

13 June 2019

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

MONTHLY NTA STATEMENT - May 2019

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the Company as at 31 May 2019 is:

NTA per Share	31 May 2019
NTA before tax	\$1.0683
NTA after realised tax *	\$1.0683
NTA after tax ^	\$1.0723

These figures are unaudited and indicative only
The NTA is based on fully paid share capital of 145,283,531.

* 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 12 September 2018, EAI announced a new on-market buy-back of up to 10% of its shares, commencing 26 September 2018 and continuing for twelve months. Since 27 September 2016 a total of 16,859,593 shares had been bought back.

The company's net performance before tax for the month was -6.20%.



Ian Kelly
Company Secretary

Contact Details

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 | May 19

PERFORMANCE

	1 Month	3 Months	6 Months	1 Year	3 Year (p.a.)	Since Inception (p.a.)
NET [^]	-6.20%	-0.80%	7.78%	-3.93%	7.87%	5.18%
BENCHMARK*	-7.49%	-3.26%	5.52%	-5.23%	9.18%	7.05%
ALPHA	1.29%	2.46%	2.26%	1.30%	-1.31%	-1.87%

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

May was a difficult month for both Global and Asian markets. Ellerston Asian Investments (EAI) was down -6.20% during May, but outperformed the benchmark by 1.29%. Year to date in 2019, the fund is up 8.42% and has outperformed the benchmark by 3.62%.

The selloff in Asian and Global markets was primarily a function of a deterioration in trade war relations. For over a year now we have been outlining 3 scenarios for the trade war: tit for tat escalation, negotiated outcome and extreme retaliation. In early May Trump sent out a series of tweets reversing the trajectory that was trending strongly to the negotiated outcome scenario. The subsequent Huawei ban has served to further exacerbate the situation. As a result, it appears that there is now a fourth scenario to consider – prolonged standoff.

There are a number of important dates in June which may determine whether the trade situation reverts to a negotiated outcome or moves to prolonged standoff or extreme retaliation. A best case near term outcome is that Trump and Xi meet at the G20 in Osaka in June 28-29 and arrive at a hand shake agreement to resume talks. Note this is similar to what occurred at the last G20 meeting in Buenos Aires in November 2018.

The United States Trade Representative (USTR) is currently seeking public comments on the \$300 billion product list slated for additional tariffs and will hold a public hearing on this issue on June 17. Comments can be submitted up to seven days after the hearing so the earliest the tariffs can take effect is June 24 (i.e. before the G20). If these tariffs are implemented prior to Osaka, it is possible that Trump and Xi would not meet in Japan and the probability of a negotiated outcome would reduce sharply.

In this case, the trade situation could take 2 paths. First, China could adopt a prolonged standoff approach where they simply wait for 2020 where either Trump gets desperate to do a trade deal as the US Presidential election approaches, or it appears that Trump will not get a second term and China waits to negotiate with whomever replaces him as President. China does have the upper hand in this respect. The lack of a political business cycle in China means they can play the long game rather than a 4 year game.

Alternative, or perhaps simultaneously, China and the US could engage in more extreme retaliation measures such as product bans, travel bans, selling US Treasuries, weaponization of currencies, to name a few. Indeed some of these measures are already happening and could escalate after the G20 if the tone of the meeting is confrontational.

The EAI portfolio is currently positioned for this uncertainty. We are Underweight China having taken significant profits in April and do not hold any stocks that are part of the Huawei supply chain other than TSMC. The portfolio is heavily focused on domestic demand countries (India) and domestic demand sectors (financials, consumer, internet).

One bright spot during the month was the Indian election. As mentioned previously, our base case was always that Modi would be returned as Prime Minister and the BJP/NDA would have a majority of seats, however the BJP far exceeded expectations winning 303 seats and securing a majority without the help of any coalition partners. This is a very strong positive for the Indian equity markets and gives Modi's government a clear mandate to continue structural reform in India.

Key Facts

Listing Date	September 2015
NTA (before tax)	\$1.0683
NTA (after realised tax [^])	\$1.0683
NTA (after tax ^{**})	\$1.0723
Share Price at 31/5/19	\$0.95
EAI Market Capitalisation	\$138.0m
Average Management Fee	0.82%
Performance Fee	15%

* The NTA is based on fully paid share capital of 145,283,531.

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The Reserve Bank of India cut interest rates on June 6, adding further stimulus to the economy.

Moving on to performance, during May our underweight positioning in Korea and Taiwan and our overweight in India were the largest country contributors to alpha. At a stock level, large overweight positions in L&T and ICICI in India and a zero weight in SK Hynix were the largest contributors to alpha while the Singapore banks, OCBC and DBS, were the largest detractors.

Cash at the end of May was approximately 15% reflecting our cautious outlook on trade talks and the IT supply chain.

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

Kind regards,

Mary Manning
Portfolio Manager

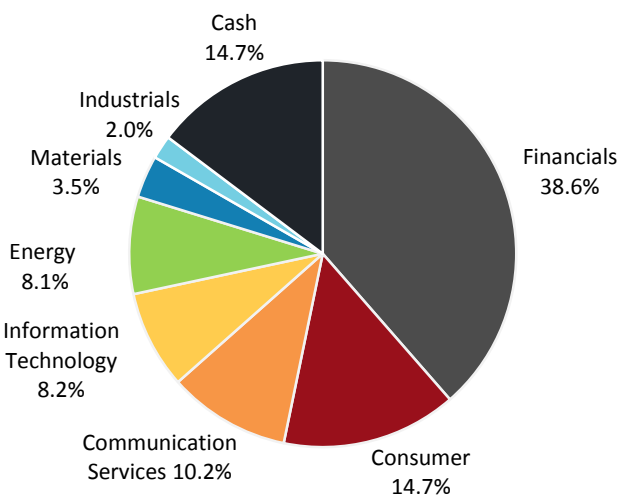
PORTFOLIO CHARACTERISTICS

ELLERSTON ASIAN INVESTMENTS TOP HOLDINGS

Top 10 holdings	%
TENCENT HOLDINGS LTD.	6.9
PING AN INSURANCE	5.3
RELIANCE INDUSTRIES	5.2
TSMC	5.2
HONG KONG EXCHANGES & CLEARING LTD.	5.0
OCBC LIMITED	4.7
DBS GROUP HOLDINGS LTD	4.7
ALIBABA GROUP HOLDING LTD	4.5
CHINA CONSTRUCTION BANK	3.9
BANK RAKYAT	3.9

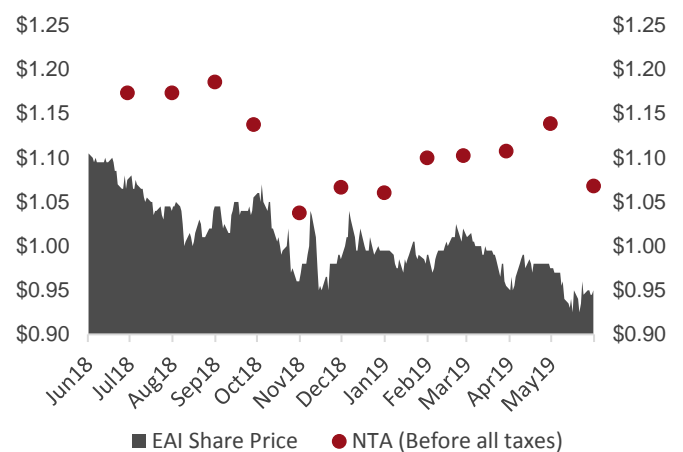
Source: Ellerston Capital

SECTOR ALLOCATION



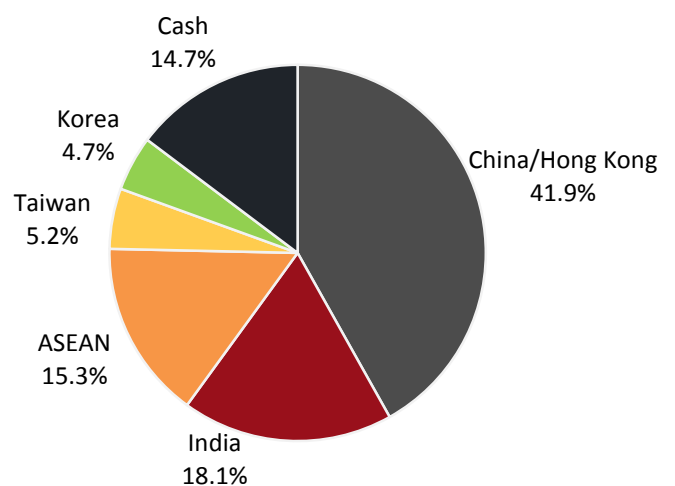
Source: Ellerston Capital

EAI SHARE PRICE VS NTA (Before Tax)



Source: Ellerston Capital

GEOGRAPHIC EXPOSURE



Source: Ellerston Capital

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