ELLERSTON ASIAN
INVESTMENTS LIMITED
ACN 606 683 729

13 January 2023

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

MONTHLY NTA STATEMENT - December 2022

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA)** per share of the Company as at 31 December 2022 is:

NTA per Share	31 December 2022
NTA before tax	$0.8635
NTA after realised tax *	$0.8635
NTA after tax ^	$0.8972

These figures are unaudited and indicative only
The NTA is based on fully paid share capitial of 124,168,061.

* NTA after realised tax	- Includes a provision for tax on realised gains from the Company's Investment Portfolio.
^ NTA after tax	- Includes a Tax Asset of 2.97Cents per share relating to recoupable realised and unrealised losses.

On 23 September 2022, EAI announced a renewal of its on-market buy-back of up to 10% of its shares, commencing 27 September 2022 and continuing for twelve months.Since 27 September 2022 a total of 717,031 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.

Ellerston Asian Investments Limited (ASX: EAI)

Monthly Newsletter, December 2022

Key Information

Listing Date^^	4 September 2015
NTA (before tax)*	$0.8635
NTA (after realised tax)^	$0.8635
NTA (after tax)**	$0.8972
Share Price at 31/12/2022	$0.795
EAI Market Capitalisation	$98.7 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 a Tax Asset of 2.97 Cents per share relating to realised and unrealised losses.

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CERTIFIED RESPONSIBLE INVESTMENT

CERTIFIED BY RIAA

Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception^^ (p.a.)
Net^	-0.98%	3.92%	-5.62%	-19.70%	-4.41%	-0.14%	2.61%
Benchmark*	-1.63%	5.22%	-3.86%	-15.89%	-2.30%	0.02%	3.94%
Alpha	0.64%	-1.30%	-1.76%	-3.81%	-2.11%	-0.17%	-1.33%

^ 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 down 1.0% (net) in December versus the MSCI Asia ex Japan (MXASJ) Index which was down 1.6%.

EAI aims to have a sustainable dividend policy based on multiple years of profit reserves. The dividend profit reserve as at the end of December 2022 was approximately 11 cents per share.

December saw Asia led by China outperform developed markets (DM). The MSCI China Index was up 5.2% during the month compared to the S&P 500 and ASX 200 which were down 5.8% and 3.2% respectively as hawkish rhetoric most notably from the US Federal Reserve (Fed) drove a pullback in DM equities. Since the late October sell-off in Chinese equities, MSCI China has outperformed the S&P 500 and ASX 200 by 36% and 33% respectively. We wrote in our last newsletter that an inflection point in the outlook for Chinese equities had likely been established due to the dramatic shift by policymakers towards restoring economic growth. The likely growth divergence between China and DM in 2023 could therefore drive continued outperformance of MSCI China in the coming months.

China Reopening, Housing Support and Regulatory Easing

During the month, there were further concrete signs supporting a cyclical upturn for Chinese equities. Firstly, policymakers scrapped COVID testing requirements, contact tracing and quarantine measures for both infected residents and inbound travelers. We view these adjustments as an informal abandonment of China's draconian zero-COVID policy. This therefore paves the way for China to enjoy a reopening driven boost similar to what has played out in other countries around the world. An unintended consequence of the rolling COVID disruptions over the past 3 years is that Chinese residents have saved a significant portion of their incomes. It is estimated that up to RMB3.5trillion (~A$750bn) of excess savings could be unleashed back into the economy on goods and services. This is a powerful secular tailwind for most of our ecommerce (Alibaba, Meituan) and consumption related investments (Mengniu, Moutai, China Tourism Group). Although the near term recovery could be hampered by the sudden surge in case and mortality numbers, we believe this is already reflected in current valuations with the Hang Seng Index still trading at 10x forward PE. Earnings growth and earnings revisions meanwhile have already started turning positive particularly for the China internet companies. As such, we continue to see significant long term upside for our China investments and will be inclined to look through any near term COVID related disruptions.

Aside from the shift in COVID policy, there were also positive developments on the property and regulatory fronts. Specifically, two key takeaways from the Central Economic Work Conference held in December were the pledges by top leadership to stabilize the property sector and to support the platform economy. Encouragingly, we have seen tangible policy action to back up these commitments with the government announcing a ~RMB1tn (A$210bn) rescue package for the property sector in November. Meanwhile, regulators have restarted the approval of foreign internet games for the first time since 2021. Further helping to ease the regulatory overhang for Chinese internet companies was the audit agreement reached between China and the US which alleviates the delisting risk for ADRs.

In aggregate, a China reopening, property sector stabilisation and removal of major regulatory risks provides a more attractive backdrop for investing in China. With valuations still at depressed levels, we took the opportunity to increase our China exposure during December and will use any near term pullbacks to further add to our portfolio.

Portfolio Performance Summary

China and Korea were the largest contributors to alpha during the month. Whilst, India and Malaysia were the major detractors. At a sector level, Consumer Staples and Consumer Discretionary were the biggest contributors to relative performance. Meanwhile, Healthcare and Energy were the worst performers.

At a company level, Kweichow Moutai, AIA and By-Health were the biggest contributors to relative performance during the month. All three names are key beneficiaries of a China reopening and had been unfairly sold off throughout 2022 amid COVID uncertainties.

Samsung Electronics and CSPC Pharmaceuticals were the biggest drags on alpha. Samsung corrected in-line with the global sell-off in growth stocks. Fundamentally, the company is also navigating a temporary downturn in the memory market due to excess inventory. However, with peers such as Micron and SK Hynix already committing to cut capex for 2023, we believe the memory cycle is likely to bottom sometime in 1H2023. Samsung meanwhile is trading on 1.1x P/B and has KRW130tn (or A$150bn) of cash on balance sheet, which is equivalent to 35% of its market cap. We believe rational behavior from industry participants, trough valuations and a fortress balance sheet will limit further downside in the company's share price. CSPC's share price pulled back during the month as the commercialization outlook of its mRNA based COVID vaccine faded with the sudden U-turn in China's zero-COVID policy. However, our investment thesis on CSPC remains intact and we expect the stock to re-rate as the company transitions its product portfolio from generic drugs to innovative drugs. The company also recently upgraded its 2023 outlook on the back of its strong existing product portfolio and trades on an undemanding 13x forward PE with an expected earnings growth of 10-15%.

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.

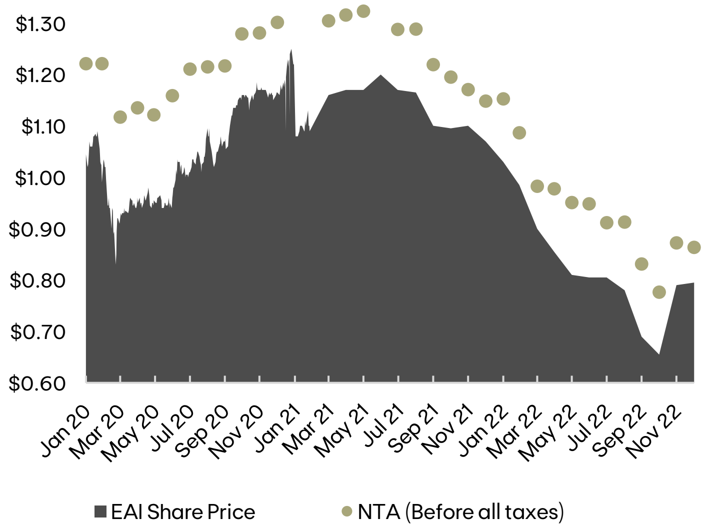
Kind Regards,
Fredy Hoh

PORTFOLIO CHARACTERISTICS

TOP 10 HOLDINGS

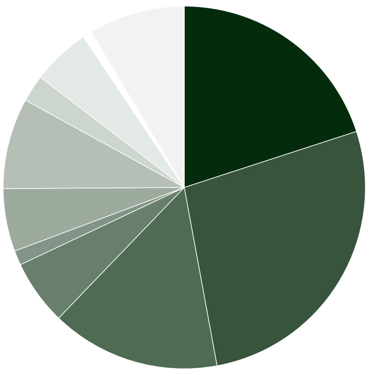
TSMC	**8.4%**
Samsung Electronics	**6.5%**
Tencent	**5.8%**
Reliance Industries	**5.2%**
AIA Group	**5.1%**
DBS Group Holdings	**4.4%**
Alibaba Group Holding	**4.2%**
ICICI Bank	**3.5%**
Kweichow Moutai	**3.2%**
China Mengniu Dairy	**3.2%**

EAI SHARE PRICE VS NTA



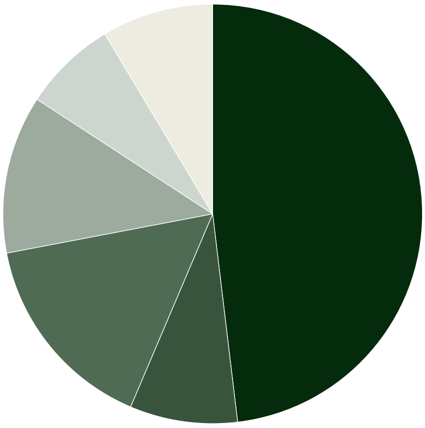
Source: Ellerston Capital.

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

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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