ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

13 April 2023

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

MONTHLY NTA STATEMENT - March 2023

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the Company as at 31 March 2023 is:

NTA per Share	31 March 2023
NTA before tax	$0.8606
NTA after realised tax *	$0.8606
NTA after tax ^	$0.8616

These figures are unaudited and indicative only
The NTA is based on fully paid share capital 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	- This figure includes a tax asset of 0.1 cents per share relating to recoupable realised and unrealised losses. The tax asset has been capped based on an estimate of the amount that is reasonably expected to be recouped prior to the proposed restructure.

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, March 2023

Key Information

Listing Date^^	4 September 2015
NTA (before tax)*	$0.8606
NTA (after realised tax)^	$0.8606
NTA (after tax)**	$0.8616
Share Price at 31/03/2023	$0.820
EAI Market Capitalisation	$101.8 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) – This figure includes a Tax Asset of 0.1 cents per share relating to recoupable realised and unrealised losses. The tax asset has been capped based on an estimate of the amount that is reasonably expected to be recouped prior to the proposed fund restructure.

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Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	Since Inception^^ (p.a.)
Net^	3.19%	3.77%	7.84%	-5.48%	-1.33%	0.09%	3.03%
Benchmark*	4.00%	5.39%	10.90%	-0.24%	1.68%	0.60%	4.53%
Alpha	-0.82%	-1.62%	-3.05%	-5.24%	-3.02%	-0.50%	-1.50%

^ 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 3.2% (net) in March versus the MSCI Asia ex Japan (MXASJ) Index which was up 4.0%.

EAI aims to have a sustainable dividend policy based on multiple years of profit reserves. On March 29, EAI paid a dividend of 3 cents per share fully franked. Reflecting this, the dividend profit reserve as at the end of March 2023 was approximately 8 cents per share.

March was a volatile month for global equity markets with the banking turmoil in the US and Europe weighing on returns early in the month, followed by a strong rebound after measures to stabilise the financial sector were announced.

Banking Turmoil in the US and Europe

The collapse of Silicon Valley Bank, Silvergate Bank and Signature Bank in early March sent shockwaves through financial markets and led to concerns of an imminent financial crisis. US authorities however have acted swiftly to address near contagion risk and restore confidence in the sector through additional liquidity via the Bank Term Fund Program and the potential extension of deposit guarantees. Furthermore, there were idiosyncratic reasons behind the failure of all three banks most notably the concentration towards riskier areas such as venture capital and cryptocurrency. This together with duration mismatches between assets (i.e. held to maturity instruments) and liabilities (i.e. uninsured deposits) that were exposed by the sharp rise in interest rates over the past 12 months, created unique challenges for these smaller 'niche' banks. As such, we do not view these bank failures as another Lehman Brothers moment and believe systematic risks are well contained.

Further compounding stresses in the global banking system was the collapse of Credit Suisse, which had reportedly run into liquidity issues. Again, contagion risk was quickly addressed when UBS agreed to acquire Credit Suisse, albeit at a steep discount.

Although concerns around the banking sector have eased in recent days, the potential implications from these events on credit conditions and economic growth have yet to fully play out. As such, we believe banking system risks for developed markets are likely to remain an overhang in the coming months. Asia is relatively better placed due to differences in banking regulations and monetary policies. This relative difference further strengthens the case for Asian equities led by China to outperform in 2023. Within Asia, we prefer companies with strong balance sheets and free cash flow generation such as TSMC, Kweichow Moutai and China internet companies. These businesses are unlikely to be impacted by distress in the banking system as they require little external financing.

Asia as a Relative Safe Haven

We have previously written about the case for Asian equities outperformance driven by less restrictive monetary policies, China's reopening and positive spillover benefits for the region and more attractive risk/reward. Within Asia, China and India are our two largest country exposures. This positioning is underpinned by strong relative growth prospects, with China (+5.2%yoy) and India (+5.9%yoy) likely to account for half of global GDP growth in 2023.

On China specifically, the economic recovery since reopening remains positive particularly for the services sector (March PMI of 57.8). There have also been green shoots for the property sector, with residential property sales returning to positive growth throughout March. This is particularly important given the property sector accounted for ~50% of local government revenues and ~70% of household wealth. Meanwhile, other measures such as loan growth and retail sales have also shown an improving trend in recent months. These improvements are likely to be sustained given the policy setting environment continues to be supportive. Indeed during March, the People's Bank of China cut the reserve requirement ratio for banks by 25bps in order to inject more liquidity into the economy. Furthermore, a key takeaway from the 'Two Sessions' in March was the positive comments from top government officials around growth, the private sector and property. This suggests further incremental easing measures are likely in the coming months, which will help to deliver the 'around 5%' GDP growth target for 2023. Equity valuations remain attractive with the MSCI China trading on 10.6x forward PE.

We continue to take a diversified approach to investing in China with a preference for high quality companies that are either supported by government policies or operating in policy neutral sectors. We also own companies that are regulated by the Government but remain strategically important such as the Chinese internet names.

Portfolio Performance Summary

Taiwan and Indonesia were the largest contributors to alpha during the month. Whilst, China and Singapore were the largest detractors. At a sector level, Financials and Materials were the biggest contributors to relative performance. Meanwhile, Consumer Staples and Communication Services were the worst performers.

At a company level, Alibaba, Bank of Mandiri and Samsung Electronics were the biggest contributors to relative performance during the month. The Alibaba share price was boosted by the announcement that the company will be split into six separate business units which could pave the way for individual IPOs in the coming years. We view the restructure positively given it will help to unlock embedded value within the company. The expected improvements in operating performances of each independent business unit from more focused management teams and removal of business friction should eliminate the 'conglomerate discount' that has historically existed for the company. Indeed, Alibaba continues to trade on 8.5x (ex-cash) forward PE, which looks attractive against earnings growth of ~15% CAGR over the next 3 years. Bank of Mandiri meanwhile saw inflows ahead of its proposed stock split. Finally, the Samsung Electronics share price bounced as its competitor Micron reaffirmed previously announced capex and production cuts. This together with tentative signs of a bottoming in TV and PC demand could help to stabilize memory prices in the coming quarter.

Mengniu Dairy and DBS were the biggest drags on alpha. Mengniu was sold off during the month after management provided softer than expected revenue guidance for 2023. We believe expectations of 'teens' revenue growth and 30-50bps of margin expansion could prove conservative. Meanwhile, the company trades on an undemanding 15x forward PE. The DBS share price was negatively impacted by the banking sector turmoil that played out during the month. We note however that DBS has no direct exposure to the troubled banks and the company has healthy liquidity coverage (>145%) and capital ratios (CET 1 of 14.6%).

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.

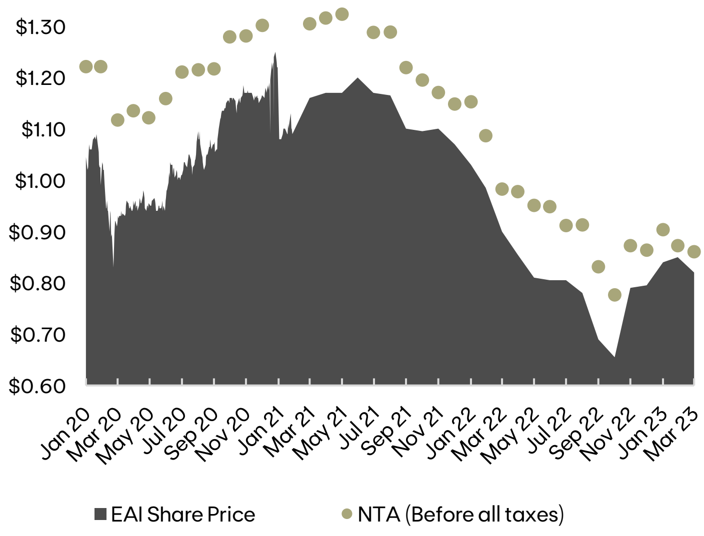
Kind Regards,
Fredy Hoh

PORTFOLIO CHARACTERISTICS

TOP 10 HOLDINGS

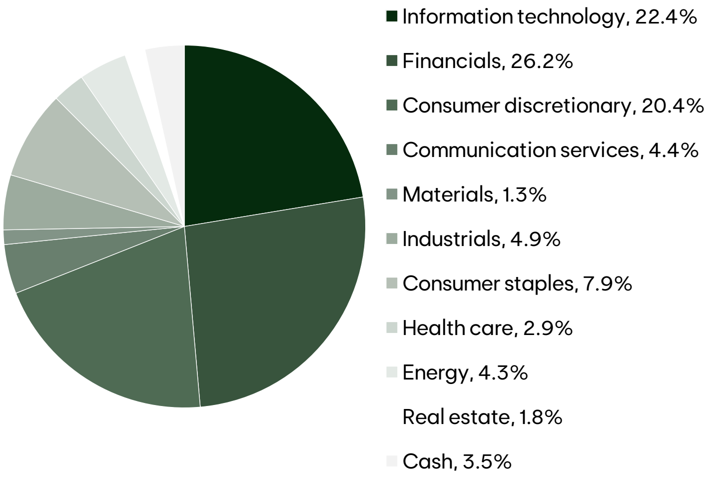
TSMC	9.6%
Samsung Electronics	7.5%
Alibaba Group Holding Limited	5.9%
AIA Group Limited	4.7%
Tencent	4.4%
DBS Group Holdings Ltd	4.3%
Reliance Industries Limited	4.3%
HDFC Bank Limited	3.7%
Kweichow Moutai Co., Ltd.	3.4%
PT Bank Mandiri	3.2%

EAI SHARE PRICE VS NTA



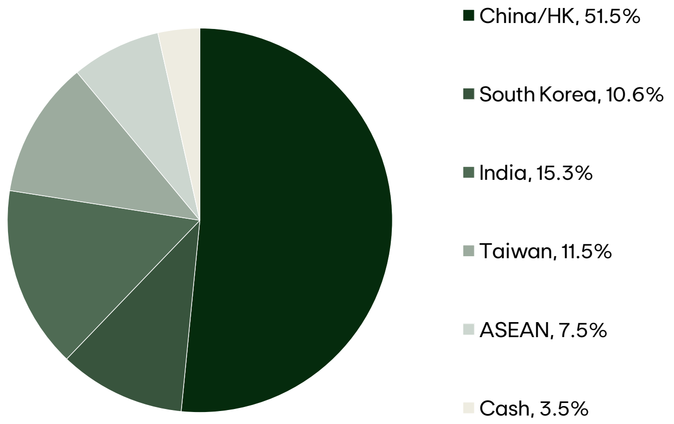
Source: Ellerston Capital.

SECTOR ALLOCATION



Source: Ellerston Capital.

GEOGRAPHIC ALLOCATION



Source: Ellerston Capital.

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Find out more

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