

ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

8th February 2019

Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

MONTHLY NTA STATEMENT – JANUARY 2018

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the company as at 31 January 2018:

NTA per share	31 January 2018
NTA before tax	\$1.1002
NTA after realised tax *	\$1.0584
NTA after tax ^	\$1.0762

The NTA is based on fully paid share capital of 109,701,039

* **NTA after realised tax** - Includes a provision for tax on realised gains from the Company's Investment Portfolio.

^ **NTA after tax** - Includes any tax on unrealised gains and deferred tax.

On September 12 2018, EAI announced a new on-market buy-back of up to 10% of its shares, commencing September 26 2018 and continuing for twelve months. Since 27 September 2016 a total of 14,814,262 shares had been bought back.

The company's gross performance before tax for the month was 3.84%.

Option Conversion - During the month, 10,000 options were exercised and converted to shares which diluted the NTA before tax by **\$0.00** per share.

Options - If all of the remaining 2019 options had been exercised by the end of the month, the fully diluted NTA before tax would have been **\$1.0645** per share.



Ian Kelly
Company Secretary

Important Note

Should investors have any questions or queries regarding the company, please contact our Investor Relations team on 02 9021 7797. All holding enquiries should be directed to our share registrar, Link Market Services on 1300 551 627 or EAI@linkmarketservices.com.au.

This document has been prepared for Ellerston Asian Investments Limited by the investment manager Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. Any information has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. To the extent any general financial product advice is provided in this document, it is provided by Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or needs.

Contact Details	Ellerston Asian	Address	Website	Investor Telephone
	Investments Limited	Level 11, 179 Elizabeth Street	https://ellerstoncapital.com/	1300 551 627
	ACN 606 683 729	Sydney 2000 NSW Australia	Email EAI@linkmarketservices.com.au	

Ellerston Asian Investments Limited (ASX: EAI)

Performance Report | January 19

PERFORMANCE

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	Since Inception (p.a)
GROSS	3.84%	6.35%	-4.78%	-8.38%	9.12%	5.58%
NET [^]	3.74%	6.03%	-5.37%	-9.46%	7.82%	4.35%
BENCHMARK*	3.58%	6.53%	-3.26%	-7.35%	10.38%	7.40%

Source: Ellerston Capital

[^]Before all taxes and after fees, includes the effects of the share buyback, and excluding the effects of option exercise dilution.

*Benchmark: MSCI Asia ex Japan (AUD)

COMMENTARY

Asian markets started 2019 on a strong note. Ellerston Asian Investments (EAI) was up 3.84% gross in January outperforming the benchmark by 0.26% (gross). The Fully Diluted pre-tax NTA increased from \$1.0309 at the end of December to \$1.0645 at the end of January. This strong absolute performance was despite the AUD appreciating by approximately 3% during the month (from \$0.7049 to \$0.7273).

There were 3 main drivers of the strong January in Asian markets: rising expectations of a de-escalation in the trade war, the Powell Pause and positioning pre-Chinese New Year and MSCI announcements on China.

With respect to the trade negotiations, there has been a definite improvement in sentiment in recent weeks. At the G20, Trump and Xi agreed to hold off on imposing new tariffs for a period of 90 days, which expires on March 1. Both sides seem very committed to getting a deal done given the notable stress in the domestic economy in China, weak US markets in December and Trump losing significant political capital over the government shut down in January.

Multiple meetings have already occurred between China and the US with progress being made on deficit reduction and Intellectual Property (IP) protection. US representatives are slated to travel to China for further negotiations after Chinese New Year. We have increased our positioning in China on the back of an improving outlook for trade.

The Powell Pause refers to increasingly dovish language from the Federal Reserve and the market moving towards a scenario where the US tightening cycle is possibly over, or at least in its final stages. This is a strong positive for Emerging Markets (EM) as an asset class and Asia constitutes over 70% of EM. Our large cap, high quality portfolio is well suited to capture rotational buying and passive inflows into EM.

The third factor is positioning, particularly in China. On-shore China markets are closed for 5 trading days over the Chinese New Year holidays and Southbound Stock Connect is closed for 7 trading days. In these volatile markets and given the frequency of news flow (i.e. Trump tweets) about the trade negotiations, that is a long time for markets to be closed.

As a result, investors positioned in China prior to the holidays. In addition, it is important to highlight that at the end of February MSCI will make an announcement about increasing in the A share inclusion factor from 5% to 20%. The actual change, and therefore passive funds flow, will not occur until May/August 2019, but a positive decision would provide a sentiment boost for the Shanghai Composite Index. We have increased our weighting to A shares marginally since the end of November due to valuations, but a positive sentiment boost would be welcomed.

During January, the best performing stocks in the portfolio in absolute terms were Alibaba, Samsung Electronics and China Merchants Bank. The largest contributors to alpha during the month were China Merchants Bank,

Key Facts

Listing Date	September 2015
NTA (before tax)	\$1.1002
NTA Fully Diluted (before tax [*])	\$1.0645
NTA (after realised tax [^])	\$1.0584
NTA (after tax ^{**})	\$1.0762
Share Price at 31/1/19	\$0.99
EAI Market Capitalisation	\$108.6m
Average Management Fee	0.84%
Performance Fee	15%
Option Price (ASX:EAI0)	\$0.001
Exercise price	\$1.00

^{*} NTA Fully Diluted (before tax) – Calculated as if all of the remaining 2019 options had been exercised by the end of the month.

[^] NTA after realised tax - Includes a provision for tax on realised gains from the Company's Investment Portfolio.

^{**} NTA after tax - Includes any tax on unrealised gains and deferred tax.

Ping An Insurance and Tencent. The biggest detractors from alpha were both Indian stocks, Maruti Suzuki and L&T.

Valuations in Asia are very compelling and at the end of last year we started to add selectively to high quality stocks that had been unfairly punished in the 2018 correction. In January, company commentary showed that the memory cycle for technology stocks like SK Hynix and Samsung Electronics is expected to recover in 2H19. As such, we have initiated a position in Hynix and added to Samsung given their valuations. Hynix was trading at 3x PE when we initiated the position and Samsung was trading at approximately 8x PE when we increased our position. We also added to Alibaba after strong December quarter earnings. Cash was approximately 8% as of December 31, 2018 and had decreased to approximately 2.7% by the end of January.

Finally, a reminder that option expiry for EAI is coming up at the end of February. The \$1 exercise price is a significant discount to the pre-tax NTA of \$1.1002 and the Fully Diluted pre-tax NTA of \$1.0645.

Shareholders should have received a reminder from Link via email with details on how to exercise options. A letter will follow in the mail. As part of our efforts to provide investors with the full information required to exercise options, we will be publishing daily pre-tax NTA figures leading up to option expiry. These will be posted on our website.

As always, if you have any questions about option expiry or regarding any aspect of EAI or the portfolio, please feel free to contact us at investorrelations@ellerstoncapital.com.

Kind regards,



Mary Manning
Portfolio Manager

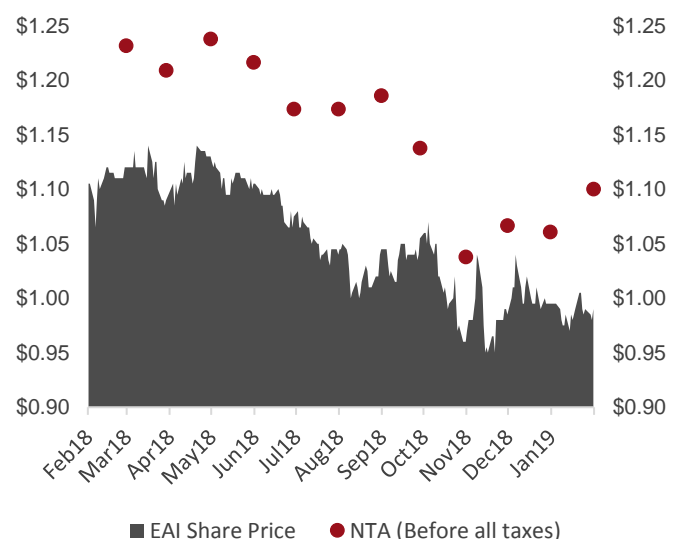
PORTFOLIO CHARACTERISTICS

ELLERSTON ASIAN INVESTMENTS TOP HOLDINGS

Top 10 holdings	%
TENCENT HOLDINGS	9.0
ALIBABA GROUP HOLDING	7.0
PING AN INSURANCE GROUP	6.5
SAMSUNG ELECTRONICS	5.4
HONG KONG EXCHANGES & CLEARING	5.2
TSMC	4.8
CHINA CONSTRUCTION BANK	4.2
DBS GROUP HOLDINGS	4.0
ICICI BANK LIMITED	3.9
OCBC BANK	3.9

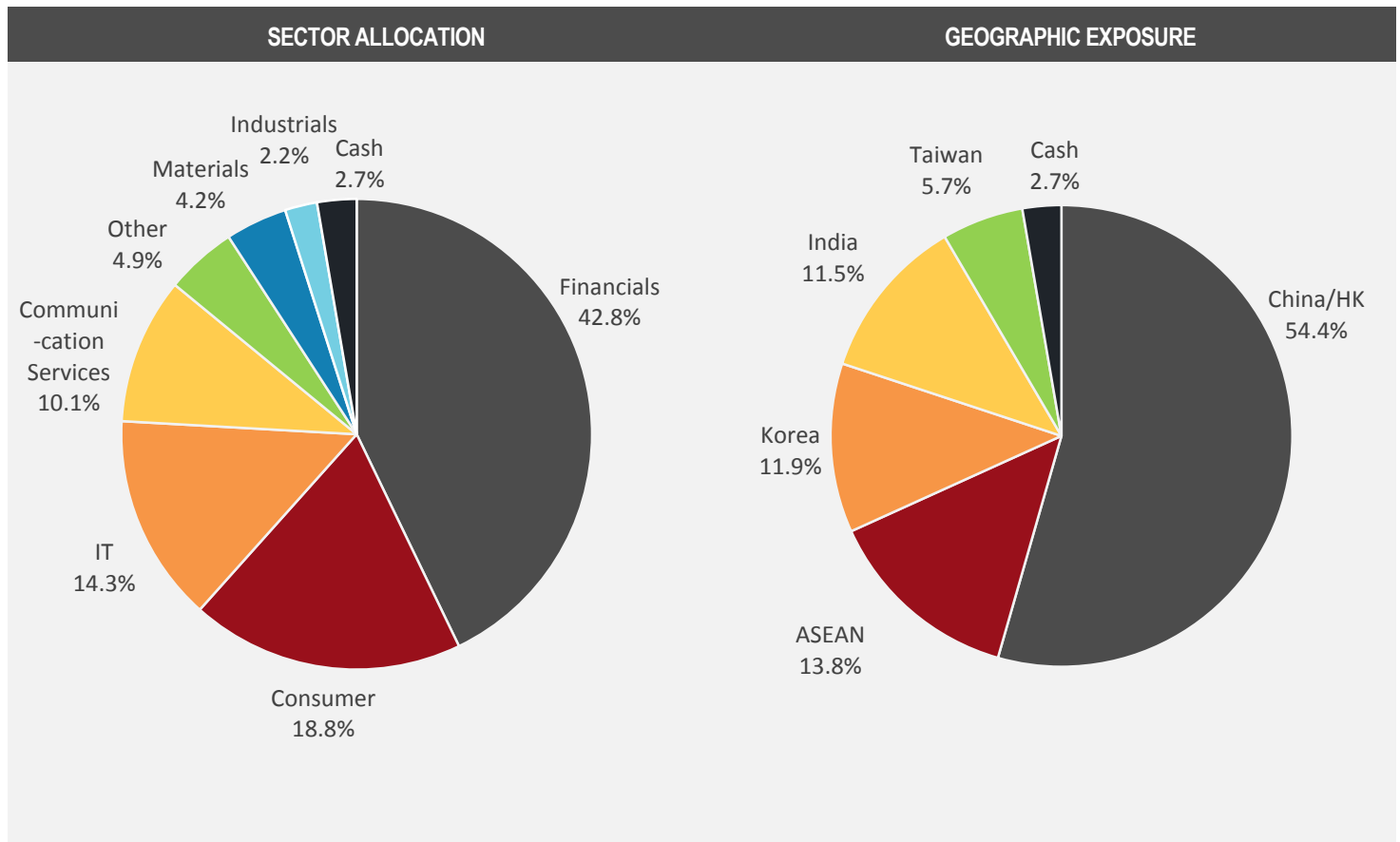
Source: Ellerston Capital

EAI SHARE PRICE VS NTA (Before Tax)



Source: Ellerston Capital

SECTOR & GEOGRAPHIC ALLOCATIONS



Source: Ellerston Capital

For further information, please contact:

INSTITUTIONAL CONTACT

Melinda Carter
0439 173 040
mcarter@ellerstoncapital.com

RETAIL CONTACT

Sam Stobart
0423 292 299
sstobart@ellerstoncapital.com

SYDNEY OFFICE

Level 11, 179 Elizabeth Street,
Sydney NSW 2000

MELBOURNE OFFICE

Level 4, 75-77 Flinders Lane,
Melbourne VIC, 3000

Ph: +61 2 9021 7797
E: info@ellerstoncapital.com

Should investors have any questions or queries regarding the company, please contact our Investor Relations team on 02 9021 7797. All holding enquiries should be directed to our share registrar, Link Market Services on 1300 551 627 or EAI@linkmarketservices.com.au

DISCLAIMER

This document has been prepared for Ellerston Asian Investments Limited by the investment manager Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. Any information has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. To the extent any general financial product advice is provided in this document, it is provided by Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or needs.