

ELLERSTON ASIAN
INVESTMENTS LIMITED
ACN 606 683 729

14 September 2020

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

MONTHLY NTA STATEMENT - August 2020

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

NTA per Share	31 August 2020
NTA before tax	\$1.2148
NTA after realised tax *	\$1.2084
NTA after tax ^	\$1.1847

These figures are unaudited and indicative only
The NTA is based on fully paid share capital of 131,862,196.

* 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 11 September 2020, EAI announced a renewal of its on-market buy-back of up to 10% of its shares, commencing 27 September 2020 and continuing for twelve months.

The company's net performance before tax for the month was 0.17%.



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 7701. 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 | August 2020

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year	Since Inception (p.a.)
Net [^]	0.17%	8.98%	0.85%	13.24%	8.41%	7.29%
Benchmark*	0.26%	8.14%	-1.04%	8.40%	5.45%	7.33%
Alpha	-0.10%	0.84%	1.89%	4.84%	2.96%	-0.04%

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) was up 0.17% (net) during August versus the benchmark which was up 0.26%. Year to date in calendar 2020, EAI is up 2.77% and has outperformed the benchmark by 2.69% (net).

Ellerston Asian Investments aims to have a sustainable dividend policy based on multiple years of profit reserves. As shown below, EAI began paying a dividend during Financial Year 2019 and paid higher final and interim dividends in the following financial year. In recognition of our strong performance and franking credit balance in FY20, EAI has declared a final dividend of 2.5 cents per share fully franked. This is an increase of 67% on the interim dividend. Note that as of June 30, 2020 EAI had a franking credit balance of 8.5c per share.

Ex Dividend Date	Pay Date	Amount	Franking
4 Sept 2020	10 Oct 2020	2.5c	100%
5 March 2020	27 March 2020	1.5c	100%
4 Sept 2019	5 Oct 2019	1.5c	100%
20 March 2019	5 April 2019	1.0c	100%
5 Sept 2018	5 Oct 2018	1.0c	100%

MARKET OUTLOOK

As regular readers will know, we have been concerned about the apparent disconnect between the market movements and underlying economic fundamentals since the sharp rebound in March and April 2020. This disconnect is more pronounced in Developed Markets (DM) than in Asia, but Asia would not be immune to a market correction in the US.

Cash levels at the end of August (12.6%) appear to have gone down versus previous months, but this was primarily a timing issue related to Hang Seng Index inclusion on September 4th for some of our larger positions. As of the first week of September, cash was back in the high teens level.

COVID

The majority of Asian countries now appear to have both the epidemic and the economic impact of lock downs under control. India remains the major outlier in this respect with daily new cases consistently over 70,000 and total cases of approximately 4.3 million. India has already surpassed Brazil in terms of total COVID cases and the current trajectory puts India on track to surpass the roughly 6 million cases in the US. Despite the COVID situation, the attitude on the ground in India appears to be one of learning to live with the virus. Economic activity in India is quickly returning to pre-COVID levels in many parts of the country.

Investors are watching the development of vaccines very closely and break throughs or setbacks in vaccine trials are increasingly impacting daily market direction. According to the WHO, there are currently 34 COVID vaccine candidates in clinical evaluation, 9 of which have entered Phase III trials.

China is one of the frontrunners in the COVID vaccine race given it was the first country to detect and experience the outbreak. China accounts for 4 of the 9 vaccine candidates which have entered Phase III trials. One vaccine developed by biotech firm CanSino has already been cleared for use by the Chinese military. However, China has become a victim of its own success. As it has successfully contained the outbreak, there are less domestic patients available for trials so some trials have been shifted abroad.

Key Facts

Listing Date	4 September 2015
NTA (before tax)*	\$1.2148
NTA (after realised tax) [^]	\$1.2084
NTA (after tax)**	\$1.1847
Share Price at 31/08/20	\$1.095
EAI Market Capitalisation	\$144.4 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.

India, as the largest vaccine manufacturer in the world, will undoubtedly play a very important role in manufacturing successful vaccines post-clinical trials. Currently, India has two indigenous vaccines in development: Bharat Biotech's vaccine is about to begin Phase II trials while Cadila Healthcare's vaccine is already in Phase II. In addition, the world's largest vaccine manufacturer, the Serum Institute of India, has entered into an agreement to produce one billion doses of the Oxford/AstraZeneca vaccine.

While the development of a COVID vaccine is clearly positive from both epidemiological and economic perspectives, it is not a panacea. We sense that investors may be overestimating the immediate term benefits while ignoring some of the risks. These risks include:

- COVID mutates and the vaccine developed only inoculates the original strain;
- Side effects from the vaccine emerge that were not been detected given the rush to complete clinical trials;
- Risky, transmissible social behaviours increase once a vaccine is approved even if large portions of the population are not yet inoculated;
- Significant constraints exist with respect to vaccine supply chains, particularly in developing countries;
- Affordability of the vaccine is an issue, particularly in developing countries;
- There are moral, ethical and political challenges in implementing vaccinations to a herd immunity level (i.e. see the Morrison government's backtrack on mandatory vaccinations).

Given all the above, we see the advancement of vaccine candidates as a strong positive conceptually but acknowledge that effective vaccine development is only the first step on a long road to eradicating, or at least effectively controlling, the spread of COVID worldwide.

US-China Relations and the US Election

As highlighted in previous monthly newsletters, the deterioration of US-China relations is an important risk that is not priced into current markets. The ban of TikTok and WeChat come into effect in September and investors will get more details on what the Executive Order specifically refers to with respect to the banning of "transactions." We have trimmed our Tencent position to approximately 7.0% given this uncertainty and will reassess once the details on the ban are released.

Our expectation is that many of the anti-China policies touted by the Trump administration will escalate going into the November Presidential election. China aside, we feel strongly that election related risks are not adequately priced into the US and global markets. Given the high proportion of mail in votes expected due to COVID, the outcome of the election may not be immediately known with some commentators putting the final result tally as late as December 2020. In addition, if the results are contested and/or if Trump loses but refuses to leave office, the transfer of power on January 2021 could be messy. Finally, a contested election could exacerbate the level of civil unrest already occurring in some major American cities. With the S&P 500 currently near all-time highs, it does not appear that these election related uncertainties are being priced in. This is one of the reasons we remain high cash.

PERFORMANCE

In August, China and Malaysia (zero weight) were the largest country contributors to alpha while Korea was the largest detractor. Consumer Discretionary and Financials were the largest sector contributors to alpha while IT was the largest detractor. Alibaba and JD were the largest single stock contributors to alpha while Samsung Electronics and Mediatek were the largest detractors.

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. We are hosting an update conference call on September 15 for Ellerston Asia investors, for which you can register [here](#).

Kind regards,

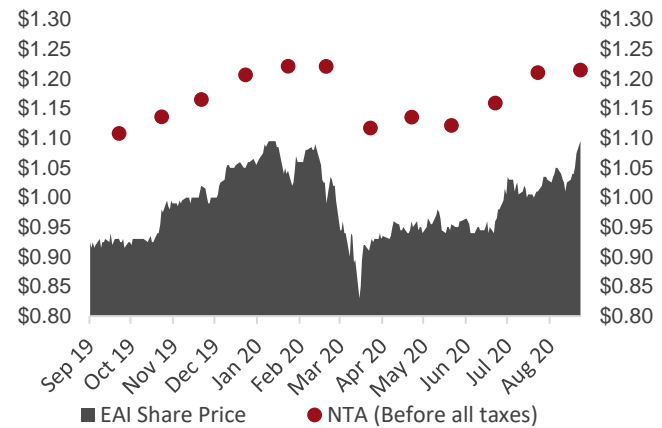
Mary Manning

PORTFOLIO CHARACTERISTICS

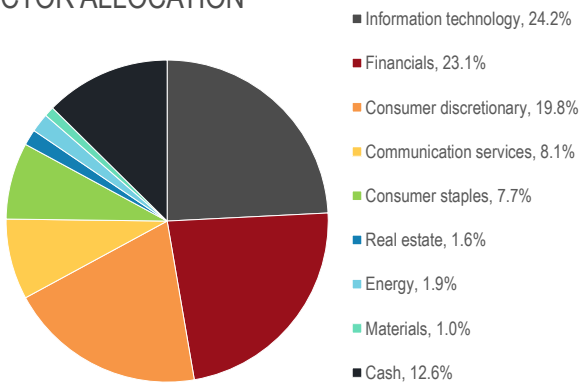
HOLDINGS

Top 10 holdings	%
Alibaba Group Holding Ltd.	13.9%
TSMC	8.0%
Samsung Electronics	7.4%
Tencent Holdings Ltd	7.0%
Hong Kong Exchanges & Clearing Ltd	5.4%
Ping An Insurance	4.9%
DBS Group Holdings Ltd	3.1%
Hindustan Unilever Limited	2.7%
China Merchants Bank Co. Ltd.	2.6%
JD.com, Inc. Class A	2.5%

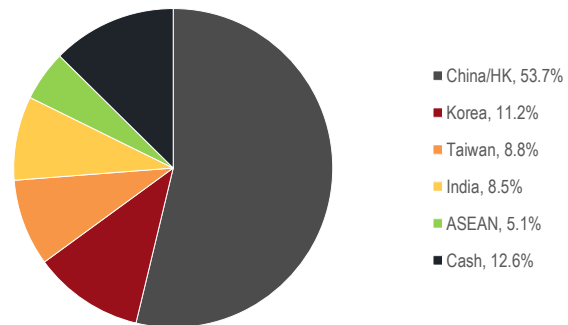
EAI SHARE PRICE VS NTA



SECTOR ALLOCATION



GEOGRAPHIC ALLOCATION



Source: Ellerston Capital

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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