

ELLERSTON ASIAN
INVESTMENTS LIMITED
ACN 606 683 729

14 August 2019

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

MONTHLY NTA STATEMENT - July 2019

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

NTA per Share	31 July 2019
NTA before tax	\$1.1282
NTA after realised tax *	\$1.1282
NTA after tax ^	\$1.1161

These figures are unaudited and indicative only
The NTA is based on fully paid share capital of 142,469,803.

* 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 19,673,321 shares had been bought back.

The company's gross performance before tax for the month was 0.56%.



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 | July 19

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year p.a.	Since Inception (p.a.)
Net [^]	0.56%	-0.93%	10.37%	4.44%	8.83%	6.43%
Benchmark*	-0.39%	-3.51%	5.53%	2.09%	10.14%	7.89%
Alpha	0.95%	2.58%	4.84%	2.35%	-1.31%	-1.46%

Source: Ellerston Capital

[^] The net return figure is calculated before all tax provisions, after fees & expenses, includes the effects of the share buyback, and excluding the effects of option exercise dilution. Past performance is not a reliable indication of future performance

*MSCI Asia ex Japan (non-accumulation) (AUD)

PORTFOLIO COMMENTARY

Ellerston Asian Investments (EAI) showed strong performance in July. The Fund was up 0.65% during the month and outperformed the benchmark by 1.05% (gross). Calendar year to date in 2019, the Fund is up 15.23% and has outperformed the benchmark by 5.92% (gross). The NTA as at July 31, 2019 was \$1.1282.

There were 3 factors driving Asian equity market returns in July, the trade war, dovish expectations for the Fed decision on July 31 and quarterly and 1H earnings.

The trade war arguably took a turn for the worse in late July and early August. US representatives met with their Chinese counterparts in Shanghai at the end of July but no specific resolutions were discussed and the only thing to come out of the meeting was the "Rip Off" tweet from Trump and a commitment to have another meeting in September. Then in early August Trump announced he would go ahead with the 10% tariffs on the final \$300 billion of goods and labelled China a currency manipulator.

Both of these actions shows considerable policy tensions within the Trump administration itself. According to the Wall Street Journal, most of Trump's economic advisors (Mnuchin, Lighthizer, Kudlow) opposed the tariffs on the additional \$300 billion and only ultra-China hawk Peter Navarro supported it. This internal debate may have led to the partial reversal of the tariff decision in mid-August. Trump has now announced that the tariffs on about half of the \$300 billion has been delayed from September until mid-December so that American consumer companies can get through the holiday season. This policy whiplash is increasingly frustrating for market participants.

Currency manipulation is another area of flip flop. Even though Trump promised to label China a currency manipulator on "Day 1" of his Presidency, he refrained from doing so in the last few years because there is scant evidence that this is the case. In fact, China only meets 2 of the 4 criteria set out by the US Treasury Department for currency manipulation and the IMF issued a recent report stating that the value of the Chinese yuan (CNY) was roughly in line with economic fundamentals. The CNY has traded through the important psychological level of 7.0 but we do not anticipate a sharp depreciation from here.

In recent weeks Trump has communicated on multiple occasions that a deal with China may not happen before the US Presidential election in 2020. According to Trump, China may prefer to deal with "Elizabeth Warren or Sleepy Joe Biden" rather than continue to negotiate with Team Trump. Our base case is that the probability of a resolution, or partial resolution, in the trade conflict will increase going into the Presidential election as Trump will want a trade win to tout on the campaign trail. Alternatively, if polls are showing that someone other than Trump may be in the White House next term, China may opt to delay any serious negotiations and start afresh with a new administration. In the meantime, as these volatile trade and geopolitical scenarios play out, we remain primarily positioned in domestic demand countries and sectors.

During July there was a lot of speculation regarding: (1) whether the FOMC would cut rates by 25 basis points or 50 basis points at the July meeting; and (2) whether the cut would be a "one and done" recalibration or the start of an easing cycle. On July 31 the Fed cut by only 25 bps (our base case) and Chairman Powell's language suggested that this move was to address downside risks rather than initiate an aggressive easing cycle. Versus more dovish expectations, this is an incremental negative for Emerging Markets, including Asia.

In terms of earnings, the season thus far has been mixed. Samsung and SK Hynix provided guidance that suggests the NAND cycle is bottoming and DRAM may not be far behind. We increased positions in both stocks during the month. Chinese insurers pre-announced strong growth which has been a positive for China Life in particular. Singapore banks reported decent earnings but the stocks did not react positively given the macro outlook for Singapore is unexciting. We reduced our exposure to Singapore banks after meeting with management teams on the ground in early July.

Key Facts

Listing Date	4 September 2015
NTA (before tax)*	\$1.1282
NTA (after realised tax) [^]	\$1.1282
NTA (after tax)**	\$1.1161
Share Price at 31/07/19	0.97
EAI Market Capitalisation	\$138.2 Million
Average Management Fee	0.82%
Performance Fee	15%

* NTA (before tax) – Includes taxes that have been paid.

[^] 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.

The worst performing market in terms of earnings this month was India. With a few notable large cap exceptions (ICICI, Infosys, Asian Paints) most earnings were in-line to disappointing. Following a research trip to India in early July we paired back our India exposure on this concern. India was the worst performing market in July, down over 5%.

Korea and Hong Kong were the biggest county contributors to performance in July. Hong Kong continued to be plagued by protests, some of which have turned violent. We are typically underweight Hong Kong because few of the large cap stocks there meet our stringent growth criteria. This ongoing positioning benefited the portfolio in July and early August as the frequency and severity of the protests increased. The largest country detractor from performance in July was China.

Stock wise, Ayala Corp, Bank Rakyat and TSMC were the largest contributors to alpha during the month while Hong Kong Exchange and L&T were the biggest detractors. We have since trimmed our position in HK Exchange. Cash at the end of July was approximately 11.1%.

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,

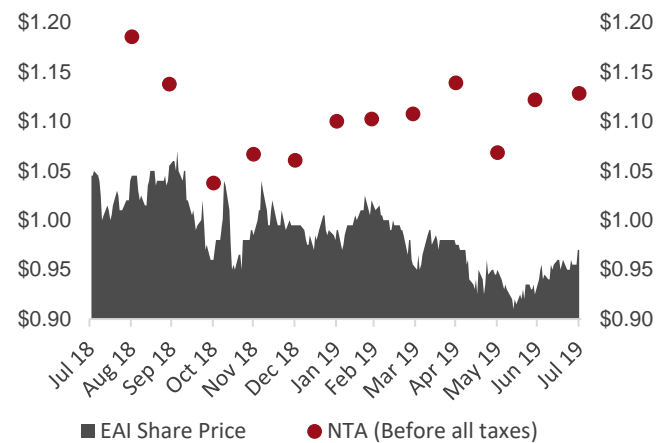
Mary Manning - Portfolio Manager

PORTFOLIO CHARACTERISTICS

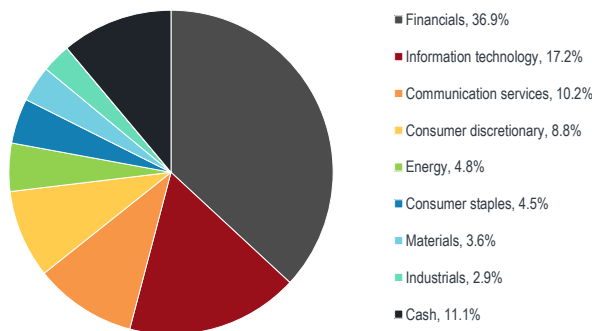
HOLDINGS

Top 10 holdings	%
Tencent Holdings Ltd	8.3%
Alibaba Group Holding Ltd	6.8%
TSMC	6.1%
Samsung Electronics	6.0%
Hong Kong Exchanges & Clearing Ltd	5.7%
Ping An Insurance	5.2%
China Construction Bank Corp	4.9%
Bank Rakyat	4.2%
China Life Insurance Co. Ltd.	4.0%
ICICI Bank Limited	4.0%

EAI SHARE PRICE VS NTA

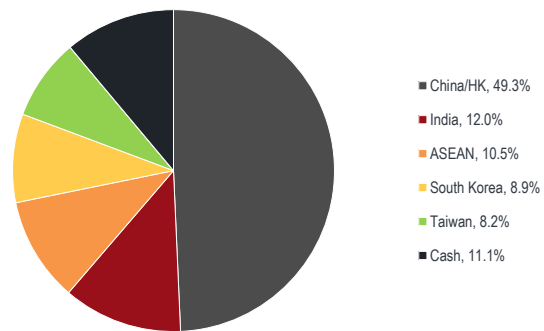


SECTOR ALLOCATION



Source: Ellerston Capital

GEOGRAPHIC EXPOSURE



All holding enquiries should be directed to our share registrar, [Link Market Services](http://LinkMarketServices.com) on 1300 551 627 or EAI@linkmarketservices.com.au

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