

ELLERSTON ASIAN
INVESTMENTS LIMITED
ACN 606 683 729

14 February 2020

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

MONTHLY NTA STATEMENT - January 2020

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the Company as at 31 January 2020 is:

NTA per Share	31 January 2020
NTA before tax	\$1.2172
NTA after realised tax *	\$1.2137
NTA after tax ^	\$1.1822

These figures are unaudited and indicative only
The NTA is based on fully paid share capital of 135,841,245.

* 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 9 September 2019, EAI announced a renewal of its on-market buy-back of up to 10% of its shares, commencing 27 September 2019 continuing for twelve months. Since 27 September 2019 a total of 5,665,469 shares had been bought back.

The company's net performance before tax for the month was 1.20%.



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	Address	Website	Investor Contact
ACN 606 683 729	Level 11, 179 Elizabeth Street Sydney 2000 NSW Australia	https://ellerstoncapital.com/ listed-investment-companies/	1300 551 627 EAI@linkmarketservices.com.au

Ellerston Asian Investments Limited (ASX:EAI)

Performance Report | January 20

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	CYTD	Since Inception (p.a.)
Net [^]	1.20%	7.50%	9.68%	21.05%	1.20%	7.91%
Benchmark*	0.31%	4.83%	6.03%	11.89%	0.31%	8.40%
Alpha	0.89%	2.67%	3.65%	9.16%	0.89%	-0.49%

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

January was the best of times and the worst of times. The first three weeks of January saw a significant advance in Asian markets buoyed by the signing of Phase I of the trade deal, Goldilocks conditions for US macro and positioning at the start of the new calendar year. Then in late January the coronavirus broke out and China embarked on the largest quarantine in human history putting over 50 million people in Wuhan and surrounding areas into lock down. For investors, the situation was complicated by the Chinese New Year holidays which meant that many Asian markets were closed for up to a week just after the virus broke out.

Despite the coronavirus outbreak, Ellerston Asian Investments (EAI) was up 1.20% during the month outperforming the benchmark by 0.89% (net). To help investors understand how the portfolio is trading during these volatile times, Ellerston started disclosing daily NTAs. The pre-tax NTA as at January 31, 2020 was \$1.2172 and the most recent daily pre-tax NTA (Tuesday February 11, 2020) is estimated at \$1.2611.

The market reaction to the coronavirus has been remarkably resilient with the S&P 500 near all-time highs and Asian markets down less than 5% since the late January highs. Part of this resilience stems from analysing market movements during SARS. During that pandemic, markets fell over 10% from the peak but then quickly rebounded as investors "looked through" bad quarterly earnings and "bought the dip." This sentiment seems to have informed the response to coronavirus.

Our approach has been more measured and is one of the reasons we generated positive alpha in January. First, we divided the portfolio into categories: directly negatively impacted by the virus (only one stock), indirectly negatively impacted, potentially positively impacted, high beta China stocks (which would fall sharply regardless of earnings impact) and technically overbought. We took profits in the directly impacted, high beta China and technically overbought names and rotated primarily into cash and stocks that could potentially benefit from quarantine-like conditions. These include online games (Tencent, Netease) and e-commerce (JD, Alibaba), all of which we already owned in the portfolio. We also increased positioning in Korean technology stocks (Samsung, SK Hynix) as the supply chains of these companies are less likely to be disrupted versus Chinese, American or Taiwanese counterparts.

The epidemiological outcomes of the coronavirus are yet to be determined. On the positive side, early data suggests that growth in cases outside Hubei province is controlled. On the negative side, there remains a tail risk that so-called "super spreaders" carry the virus to other countries where health systems are not as robust or to countries where lock down and quarantine measures are much more difficult to enact than in China. We see this as a low, but not zero, probability.

In this sort of environment, namely one characterized by high volatility and high uncertainty, it pays to be a large cap focused fund like EAI. We have a very liquid portfolio (average market cap of over \$160 billion) and can adjust to major changes in the environment in an efficient manner.

Elsewhere in Asia, the Indian Finance Minister Nirmala Sitharaman delivered another lacklustre budget with some personal tax cuts, but no major announcements on infrastructure, real estate or support for the real estate or non-bank financial company (NBFC) sectors. The market sold off very sharply (down 2.5%) on the budget but rebounded partially a few days later when the Reserve Bank of India (RBI) delivered a dovish statement on interest rates accompanied by a "mini-budget" which did provide support for beleaguered sub-sectors of the financial sector. Overall, the policy environment in India remains disappointing. Investors, including us, are concerned that it may take longer than anticipated for the economy to return to 7%+ growth.

In terms of stock contribution in January, Proya Cosmetics, Hindustan Unilever and HK Exchanges were the top contributors to alpha while China Life and Anhui Conch were the biggest detractors. Portfolio positioning sector wise is overweight technology and financials. Cash at the end of January was 4.3%.

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.

Key Facts

Listing Date	4 September 2015
NTA (before tax)*	\$1.2172
NTA (after realised tax) [^]	\$1.2137
NTA (after tax)**	\$1.1822
Share Price at 31/01/20	1.05
EAI Market Capitalisation	\$142.6 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.

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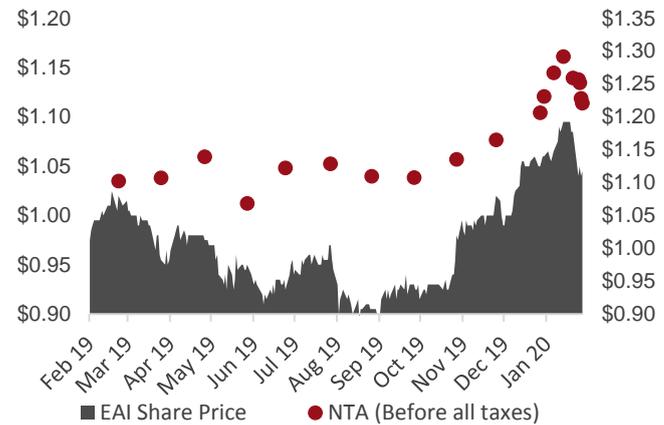
Kind regards,
Mary Manning - Portfolio Manager

PORTFOLIO CHARACTERISTICS

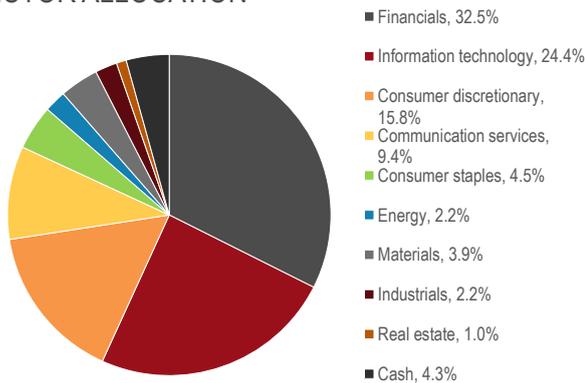
HOLDINGS

Top 10 holdings	%
TSMC	8.3%
Tencent Holdings Ltd	8.0%
Samsung Electronics	7.9%
Alibaba Group Holding Ltd	6.8%
Hong Kong Exchanges & Clearing Ltd	4.3%
China Life Insurance Co. Ltd.	4.0%
SK Hynix	3.9%
DBS Group Holdings Ltd	3.9%
ICICI Bank Limited	3.2%
Bank Rakyat	3.2%

EAI SHARE PRICE VS NTA

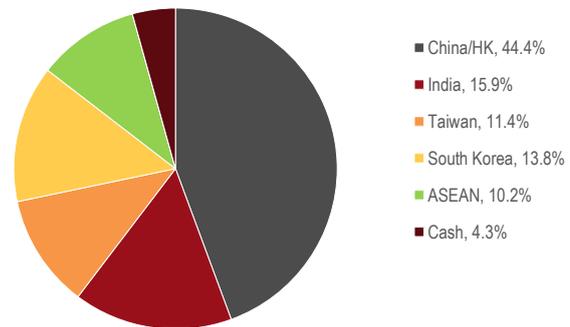


SECTOR ALLOCATION



Source: Ellerston Capital

GEOGRAPHIC ALLOCATION



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SYDNEY OFFICE
Level 11, 179 Elizabeth Street,
Sydney NSW 2000

MELBOURNE OFFICE
Level 4, 75-77 Flinders Lane,
Melbourne VIC, 3000