

11 July 2019

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

**MONTHLY NTA STATEMENT - June 2019**

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the Company as at 30 June 2019 is:

<b>NTA per Share</b>	<b>30 June 2019</b>
NTA before tax	\$1.1219
NTA after realised tax *	\$1.1219
NTA after tax ^	\$1.1117

These figures are unaudited and indicative only  
The NTA is based on fully paid share capital of 144,188,553.

\* 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 17,954,571 shares had been bought back.

The company's net performance before tax for the month was 5.02%.



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](mailto:EAI@linkmarketservices.com.au)

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# Ellerston Asian Investments Limited (ASX: EAI)

Performance Report | June 19

## PERFORMANCE

	1 Month	3 Months	6 Months	1 Year	3 Year (p.a.)	Since Inception (p.a.)
NET <sup>^</sup>	5.02%	1.31%	13.86%	4.44%	9.76%	6.42%
BENCHMARK*	4.72%	-0.43%	9.74%	2.22%	11.20%	8.18%
ALPHA	0.30%	1.74%	4.12%	2.22%	-1.44%	-1.76%

Source: Ellerston Capital

<sup>^</sup>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

June was a strong month for both global and Asian equity markets. Ellerston Asian Investments (EAI) was up 5.02% during June and outperformed the benchmark by 0.30%. Calendar year to date in 2019, the fund is up 13.86% and has outperformed the benchmark by 4.12%.

There were 2 factors driving Asian equity market returns in June, the G20 meeting between Trump and Xi in Osaka and an increasingly dovish Fed.

With respect to the trade war, the Osaka meeting yielded a truce scenario similar to what occurred following the G20 meeting in Buenos Aires in November last year. However, unlike the November 2018 truce which imposed a 90 day moratorium on new tariffs, this truce does not provide a definitive timeline. There are currently no specific meetings scheduled between Chinese and American trade negotiators and China has reiterated that it will not agree to a resolution without the withdrawal of existing tariffs. This outcome seems unlikely in the near term.

More importantly, the market appears to be getting tired of the Trump trade war negotiation cycle characterized by: truce, negotiation, tweets, breakdown, truce. Since Buenos Aires, China and the US have gone through 11 rounds of trade talks with no resolution. This time, Asian markets rallied for only 1 or 2 days on the back of a favourable G20 outcome. Our base case is now prolonged standoff, where the two countries go back and forth on trade with no resolution until closer to the US Presidential election.

EAI remains overweight domestic demand sectors (financials, consumer, internet) and domestic demand countries (India, Indonesia) in an effort to protect the portfolio from trade war volatility.

During late June and early July, I travelled to India to get a feel for what is happening on the ground post-election. My time in Mumbai and Pune highlighted concern that the macro outlook for India is slowing on the margin. The last quarterly GDP growth figure in India was only 5.8%, versus an annual forecast of over 7%. This figure may be a quarterly blip due to elections, monsoons (or lack thereof) and other one off factors, however the situation deserves close attention.

The Reserve Bank of India cut interest rates by 25bps on June 6 and most of the banks and economists I met with are forecasting another 50bps cut in FY20. On July 5th the new Finance Minister delivered her maiden budget. It was reasonably hawkish with the deficit to GDP target maintained at 3.3% versus expectations that the government would loosen the purse strings to reignite growth. Macro aside, the outlook at the stock level remains strong for our core holding, especially the private sector banks like ICICI and Axis and high quality non-bank financials like HDFC. Consumer staples appear better positioned than discretionary, particularly autos which are in for a rough ride between now and April 2020 when new emissions norms are enforced.

## Key Facts

Listing Date	September 2015
NTA (before tax)	\$1.1219
NTA (after realised tax <sup>^</sup> )	\$1.1219
NTA (after tax <sup>**</sup> )	\$1.1117
Share Price at 30/6/19	\$0.925
EAI Market Capitalisation	\$133.4m
Average Management Fee	0.82%
Performance Fee	15%

\* The NTA is based on fully paid share capital of 144,188,553.

<sup>^</sup> NTA after realised tax - Includes a provision for tax on realised gains from the Company's Investment Portfolio.

<sup>\*\*</sup> NTA after tax - Includes any tax on unrealised gains and deferred tax.

With respect to performance, Singapore was the largest contributor to alpha during the month on account of our large positions in DBS and OCBC. Korea was the biggest detractor from alpha. Financials were the largest contributor to alpha and consumer discretionary was the largest detractor.

Stock wise, Hong Kong Exchange and OCBC were the largest contributors to alpha while Reliance and Jubilant Foodworks were the biggest detractors. Jubilant is no longer in the portfolio. Cash at the end of June was approximately 12.4%.

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](mailto:info@ellerstoncapital.com).

Kind regards,

Mary Manning  
Portfolio Manager

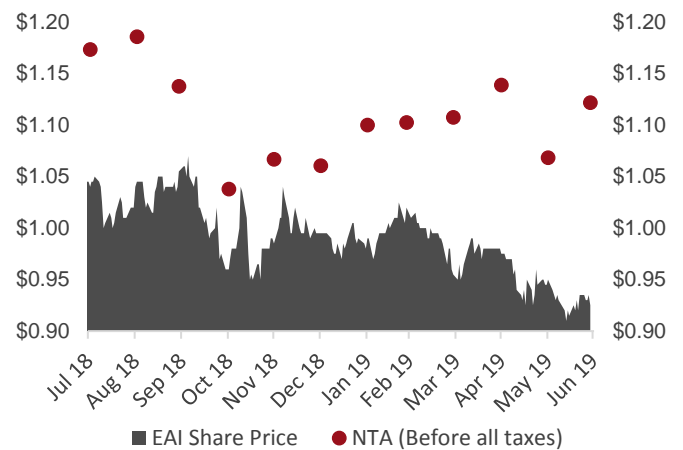
## PORTFOLIO CHARACTERISTICS

### ELLERSTON ASIAN INVESTMENTS TOP HOLDINGS

Top 10 holdings	%
TENCENT HOLDINGS LTD.	7.4
SAMSUNG ELECTRONICS	6.2
HONG KONG EXCHANGES & CLEARING LTD.	5.8
ALIBABA GROUP HOLDING LTD	5.4
PING AN INSURANCE	5.1
TSMC	5.1
OCBC LIMITED	4.9
DBS GROUP HOLDINGS LTD	4.8
CHINA CONSTRUCTION BANK	4.1
BANK RAKYAT	4.0

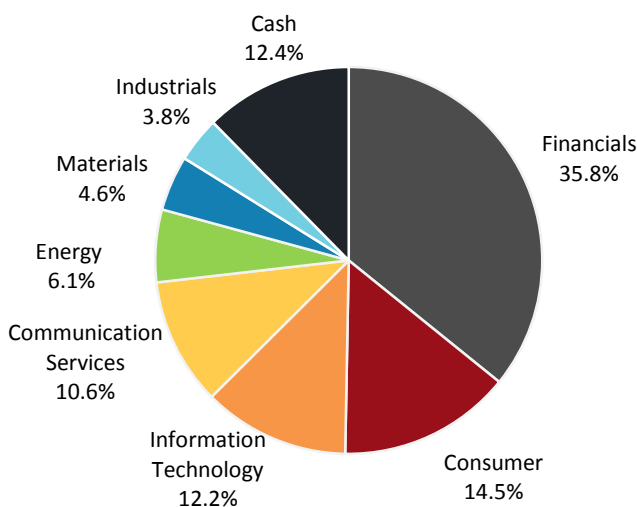
Source: Ellerston Capital

### EAI SHARE PRICE VS NTA (Before Tax)



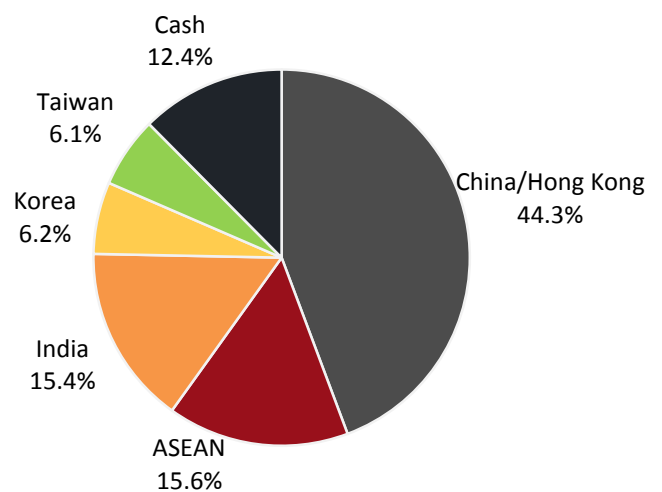
Source: Ellerston Capital

### SECTOR ALLOCATION



Source: Ellerston Capital

### GEOGRAPHIC EXPOSURE



Source: Ellerston Capital

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#### DISCLAIMER

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