

ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

13 March 2019

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

MONTHLY NTA STATEMENT – FEBRUARY 2019

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the company as at 28 February 2019:

NTA per share	28 Feb 2018	Fully Diluted**
NTA before tax	\$1.1025	1.0863
NTA after realised tax *	\$1.1027	1.0864
NTA after tax ^	\$1.1044	1.0879

**Incorporating all Options that were exercised by 5pm on the 28th of February, as well as the Option Underwriting as notified to the ASX on the 1st of March. The fully diluted NTA is based on fully paid share capital of 147,285,391.

* **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 5.44%.

Option Conversion - During the month, 14,232,100 options were exercised and converted to shares which diluted the NTA before tax by **\$0.014** 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.

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Ellerston Asian Investments Limited (ASX: EAI)

Performance Report | February 19

PERFORMANCE

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	Since Inception (p.a)
GROSS	5.44%	8.96%	-0.77%	-2.88%	12.45%	7.06%
NET [^]	5.35%	8.65%	-1.37%	-4.01%	11.12%	5.81%
BENCHMARK*	4.59%	9.08%	-0.32%	-1.80%	12.79%	8.60%

Source: Ellerston Capital

[^]Before all tax provisions 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

February 2019 was a very strong month for Asia markets and for Ellerston Asian Investments. The portfolio was up 5.44% (gross) during February, outperforming the benchmark by 0.85% (gross). Year to date in 2019, the portfolio is up 9.50% (gross) and has outperformed the benchmark by approximately 1.17% (gross).

There are a number of factors, other than performance, that influenced the fully diluted before tax NTA during the month. First, the company paid tax of approximately \$4.6 million, which reduced the fully diluted before tax NTA by approximately \$0.04. Secondly, approximately 20.4 million options were exercised in total and 14.2 million during February. Finally, approximately 21.7 million EAI options were underwritten as per the March 1 notification to the ASX. The fully diluted before tax NTA, including the partial underwriting, was \$1.0863 as of the end of February versus \$1.0645 at the end of January.

Getting back to performance, why have Asian markets been so strong this year? The reasons remain the same as those stated in January's monthly report, namely: rising expectations of a resolution in the trade war, a dovish Fed and positioning prior to the MSCI announcement on an increase in the China A share inclusion factor.

With respect to trade, the negotiations continue and the Trump administration has officially extended the deadline past March 1. Current speculation is that Trump and President Xi will meet in Florida on March 27 for a "signing ceremony" on a trade deal. One possibility that has been floated in the last few weeks is that in addition to no new tariffs, the US will repeal some of the existing tariffs that were put in place last year. This could be on a standalone basis or a carrot for China to adhere to the deal specifics on deficit reduction, IP protection and state subsidies. In any case, this is a strong potential positive that was not in the market previously.

As expected, at the end of February MSCI announced an increase in the China inclusion factor for China A shares from 5% to 20%. This increase will be staged over 3 time periods: 5-10% in May 2019, 10-15% in August 2019 and 15-20% in November 2019. In the immediate term, the decision was a strong sentiment boost for the local Chinese market. The Shanghai Composite is up approximately 17% year to date in 2019 while the CSI 300 is up almost 22%. Ellerston Asia is overweight A shares within the portfolio as a whole and within our China allocations as a group (A share, H share, ADRs).

Positioning remains similar to January, namely overweight China and overweight the mega cap technology stocks in Asia. Note that the cash balance as of February 28 looks artificially high given cash inflows from option expiry in the last few days of the month. This has since been deployed pro-rata across the portfolio and the cash balance as of early March was back below 5%.

During January, the best performing stocks in the portfolio in absolute terms were all A shares: O-Film (+38.3%), Wuliangye (+8.5%) and Hikvision (+14.9%). The largest contributors to alpha were Ping An Insurance, Hong Kong Exchange and O-Film. The largest detractors from alpha was ICICI, a high beta stock in India which didn't perform well given late February tensions between India and Pakistan.

Key Facts

Listing Date	September 2015
NTA (before tax)	\$1.1025
NTA Fully Diluted (before tax [*])	\$1.0863
NTA (after realised tax [^])	\$1.1027
NTA (after tax ^{**})	\$1.1044
Share Price at 26/2/19	\$1.02
EAI Market Capitalisation	\$126.4m
Average Management Fee	0.83%
Performance Fee	15%

* Incorporating all Options that were exercised by 5pm on the 28th of February, as well as the Option Underwriting as notified to the ASX on the 1st of March. The fully diluted NTA is based on fully paid share capital of 147,285,391.

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

Finally, thank you to those investors who exercised their options and who met with us during the process to get an update on EAI and Asian markets. As always, if you have any questions regarding any aspect of EAI or the portfolio, please feel free to contact us at investorrelations@ellerstoncapital.com.

Kind regards,



Mary Manning
Portfolio Manager

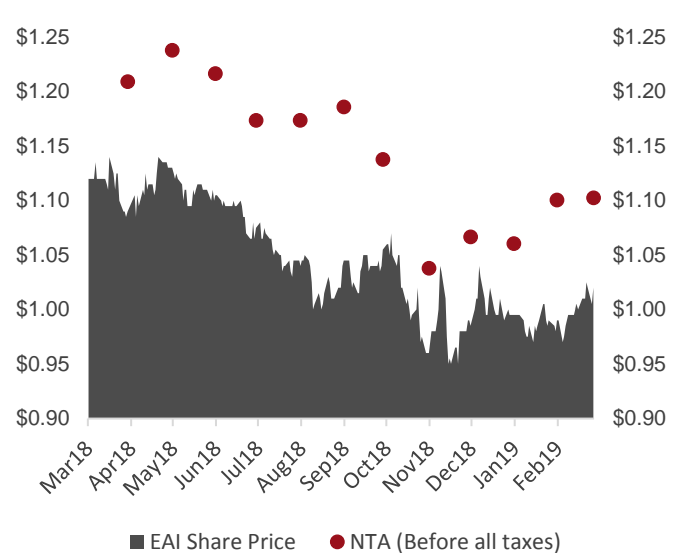
PORTFOLIO CHARACTERISTICS

ELLERSTON ASIAN INVESTMENTS TOP HOLDINGS

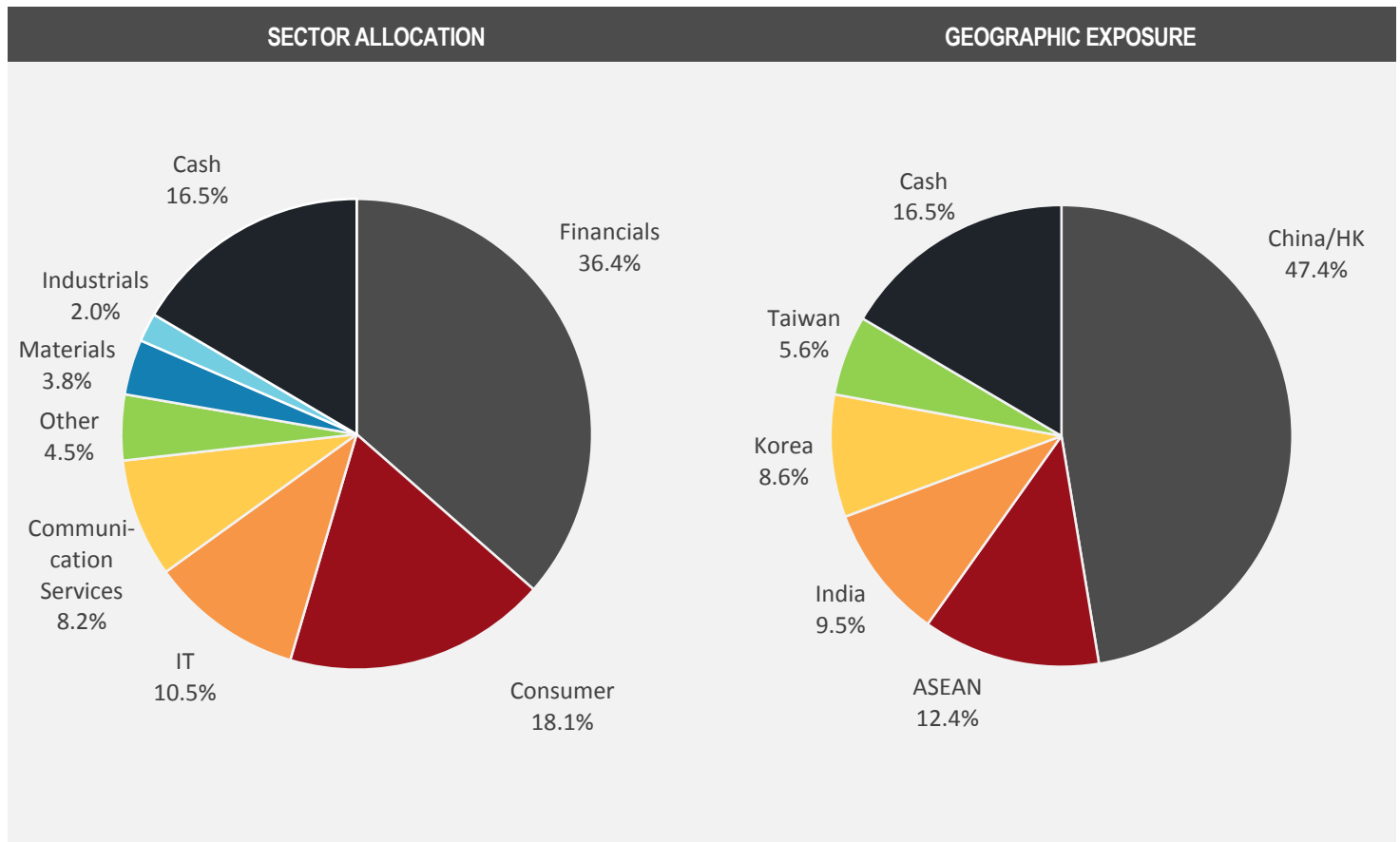
Top 10 holdings	%
ALIBABA GROUP HOLDING	6.9
PING AN INSURANCE GROUP	6.4
TENCENT HOLDINGS	6.4
HONG KONG EXCHANGES & CLEARING	6.1
SAMSUNG ELECTRONICS	4.8
TSMC	4.7
CHINA CONSTRUCTION BANK	3.8
DBS GROUP HOLDINGS	3.7
CHINA MERCHANTS BANK	3.6
OCBC BANK	3.3

Source: Ellerston Capital

EAI SHARE PRICE VS NTA (Before Tax)



Source: Ellerston Capital

SECTOR & GEOGRAPHIC ALLOCATIONS


Source: Ellerston Capital

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