

# Monthly NTA Statement

February 2017

Ellerston Asian  
Investments Limited  
ACN 606 683 729

13<sup>th</sup> March 2017

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

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the company as at 28 February 2017:

NTA per share	28 February 2017
NTA before tax	\$0.9583
NTA after tax	\$0.9716

The NTA is based on fully paid share capital of 116,222,182

The difference between the NTA before tax and the NTA after tax relates to the provision for deferred tax on set-up costs and tax on unrealised capital gains from the Company's Investment Portfolio.

On September 13, EAI announced an on-market buy-back of up to 10% of its shares, commencing September 27 2016 and continuing for twelve months.

As at 28 February 2017, a total of 3,777,819 shares had been bought back.

**The company's gross performance before tax for the month of February was -0.40%.**



Ian Kelly  
Company Secretary

## Important Note

Should investors have any questions or queries regarding the company, please contact our Investor Relations team on 02 9021 7797. All holding enquiries should be directed to our share registrar, Link Market Services on 1300 551 627 or [EAI@linkmarketservices.com.au](mailto:EAI@linkmarketservices.com.au).

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## Contact Details

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1300 551 627

# Ellerston Asian Investments

Investment Update – February 2017

## Commentary

EAI was down 0.3% in February on a gross basis and the pre-tax NTA at the end of the month was \$0.96. We continued to buy back shares over the course of the month and the discount as of February 28 had closed to roughly -10%.

The benchmark was up approximately 2% during the month. Relative performance was negatively impacted by EAI's tilt towards new economy sectors, particularly in China. Year to date as of February 28, the Hang Seng Industrials Index was up 13% while the Hang Seng Internet and IT Index was up only 3%. Sector rotation out of well-owned new economy stocks into massively under-owned old economy stocks is a phenomenon that is occurring globally, not just in Asia.

We think that this rotation is likely to continue (or at least not reverse) and therefore diversified the sector exposure of the portfolio throughout the month. While historically between 80-90% of the portfolio has been in technology, financials and consumer stocks, approximately 17% of the portfolio is now in industrials, materials and energy. Importantly, all the new stocks that have been added to the portfolio meet our strict growth, valuation and market cap criteria.

As a result of this sector reallocation, we now have 33 stocks in the portfolio, up from only 24 at the end of January. The cash balance at the end of February was 14% down from 18% at the end of the prior month.

In terms of country allocation, our biggest overweights remain China and India and the biggest underweights continue to be Taiwan and Korea. The FX exposure of the portfolio is hedged to the benchmark for all countries with greater than a 10% weighting. We are also hedged the RMB.

China Life and Axis Bank were the top contributors to performance during the month and Tata Motors was the biggest detractor. China Life is one of the biggest beneficiaries of southbound funds flow from China to Hong Kong. The stock has also rallied as the probability of higher interest rates in both the US and China improves the outlook for the company's investment income.

Axis Bank performed well during the month due to overall strong performance in the Indian banking sector and the stock received an additional boost on speculation that Kotak Mahindra Bank is going to take it over. We remain very positive on Indian banks given the low level of credit penetration in India, ongoing NPL clean up and reasonable valuations. Given the small market capitalizations of Indian banks versus their Chinese peers (the 5 largest Chinese banks have a combined market cap of \$US815b while the 5 largest Indian banks have a combined market cap of only \$US151b) we think consolidation in the Indian banking sector is likely to continue in the medium term.

## Key Information

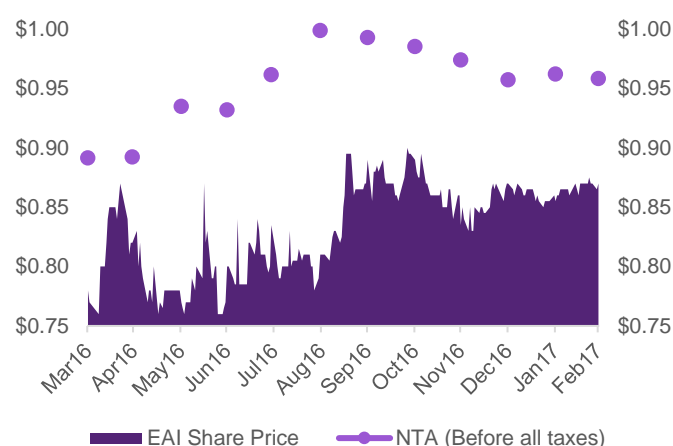
ASX Code: Shares	EAI
Listing date	15 September 2015
Share price at 28/2/2017	\$0.87
NTA (before tax)	\$0.96
NTA (after tax)	\$0.97
EAI Market Capitalisation	\$101.1m
ASX Code: Options	EAIO
Option price	\$0.027
Exercise price	\$1.00
Avg Management Fee	0.84% pa
Performance Fee	15%

## Performance

Metric	EAI Gross	EAI Net *	Index
1 Month	-0.3%	-0.4%	2.0%
3 Months	-1.3%	-1.6%	3.0%
6 Months	-3.5%	-4.1%	1.6%
1 Year	12.5%	11.1%	14.7%
ITD	0.4%	-1.3%	6.7%

\*Before all taxes and after fees. Includes the effects of the share buyback.

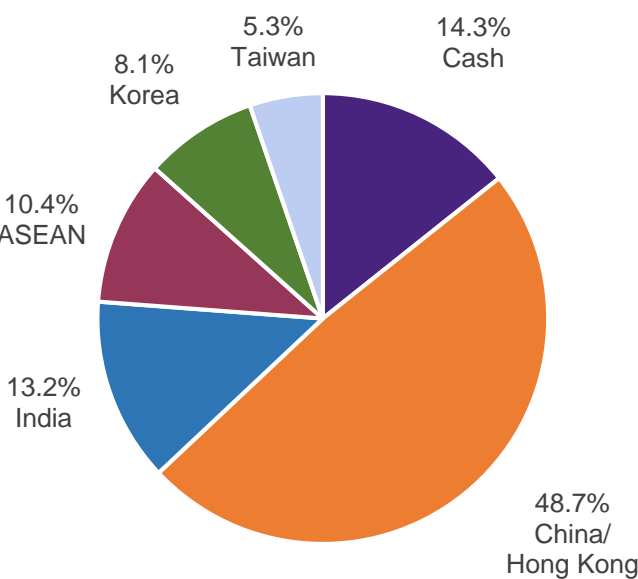
## EAI Share Price Vs NTA (Before all taxes)



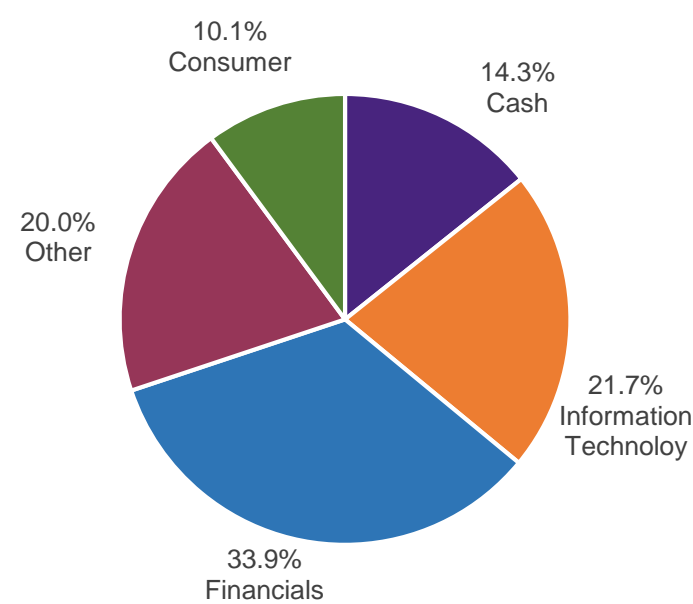
## Top 10 Holdings

Top 10 Holdings	%
TENCENT HOLDINGS LTD	6.5
PING AN INSURANCE GROUP	5.1
HONG KONG EXCHANGES AND CLEARING LTD	4.9
CHINA PETROLEUM AND CHEMICAL	4.6
CHINA LIFE INSURANCE CO LTD	4.3
TSMC	4.3
SAMSUNG ELECTRONICS CO LTD	4.1
NAVER CORP	4.0
AIA GROUP LTD	3.1
BAIDU INC - CHINA	2.8

Geographical Exposure



Sector Allocation



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