



ELLERSTON INDIA

Mary Manning, Portfolio Manager

Morgan Stanley August 2019

Invest in India

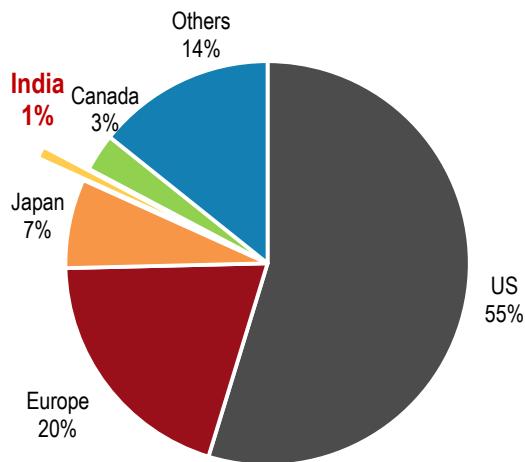
4 REASONS TO INVEST IN INDIAN EQUITIES

- Big and liquid
- Uncorrelated and offers diversification
- Not expensive given growth profile
- World class companies with world class management teams

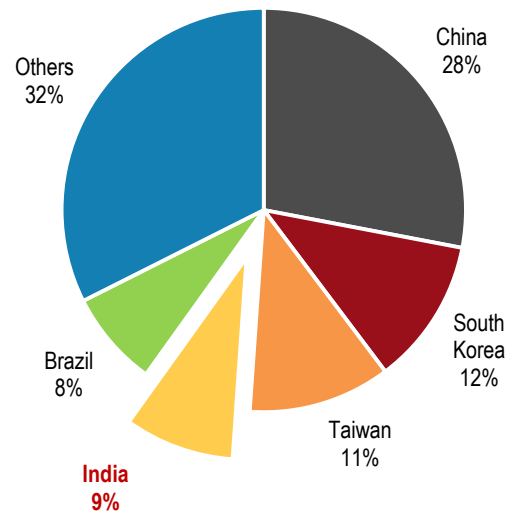
Accessing India via Global, EM and Asia Funds **ELLERSTON**INDIA

NOT ENOUGH DIRECT EXPOSURE

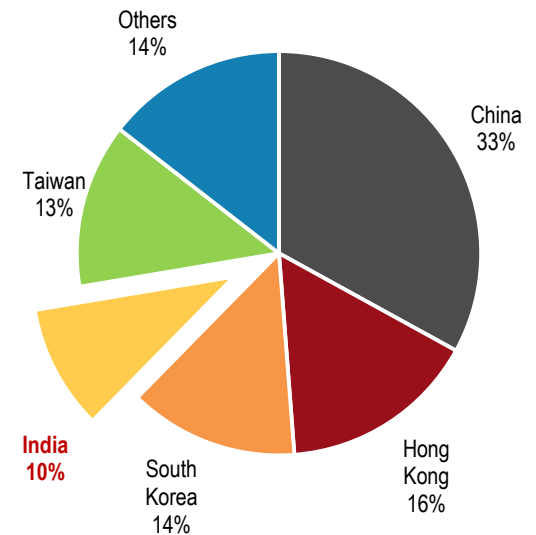
MSCI AC World



MSCI Emerging Markets



MSCI Asia ex Japan



Introduction to the Ellerston India Fund

ELLERSTON INDIA FUND CHARACTERISTICS

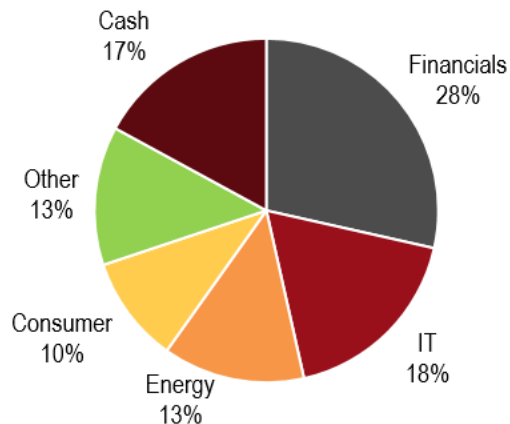
Characteristic	Comment
High Conviction, Highly Concentrated	20-50 stocks (21 currently) 65% of the portfolio in Top 10 positions
High Growth	Growth hurdles for portfolio inclusion 18% median EPS growth in FY20
High Quality	Average ROE of 18% Balance sheets are net cash on average* Screen outs for management and ESG
Structured, repeatable process	Process includes macro, thematic and micro analysis Rated by Lonsec
Experienced Team	Investing directly in India since 2003 1/3 of the year on the ground in Asia ~300 contact points with Indian companies since 2015
Actively Managed	Unconstrained, benchmark unaware Cash balance has ranged from 2% to 17% since inception Active risk management
Strong Performance	Over 8% per annum return since inception Outperformed benchmark on 1 year, 2 years and since inception

* Excludes financials. Of the 21 stocks in the portfolio, 5 are financials. Of the 16 non-financial stocks, 10 have net cash positions.

Ellerston India Fund

ELLERSTON INDIA FUND SNAPSHOT & PERFORMANCE

Sector Exposure



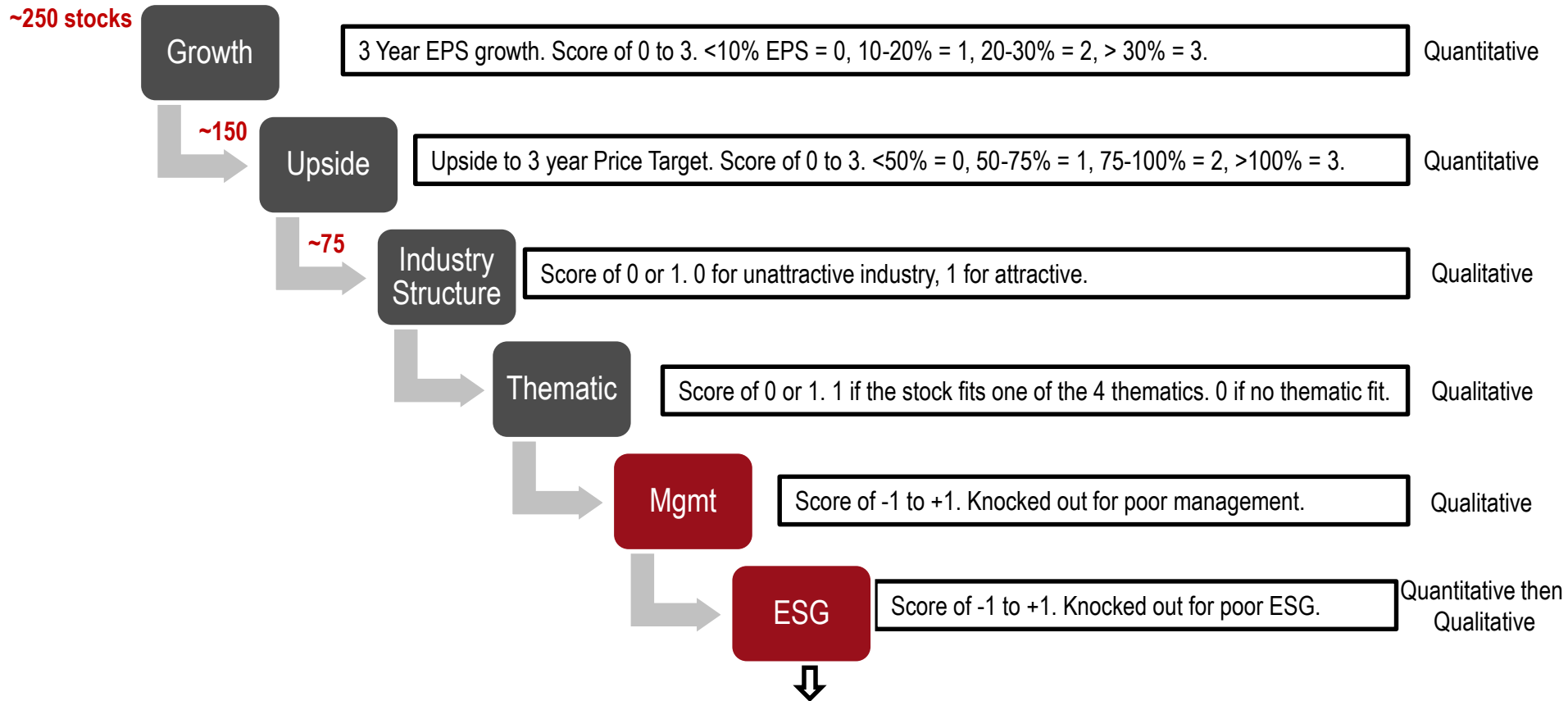
Top 10 Positions

Company	Portfolio Weight (%)	Sector
Reliance Industries	13.3%	Energy
HDFC	11.1%	Financials
Infosys	10.1%	IT
TCS	6.4%	IT
Axis Bank	5.8%	Financials
ICICI Bank	5.5%	Financials
Hindustan Unilever	4.5%	Consumer
Dr. Reddy's	3.1%	Health Care
Larsen & Toubro	2.8%	Industrials
Marico	2.1%	Consumer
Total Top 10	65%	

Performance	1 Month	3 Months	6 Months	1 Year	2 Years	Since Inception	Since Inception p.a.
EIF Net	-2.4%	-0.8%	10.0%	5.7%	19.5%	18.9%	8.0%
Benchmark*	-3.5%	-3.3%	10.1%	3.6%	17.2%	17.2%	7.3%
Alpha	1.1%	2.5%	-0.1%	2.1%	2.3%	1.7%	0.6%

Investment process: Bottom up stock selection

CONVICTION SCORECARD REDUCES INVESTMENT UNIVERSE TO A FOCUS LIST OF STOCKS



FOCUS LIST OF ~50 STOCKS FOR DEEP DIVE FUNDAMENTAL ANALYSIS

Time on the Ground

GAINING INSIGHTS AND BUILDING CLOSE RELATIONSHIPS WITH COMPANIES

- The team spends on average over 1/3 of the year on the ground in Asia.
- Since 2015 the team has had ~300 meetings, calls and site visits with Indian companies.
- Approximately 200 of these have been since inception of the India fund in mid-2017.

Trip Date	Team Member	Locations	No of Company Visits	No of Site Visits
June 2015	Mary Manning	Mumbai	22	2
May 2016	Eric Fong	Pune, Mumbai	19	1
Nov 2016	Mary Manning	New Delhi, Gurgaon	15	2
June 2017	Fredy Hoh	Mumbai	19	1
June 2017	Eric Fong	Chennai, Mumbai	22	7
Nov 2017	Mary Manning	New Delhi, Gurgaon	13	4
June 2018	Vinay Narsi	Mumbai	19	2
March 2019	Fredy Hoh	Mumbai, Lucknow	15	6
March 2019	Vinay Narsi	New Delhi, Bangalore	13	9
July 2019	Mary Manning	Mumbai, Pune	15	8
Other*	Whole Team	Singapore/HK/Sydney	81	2
Total			253	44

* Includes calls, video conferences, meetings with Indian companies at Asia conferences or in Sydney. Other site visits include visiting Tata-JLR dealerships in China.

Time on the Ground

KICKING THE TYRES

Lines at HDFC and ICICI in During Demonetization

Auto Tours in Chennai and Pune



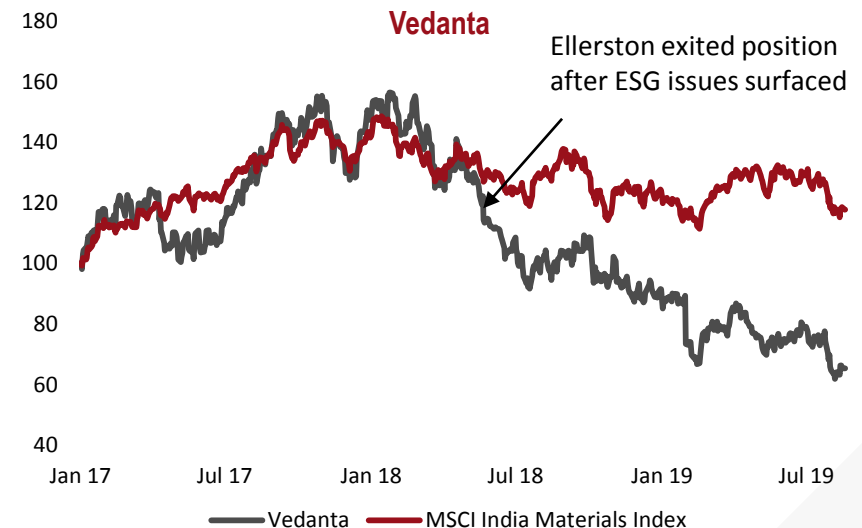
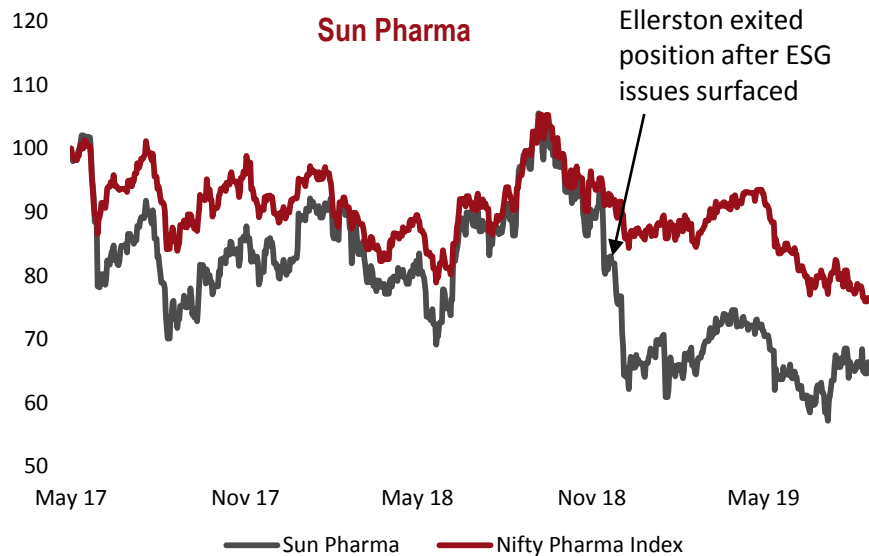
Reliance and Jubilant Site Visits in Delhi

On the Campaign Trail in Lucknow



ESG Knock Outs: Sun Pharma and Vedanta

OUR ESG PROCESS ADDS ALPHA: PROMOTOR STRUCTURE IS UNIQUE AND DESERVES ATTENTION



SOURCES OF ALPHA: SIZE AND LIQUIDITY

- The NIFTY 50 has outperformed the NIFTY Mid 50 and the NIFTY Small Cap Index on a 1, 2, 5, 10 and 15 year basis.*
- SMID caps in India have higher governance risk and (by definition) higher liquidity risk.
- In developed markets investors go down the market cap curve to get growth, but this isn't necessary in India.
- Small and mid caps outperformed in 2017 but regulatory change by SEBI has decimated the SMID sector in the last 18 months.** The NIFTY Small Cap Index down over 30% since changes took place.
- EIF has a large cap bias but can invest in any stocks with market caps >\$1 billion. Current market caps range from \$165 billion (Reliance) to \$3 billion (Aarti). We have flexibility.

Price Performance: Large cap vs SMID

INDEX	1 YEAR	2 YEARS	5 YEARS	10 YEARS	15 YEARS
NIFTY 50	-3.6%	12%	40%	148%	585%
NIFTY Mid 50	-16%	-7%	35%	99%	395%
NIFTY Small Cap 100	-27%	-27%	8%	93%	496%

Source: Bloomberg.

* Total return differentials are even higher given that large caps have a higher dividend yields. 2004 was the first year all 3 benchmarks were operational.

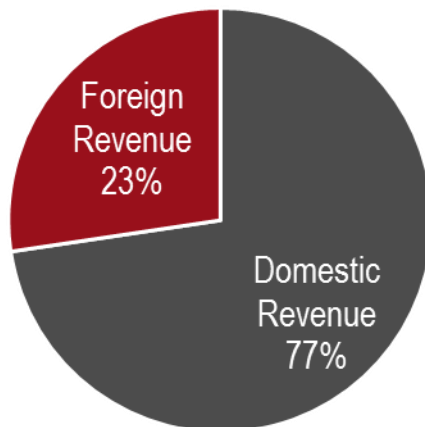
** Regulatory changes include MF reclassification in June 2018, ASM (Additional Surveillance Measures) for SMIDs, physical settlement criteria and proposed changes to promotor maximum holdings.

Portfolio Construction & Management

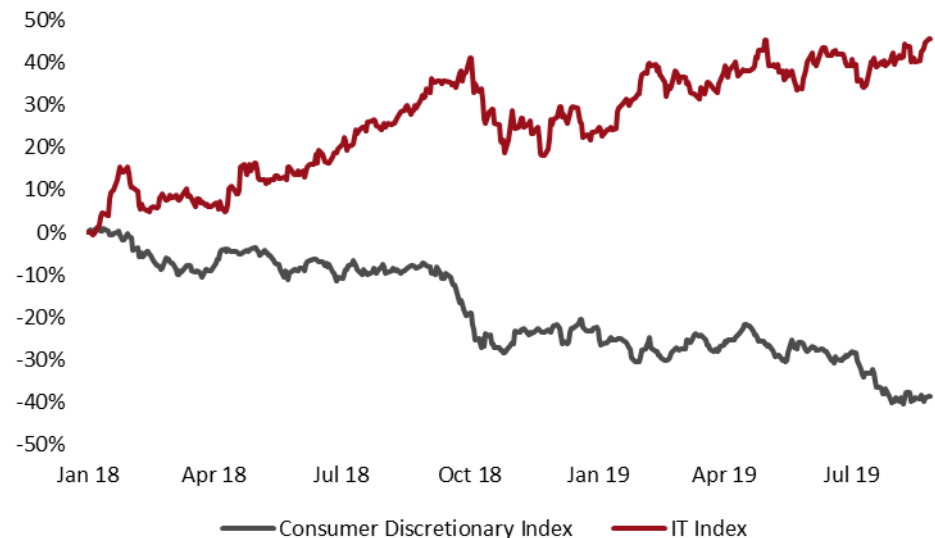
SOURCES OF ALPHA: SECTOR & SUB-SECTOR ALLOCATION

- India is primarily a domestic demand market. ~74% of the revenues in the benchmark and ~77% of the revenues in our portfolio are generated domestically.
- IT and Pharma are the only 2 sectors in India that are heavy exporters. Approximately 95% of the revenues in IT and ~73% in pharma are from overseas.
- Significant rotation occurs between domestic and exporting sectors depending on trajectory for the INR.
- Sub-sector allocation is also important: banks vs non-banks, consumer discretionary vs staples.

Indian Stock Market and the EIF Portfolio are Domestic Oriented



Sector and Sub Sector Allocation Matters



Portfolio Construction & Management

SOURCES OF ALPHA: STOCK PICKING

Bajaj Finance

- High growth consumer finance company with market cap of \$37 billion.
- Loan growth of 34%, EPS of 33%, Net Interest Margins of 11% and ROE of 22%.
- Growth is sustainable given low credit penetration and company commitment to fintech.
- Stock up 12x in 5 years and up 68% since investment at inception.



Hindustan Unilever Limited

- India's largest FMCG company with market cap of \$83bn. Approx. 9 out of 10 households use HUL products.
- EPS of 15%, ROE of 80% and consistent margin expansion ~100bps per year since 2011.
- Strong revenue & earnings growth profile due to its superior customer reach and strong suite of products.
- Stock up 3x in 5 years and up 100% since investment at inception.



Portfolio Construction & Management

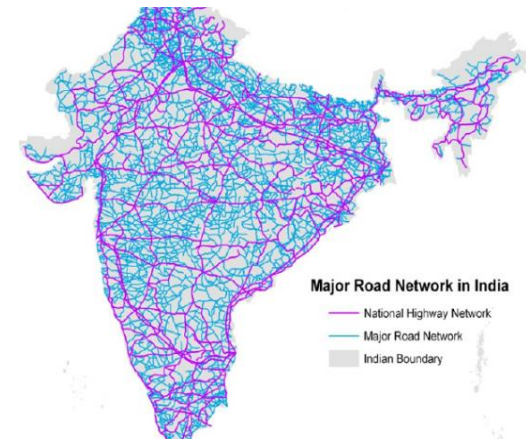
SOURCES OF ALPHA: STOCK PICKING



- Indian conglomerate with a market cap of \$162bn.
- Multiple growth levers including refining, petrochemicals retail and telecom.
- 340m Jio subscribers, 10K retail stores, world's largest refining hub (1.2m BPSD).
- 3 year EPS CAGR of 16%. ROE of 11% and growing.
- Stock has doubled in 2 years and is up 84% since inception.



- India's largest engineering and construction company with market cap of \$38bn.
- Order book of \$US40 billion equivalent to 2 years of revenues. 15% 3 year revenue EPS CAGR. ROE of 14%.
- Benefits from supportive government infrastructure policies, well regarded management, strong execution and scarcity value.
- Scarcity value as the only large cap, pure play infra stock in India with acceptable governance.
- Stock up 13% since investment at inception.



Portfolio Construction & Management

SOURCES OF ALPHA: CASH, FX AND MANAGING RISK

Risk	Risk Management Tools
Macro risk (growth, oil price, twin deficits, INR)	Sector rotation Cash balance FX hedging
Geopolitical risk (Kashmir, trade)	Cash balance FX hedging
Regulatory risk	First class operations & tax team at Ellerston On the ground information gathering
Liquidity risk	Large cap bias Trading rules
Stock specific risk	Disciplined profit taking Strict stop losses Detailed risk reporting and oversight

Ellerston India Fund

HISTORICAL PERFORMANCE AS OF 31 JULY 2019

- Ellerston India Fund has delivered a 19% return (8% per annum) since inception.
- Ellerston India Fund has outperformed the benchmark on a 1 year, 2 year and since inception basis.
- EIF has significantly outperformed the fund of funds available in Australia.
- The alpha generated by the Ellerston India Fund is greater than the fee differential versus an India ETF that performs in line with the benchmark on a 1 Year, 2 Year and since inception basis.*

Performance	1 Month	3 Months	6 Months	1 Year	2 Years	Since Inception	Since Inception p.a.
EIF Net	-2.4%	-0.8%	10.0%	5.7%	19.5%	18.9%	8.0%
Benchmark*	-3.5%	-3.3%	10.1%	3.6%	17.2%	17.2%	7.3%
Alpha	1.1%	2.5%	-0.1%	2.1%	2.3%	1.7%	0.6%

* Benchmark is MSCI India Net Index in AUD.

** EIF has a management fee of 1.1%. Beta Shares India ETF has a management fee of 0.80% and ETF Securities' India ETF has a management fee of 0.85%.

Summary and Conclusion

- The Indian equity market has been one of the best performing markets in the world in the **last 20 years**.
- Given demographics, growth trajectory, productivity improvements, Modi's reformist policy agenda and MSCI changes, India can be the best performing market in the **next 20 years**.
- The Ellerston India Fund is the best way to access the Indian market from Australia.
- This market is too big and too good to ignore. Start investing in India now.





Thank you

SYDNEY OFFICE

Level 11, 179 Elizabeth Street,
Sydney NSW 2000
+612 9021 7797
info@ellerstoncapital.com

MELBOURNE OFFICE

Level 4, 75-77 Flinders Lane,
Melbourne VIC 3000
+612 9021 7797
info@ellerstoncapital.com

ELLERSTON INDIA