

ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

13 September 2021

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

MONTHLY NTA STATEMENT - August 2021

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the Company as at 31 August 2021 is:

NTA per Share	31 August 2021
NTA before tax	\$1.2885
NTA after realised tax *	\$1.2431
NTA after tax ^	\$1.2300

These figures are unaudited and indicative only
The NTA is based on fully paid share capital of 130,220,196.

* 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. Since 27 September 2020 a total of 1,642,000 shares had been bought back.



Ian Kelly
Company Secretary

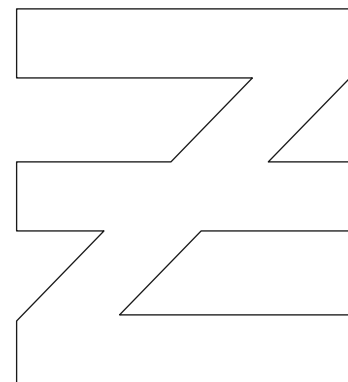
Contact Details

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.

This document has been prepared for Ellerston Asian Investments Limited by the investment manager Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. Any information has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. To the extent any general financial product advice is provided in this document, it is provided by Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or needs.

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)



Monthly Newsletter, August 2021

Key Information

Listing Date^{^^}	4 September 2015
NTA (before tax)*	\$1.2885
NTA (after realised tax)[^]	\$1.2431
NTA (after tax)**	\$1.2300
Share Price at 31/08/21	\$1.165
EAI Market Capitalisation	\$151.7 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.



CERTIFIED BY RIAA

Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception ^{^^} (p.a.)
Net[^]	0.05%	-2.43%	-2.08%	11.30%	12.27%	8.60%	7.95%
Benchmark*	2.67%	-0.69%	0.01%	16.97%	12.60%	7.56%	8.88%
Alpha	-2.61%	-1.74%	-2.09%	-5.66%	-0.34%	1.04%	-0.93%

[^] 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)

August was a difficult month characterised by significant volatility due to the ongoing regulatory crackdown in China. Ellerston Asian Investments (EAI) was up 0.05% (net) in August versus the MSCI Asia ex Japan Index which was up 2.67% after being down as much as 4.6% throughout the month.

EAI aims to have a sustainable dividend policy based on multiple years of profit reserves. Given the solid financial performance over the past 12 months and the healthy franking credit balance at the end of FY21, EAI has declared a final dividend of 3 cents per share fully franked. This represents a 20% increase on the interim dividend. As at the end of August 2021, EAI's dividend profit reserve was approximately 16.36 cents per share (includes FY22 profits).

China Regulatory Risk

The main event dominating Asia market performance was the rapidly evolving regulatory landscape in China. The quantum of regulatory announcements accelerated throughout the month and broadened to include online gaming and video streaming and other parts of the economy such as healthcare, auto, alcohol, property and high net worth individuals. Importantly, the Chinese Government also provided some clarity on its long term policy 'end game' which is to promote 'common prosperity' and prevent the 'disorderly expansion of capital'. We take this to mean that improving inequality, lowering household/social burden and reducing systemic risks such as monopolistic behaviour and misuse of data will be the key priorities for China's policymakers going forward. The measures announced over the past few weeks have been consistent with this and we expect further regulations to be implemented in the coming weeks.

The broadening of regulatory oversight contributed to much of our relative underperformance during the month as we held Chinese internet companies such as Tencent, Netease and Alibaba heading into August. As it became increasingly clear that regulatory risk would remain elevated for some time, we further reduced our China internet exposure throughout the month. Some of the proceeds were reallocated towards companies operating in industries supported by Chinese Government policies such as Li Ning (sportswear), China Mengniu (dairy products) and BYD (electric vehicles). This reallocation has meant that almost two thirds of EAI's China portfolio is now invested in companies more aligned with China's long term goals. Alibaba is our only major overweight in the China internet space. We believe this diversified approach is the most sensible way to invest in China at this point in time.

Despite our increasingly cautious positioning towards the China internet space, we continue to believe that many of these companies will play an important role in the development of China's economy. The digital economy, which includes the internet companies, currently accounts for just under 40% of China's GDP and is a major driver of innovation for the country. The industry employs over 200 million people and serves over 1 billion mobile and internet users in China. Given the size and reach of the digital economy, supporting its healthy development should therefore remain a policy priority for the Chinese Government. Indeed, the digital economy was listed as a strategically important sector within China's 14th Five Year Plan (covering the 2021-2025 period). As such, we see recent regulations as creating a framework for long term sustainable growth for the industry, which is ultimately a good thing for the overall economy.

For investors into China's largest internet companies however, it's worth noting that there will likely be a higher cost of policy compliance going forward. Firstly, there is the prospect of higher costs associated with self-rectification measures such as tweaks to business practices. Although there may be some margin impact, we do not expect this to be materially negative to long term valuations. Secondly, there is a risk that firms will need to pay a perpetual 'social tax'. For instance, Alibaba, Tencent and Pinduoduo have recently pledged a combined RMB210bn (A\$44bn) over the next few years towards 'common prosperity' causes such as scientific research, rural development and clean energy initiatives. We note that the contributions announced so far represent only a small fraction of the free cash flow that many of these companies generate and again do not materially impact valuations. More importantly though, we believe the ongoing payment of this 'social tax' represents a commitment by China's internet giants to be onside with the government, which should ultimately help lower the risk that they will be permanently impaired or 'shut down'. This in turn, should provide investors greater comfort that the long term value of these internet companies will remain intact, albeit with a slightly higher risk premium.

Despite our optimism around the long term value of China's internet companies, we remain wary of near term regulatory risks and prefer to stay diversified within our China portfolio. In order for us to add back more meaningfully into the internet sector, we would like to see positive actions (not just words) from the Government that help restore investor confidence. Specifically, we are looking for events such as the resumption of IPOs either domestically or offshore, M&A activity, new online games approvals and a lull in new regulatory announcements to confirm that the investment backdrop for these internet companies have tangibly improved.

COVID Update

The regulatory crackdown in China have largely overshadowed improvements in the COVID situation for many Asian countries. Over the past month, China, Indonesia, Thailand and Taiwan have all seen declining case numbers. Vaccination rates have also increased across the region. Taiwan is now the only country we track in Asia where less than 10% of its population is fully vaccinated. Despite the improving COVID trend, the risk of further disruptions remains high. That's because almost all countries in Asia have a zero tolerance approach to COVID and vaccine penetration remains some way off the 'herd immunity' levels. As such, we remain cautious in adding reopening beneficiaries into the portfolio and continue to prefer high quality names with structural growth stories that are less impacted by COVID.

Portfolio Performance

Hong Kong was the largest contributor to alpha during August. Whilst, China and India were the largest detractors. At a sector level, Healthcare was the largest contributor to alpha. Meanwhile, Communication Services and Consumer Discretionary were the worst performers. At a stock level, Techtronic and Li Ning were the biggest positive contributors to performance as both reported better than expected 2QFY21 results. China Merchants Bank and HDFC also contributed positively. Conversely, Alibaba and Netease were the biggest drags on performance.

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,

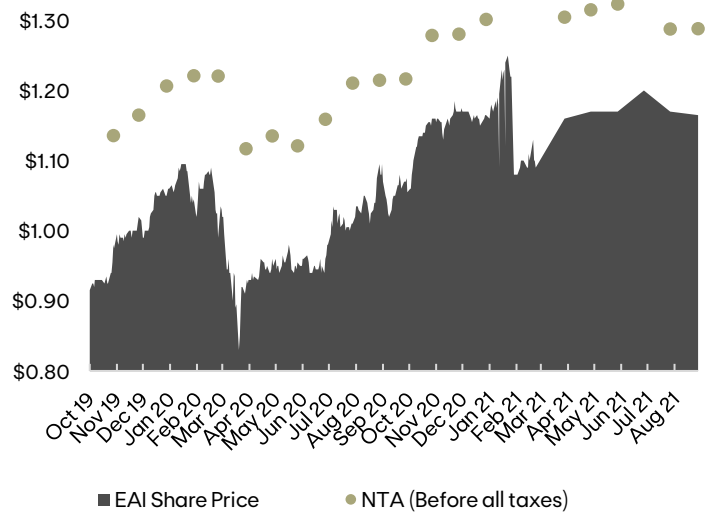
Fredy Hoh

PORTFOLIO CHARACTERISTICS

TOP 10 HOLDINGS

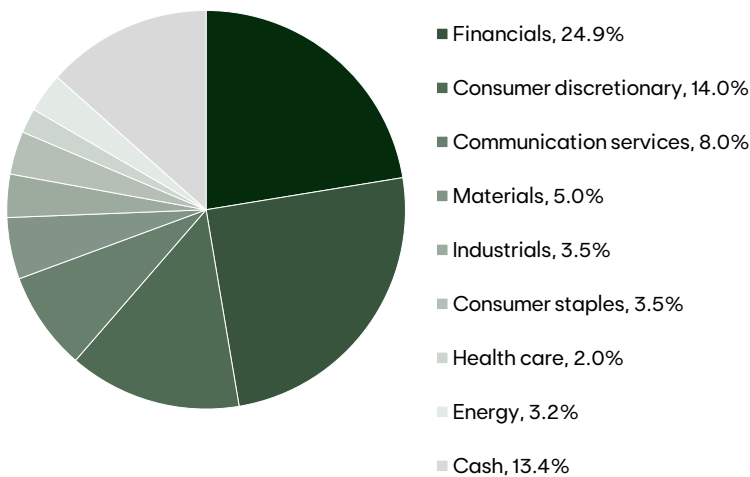
TSMC	10.1%
Alibaba	6.1%
Tencent	5.6%
Samsung	5.5%
DBS Group	3.7%
Reliance Industries	3.2%
Hong Kong Exchanges	2.9%
AIA Group	2.9%
Naver	2.4%
China Merchants Bank	2.2%

EAI SHARE PRICE VS NTA



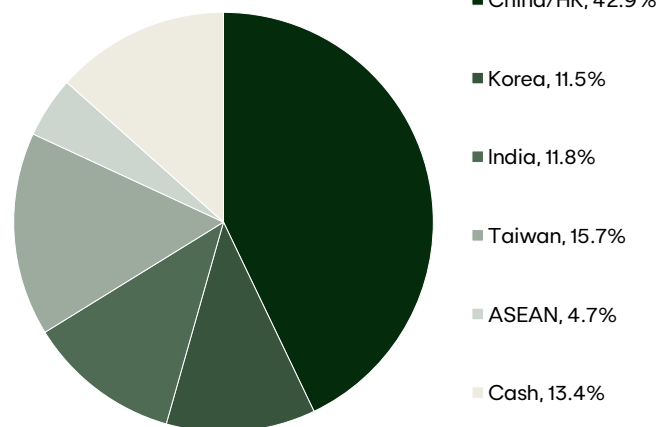
Source: Ellerston Capital.

SECTOR ALLOCATION



Source: Ellerston Capital.

GEOGRAPHIC ALLOCATION



Source: Ellerston Capital.

Contact Us Sydney

Level 11, 179 Elizabeth Street,
Sydney, NSW 2000
+612 9021 7701
info@ellerstoncapital.com

Melbourne

Level 4, 75-77 Flinders Lane,
Melbourne, VIC 3000
+612 9021 7701
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

Should investors have any questions or queries regarding the Fund, please contact our Investor Relations team on **02 9021 7701** or info@ellerstoncapital.com or visit us at ellerstoncapital.com

This report has been prepared for Ellerston Asian Investments Limited by the investment manager Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. Any information has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. To the extent any general financial product advice is provided in this document, it is provided by Ellerston Capital Limited ABN 34 110 397 674 AFSL No. 283 000. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or needs.

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