

ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

13 July 2021

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

MONTHLY NTA STATEMENT - June 2021

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the Company as at 30 June 2021 is:

NTA per Share	30 June 2021
NTA before tax	\$1.3595
NTA after realised tax *	\$1.3114
NTA after tax ^	\$1.2780

These figures are unaudited and indicative only
The NTA is based on fully paid share capital of 131,322,696.

* 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. Since 27 September 2020 a total of 539,500 shares had been bought back.



Ian Kelly
Company Secretary

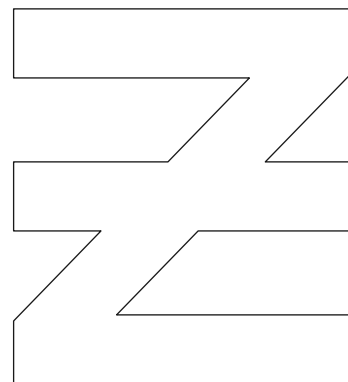
Contact Details

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)



Monthly Newsletter, June 2021

Key Information

Listing Date ^{^^}	4 September 2015
NTA (before tax)*	\$1.3595
NTA (after realised tax) [^]	\$1.3114
NTA (after tax)**	\$1.2780
Share Price at 30/06/21	\$1.20
EAI Market Capitalisation	\$157.6 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.

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



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Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception ^{^^} (p.a.)
Net [^]	2.73%	4.89%	7.18%	23.43%	14.57%	11.08%	9.14%
Benchmark*	2.68%	4.51%	8.48%	25.75%	12.88%	9.21%	9.77%
Alpha	0.05%	0.38%	-1.30%	-2.32%	1.68%	1.88%	-0.63%

[^] 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)

Ellerston Asian Investments (EAI) was up 2.73% (net) in June versus the MSCI Asia ex Japan Index which was up 2.68%. In the 2021 financial year, EAI was up 23.43% compared to the benchmark which was up 25.75% (net).

EAI aims to have a sustainable dividend policy based on multiple years of profit reserves. As at the end of June 2021, EAI's dividend profit reserve was approximately 16.2 cents per share (includes FY21 profits).

COMMENTARY

Asian financial markets again lacked clear direction and conviction during the month with investors oscillating between growth/value and reopening/lockdown plays. We believe this is reflective of continued uncertainty around the evolving COVID situation across the region and the outlook for US monetary policy. We discuss these two topics below.

ONGOING COVID CONCERNS

There were contrasting COVID-19 developments across Asia during June. South East Asian countries such as Indonesia and Thailand saw escalating COVID cases as the Delta variant took hold. Conversely, India and Taiwan reported significant improvements. Despite the improvements in some countries, we continue to take a cautious view on the COVID situation regionally. This is due to the spread of the highly contagious Delta variant and because vaccination rates across Asia remain low. Specifically on vaccinations, only Hong Kong, Singapore, South Korea and Japan have fully vaccinated more than 10% of their population. This compares to many developed countries such as the US, UK, Germany, Italy and France, where vaccine penetration is already above 30%. Preliminary findings out of the UK suggest that vaccines have been effective in protecting people from the Delta variant. Therefore until we see vaccine penetration improve across most of Asia, the region is susceptible to disruptions from further COVID waves. This could see investors vacillate between reopening and lockdown beneficiaries on a country by country basis depending on their COVID situation.

We currently have no exposure to South East Asian countries outside of Singapore, but increased our weight in India during June as our channel checks confirmed that the improvement in case numbers has led to increased economic activity.

TAPER TANTRUM FEARS RESURFACE

The US Federal Reserve (Fed) delivered a hawkish surprise in mid-June by shifting up its dot plot to include two rate hikes in 2023. The reason for the change in outlook was higher core inflation expectations on the back of better than expected improvement in the US economy. This stoked concerns about near term tightening risk and the impact this may have on equities.

The 2013 taper tantrum showed that the policy transition phase can result in a sharp sell-off in equities as investors adjust to a 'new normal' of lower liquidity and higher rates. The episode also showed that post the initial sell-off, equities can continue to perform well, particularly if the pace of tightening is gradual and well communicated.

We believe that a gradual Fed tapering is likely to occur within the next 6-12 months as the US economy regains its strength on the back of a successful vaccine rollout program. We however expect the market reaction to be milder than in 2013, particularly for Asian markets because the economic backdrop is stronger this time around and the external balances for current account deficit countries such as Indonesia, Thailand, India and Philippines are much healthier.

Nonetheless, our portfolio is positioned more defensively than we typically have in the past in order to protect returns against a mild sell-off associated with Fed tapering. As we will discuss in the next section, we are overweight Financials and high quality tech names and have zero or underweight positions in current account deficit countries with volatile currencies.

POSITIONING AND PORTFOLIO CHANGES

In light of the market uncertainty with regards to COVID and US monetary policy, the EAI portfolio is positioned for balanced growth with a bias towards high quality Financials and Technology companies.

Specifically within Financials, we hold a number of banks that are beneficiaries of rising inflation and rates such as DBS, OCBC and Shinhan Financial. These banks are also likely to benefit from improved loan growth, stabilized net interest margins and potential tailwinds from write-back of provisions. This should pave the way for higher ROEs and dividend payouts.

Within the Technology space, we have significant positions in beneficiaries of the current chip shortage situation such as TSMC and Samsung. Our latest channel checks suggest that there has been some easing of the undersupply of chips to segments such as automotive. As such, global auto makers will progressively see more stabilized production in the coming months. We added Maruti Suzuki into our portfolio during the month as the combination of easing component shortages and improving COVID situation in India should help deliver better sales in the coming months.

During June we also added to our positions in Chinese internet companies such as NetEase, Baidu and Alibaba. Our NetEase position reflects a belief that upcoming new games launches will be a catalyst for potential earnings upgrades. Meanwhile, we see Baidu as one of the most undervalued search companies globally. The company trades on a PEG ratio of less than 1x and at current levels, the core search business is trading on an implied P/E multiple of 11x, which is less than half the multiple that peers such as Google is trading on. Finally, Alibaba is now our second largest position in the portfolio at 7.9%. The stock has been buffeted in recent weeks by regulatory and investment concerns, but we believe these are largely reflected in the share price. The company remains a market leader in the growing China e-commerce space, has a fortress balance sheet, generates positive free cash flow and has a strong track record of value enhancing investments. Yet because of the aforementioned concerns, the stock is currently trading at a trough multiple of 21x PE. On our sum of the parts analysis, the current market cap of the Alibaba suggest that investors are paying only for the core ecommerce and ascribes no value to the Cloud business and other strategic investments. We see Alibaba as a core structural holding within the EAI portfolio and therefore view the recent sell-off as an attractive opportunity to add more.

PERFORMANCE

In June, China and Korea were the largest country contributors to alpha. While Taiwan was the largest detractor primarily due to the surge in share prices for shipping liners such as Evergreen Marine, Yang Ming Marine and Wan Hai. We currently do not hold any of these shippers in our portfolio and see the recent share price appreciation as transitory. At a sector level, Consumer Discretionary and Communication Services were our biggest positive drivers of performance. Meanwhile, Financials and Information Technology were the key drags. At a stock level, CATL, NIO and Kakao were our largest contributors to alpha. While China Merchants, Hong Kong Exchanges and Moutai were our biggest detractors.

As always, if you have any questions regarding any aspect of the Fund or the portfolio, please feel free to contact us at info@ellerstoncapital.com.

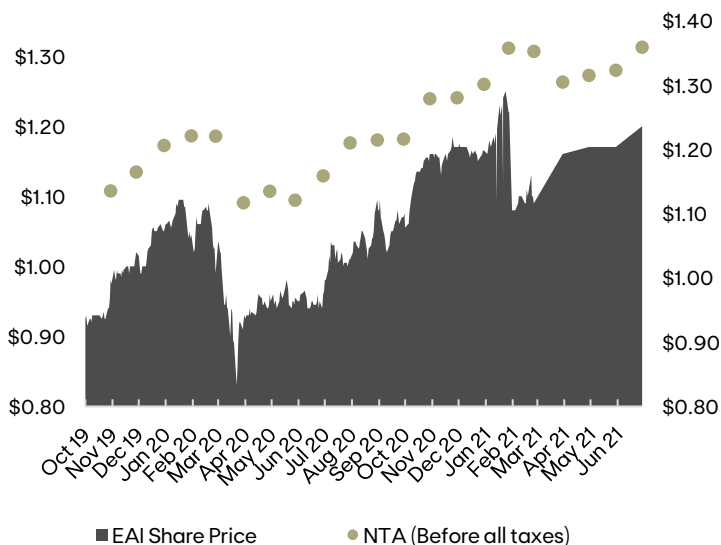
Kind regards,
Fredy Hoh

PORTFOLIO CHARACTERISTICS

TOP 10 HOLDINGS

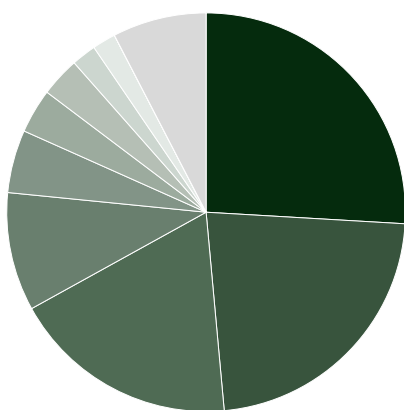
TSMC	8.4%
Alibaba	7.9%
Tencent Holdings Ltd	6.8%
Samsung Electronics	5.8%
DBS Group Holdings Ltd	3.7%
Baidu	2.8%
China Merchants Bank Co. Ltd.	2.7%
China Construction Bank Corp	2.6%
NetEase	2.6%
ANTA Sports	2.5%

EAI SHARE PRICE VS NTA



Source: Ellerston Capital.

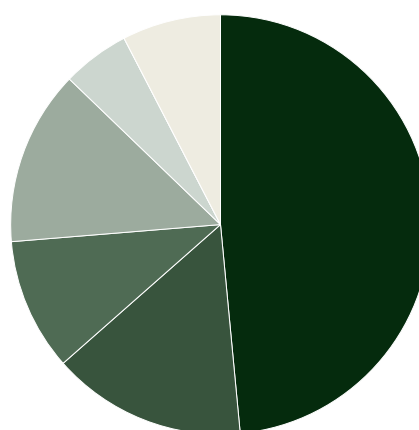
SECTOR ALLOCATION



- Information technology, 25.9%
- Financials, 22.6%
- Consumer discretionary, 18.4%
- Communication services, 9.6%
- Materials, 5.1%
- Industrials, 3.6%
- Consumer staples, 3.2%
- Health care, 2.0%
- Energy, 1.9%
- Cash, 7.6%

Source: Ellerston Capital.

GEOGRAPHIC ALLOCATION



- China/HK, 48.5%
- Korea, 15.0%
- India, 10.2%
- Taiwan, 13.5%
- ASEAN, 5.2%
- Cash, 7.6%

Source: Ellerston Capital.

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info@ellerstoncapital.com

Find out more

All holding enquiries should be directed to our register, Link Market Services on **1300 551 627** or EAI@linkmarketservices.com.au

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The Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Ellerston Asian Investments (EAI) adheres to the strict disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol, EAI's methodology, performance and stock holdings can be found at www.responsibleinvestment.org, together with details about other responsible investment products certified by RIAA.¹

¹ The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence