI trade) and Health care (defensive and strong earnings momentum) sectors did well. Meanwhile, Financials (higher yields, insurance distribution regulation hit) and FMCG (weaker earnings, inflation) sectors were weak. The Sep quarter saw GST collection rising sharply up 15% y/y driven by domestic GST growth accelerating to 9.8%y/y. GST growth was also helped by increased inflation which rose to 5.5% y/y in Sep and 4.9% y/y for the September Quarter, impacted by higher food inflation up 7.7% y/y in Sep. Foreign Institutional Investors (FIIs) sold USD5.1bn in Sep (USD2.8bn for the quarter) however, Domestic Institutional Investors (DIIs) continued buying to the tune USD7.9bn in September (USD17.6bn for the quarter).

KEY QUARTERLY CONTRIBUTORS

One 97 Communications and **PTC Industries** were the key attributors. **One 97 Communications** is India's leading digital payments and financial services platform, continually strengthening its merchant ecosystem moat through payment devices, subscription offerings and technology solutions leveraging its active consumer base (80mn) and merchant base (50mn). In July, it reported solid earnings beat with revenue up 28% y/y and EBITDA margin expanded ~445bps y/y to ~8% (versus 6% in Q4FY26) leading to EBITDA growth of 175% y/y. Strong revenue growth is expected to continue, supported by market share gains in payment and traction in newer financial services products leading to additional operating leverage. Furthermore, in September the government announced a 0.4% MDR (Merchant Discount Rate) on eligible merchant UPI payments which could become applicable from Jan-2027, this has a substantial impact on the earnings potential of One 97 Communications. **PTC Industries** is a uniquely placed manufacturer of precision metal components, advanced titanium and superalloy materials for aerospace, defence and industrial applications. It is expanding from castings into integrated production of aerospace materials and finished components. In August, it secured an agreement to develop and supply titanium castings for the Airbus A320neo, A330neo and A350 aircraft programmes, further validating its commercial aerospace growth opportunity and manufacturing capabilities. Its Q1FY27 performance was impressive with revenue up 97% y/y and EBITDA up 457% y/y. EBITDA margin was ~150bps ahead of street estimates due to execution of higher-margin Titanium and Superalloy castings contracts and ramp-up in Aerolloys operations.

KEY QUARTERLY DETRACTORS

Eureka Forbes and **Tube Investments** were two of the key quarterly detractors. **Eureka Forbes** is India's dominant water-purification and home-cleaning company. Its large installed base of water purifiers creates opportunities for recurring service and replacement-filter revenue over the long-term. In August, it reported a weak quarterly result despite 15% y/y revenue growth and double-digit volume growth in water purifiers. The recurring service business was weaker given the maintenance contract price escalations and margins were also weak driven by higher commodity costs, rupee depreciation and higher freight costs. **Tube Investments** is a diversified industrial manufacturing and engineering products powerhouse, it is the parent of CG Power (transformers, power equipment) and has been diversifying into electric vehicles and semiconductors. The company reported weak earnings as rising steel and other input costs compressed margins in the core engineering businesses while the newer businesses continued to generate substantial losses, we expect both the drags to reverse by H2FY27 driven by cost pass through and progress toward break-even in new ventures.

OUTLOOK

We believe that after two years of correction, many of the key headwinds have moderated. We are increasingly seeing signs of earnings cycle bottoming, with valuations relatively attractive and positioning being reset. Macro factors particularly de-escalation of the West Asia war, rising crude oil prices and tighter global monetary conditions remain the most important near-term variable.

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:

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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