

13 September 2019

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

**MONTHLY NTA STATEMENT - August 2019**

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

<b>NTA per Share</b>	<b>31 August 2019</b>
NTA before tax	\$1.1097
NTA after realised tax *	\$1.1097
NTA after tax ^	\$1.1028

These figures are unaudited and indicative only  
The NTA is based on fully paid share capital of 141,933,887.

\* 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 15,743,900 shares had been bought back.

The company's net performance before tax for the month was -1.64%.



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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**Investor Contact**

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# Ellerston Asian Investments Limited (ASX:EAI)

Performance Report | August 19

## PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year p.a.	Since Inception (p.a.)
Net <sup>^</sup>	-1.64%	3.88%	3.04%	1.63%	6.86%	5.85%
Benchmark*	-2.42%	1.78%	-1.54%	-1.86%	7.74%	7.07%
Alpha	0.78%	2.10%	4.58%	3.49%	-0.88%	-1.22%

Source: Ellerston Capital

<sup>^</sup> 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 August. The fund was down -1.55% (gross) during the month and outperformed the benchmark by 0.87%. Calendar year to date in 2019, the fund is up 13.44% (gross) and has outperformed the benchmark by 6.78%. The NTA as at August 30, 2019 was \$1.1097.

The first two weeks of August witnessed a significant escalation in the Hong Kong protests and the MSCI Hong Kong index fell over 10% in the first two weeks of the month. EAI is underweight Hong Kong as a market and therefore generated alpha from this marked underperformance.

The protesters have previously outlined 5 key demands: (1) Formal withdrawal of the extradition bill; (2) retract labelling of the protests as riots; (3) release arrested protesters; (4) independent inquiry into police brutality; and (5) implement universal suffrage and political reform in Hong Kong. On August 30, Carrie Lam made a major concession to the protesters by agreeing to dismiss the controversial extradition bill. We think this is a positive step in the right direction but remain underweight Hong Kong as a market.

Not much headway was made on the trade war in August except for a commitment to hold formal talks in the US in October. Our view is that there is a decent possibility of some sort of trade deal before or shortly after the US Presidential election in 2020. The very basic rationale for this view is that it is more politically expedient for Trump to go to the polls with a trade win than with a trade war. Agriculture and Huawei remain the most pressing near term issues.

In August a number of companies reported 1H19 earnings. The standout in terms of performance was Chinese e-commerce where Alibaba, JD and smaller stocks ADRs like VIP Shop all reported very strong top line growth and decent margins. This helped assuage fears that the trade war was having a negative impact on Chinese consumer confidence.

The most disappointing earnings this reporting season were from Indian companies. With a few notable large cap exceptions (ICICI, Infosys, Asian Paints) most earnings were in-line to a miss. Autos continue to struggle, the outlook for consumer discretionary is weak and materials are under pressure. The worsening outlook highlighted by management teams was confirmed by the quarterly GDP number which came in at only 5% growth. This is down from 5.8% growth the previous quarter and is a far cry from the 7% growth that investors were expecting for the year.

The bigger concern is that both RBI Governor Das and the new Finance Minister Sitharaman, appear to be behind the curve with their policy responses. If they were aware GDP growth was decelerating this quickly, Das would have announced a 50bps interest rate cut rather than making the decision to go with an on-the-fence 35bps cut at the last meeting. Similarly, Sitharaman's maiden budget would have been less hawkish and the 3.3% deficit to GDP target would have been relaxed. We expect both monetary and fiscal policy makers to loosen considerably in the coming months but have trimmed India exposure in the meantime.

With respect to performance, our underweight in Hong Kong was the biggest country contributor to performance in August and our overweight in Indonesia was the biggest detractor. Stock wise, Shandong Gold, Hindustan Unilever and Wuliangye were the largest contributors to alpha while Tencent and China Life were the biggest detractors. Cash at the end of August 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

### Key Facts

<b>Listing Date</b>	4 September 2015
<b>NTA (before tax)*</b>	\$1.1097
<b>NTA (after realised tax)<sup>^</sup></b>	\$1.1097
<b>NTA (after tax)**</b>	\$1.1028
<b>Share Price at 31/08/19</b>	0.91
<b>EAI Market Capitalisation</b>	\$129.2 Million
<b>Average Management Fee</b>	0.83%
<b>Performance Fee</b>	15%

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

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

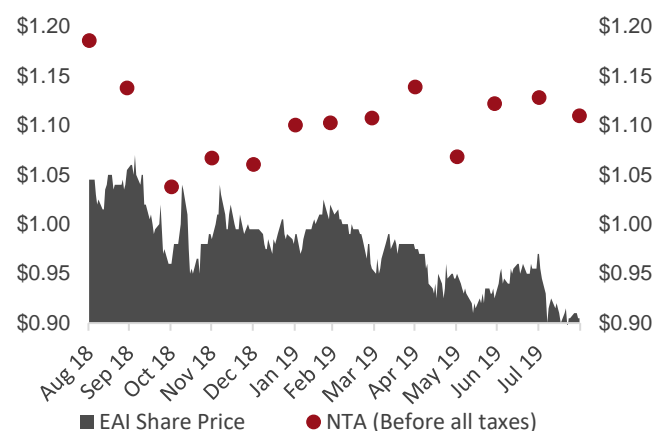
\*\* NTA (after tax) - Includes any tax on unrealised gains and deferred tax.

## PORTFOLIO CHARACTERISTICS

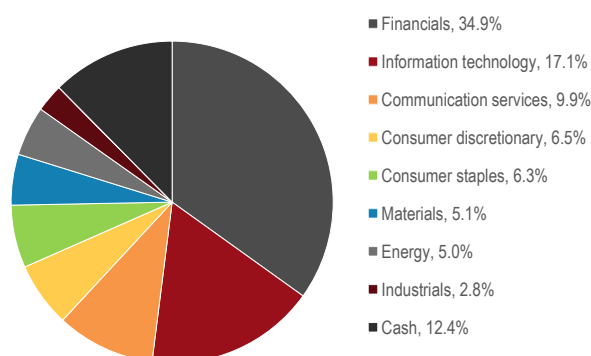
### HOLDINGS

Top 10 holdings	%
Tencent Holdings Ltd	8.7%
TSMC	6.3%
Samsung Electronics	5.9%
Alibaba Group Holding Ltd	5.4%
Ping An Insurance	5.2%
China Construction Bank Corp	4.9%
Bank Rakyat	4.1%
AIA Group Limited	3.9%
ICICI Bank Limited	3.9%
Hindustan Unilever Limited	3.1%

### EAI SHARE PRICE VS NTA

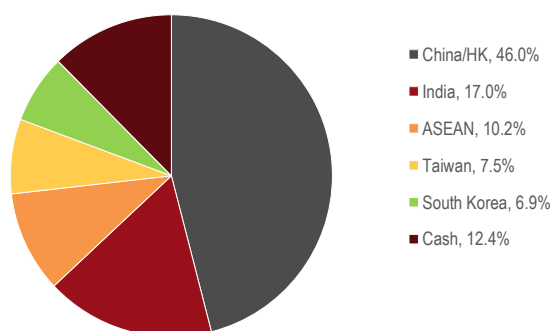


### SECTOR ALLOCATION



Source: Ellerston Capital

### GEOGRAPHIC ALLOCATION



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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#### DISCLAIMER

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