

# Monthly NTA Statement

December 2017

Ellerston Asian  
Investments Limited  
ACN 606 683 729

12<sup>th</sup> January 2018

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 31 December 2017:

NTA per share	31 December 2017
NTA before tax	\$1.1809
NTA after realised tax *	\$1.1653
NTA after tax ^	\$1.1363

The NTA is based on fully paid share capital of 105,596,405

\* **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 September 18 2017, EAI announced a new on-market buy-back of up to 10% of its shares, commencing September 27 2017 and continuing for twelve months. Since 27 September 2016 a total of 14,814,262 shares had been bought back

**The company's gross performance before tax for the month of December was -1.0%.**

**Option Conversion** - During the month of November 389,669 options were exercised and converted to shares which diluted the NTA after realised tax by **\$0.0007** per share.

**Options** - If all of the remaining 2019 options had been exercised by 31 December 2017, the fully diluted NTA before realised tax would have been **\$1.1121** per share.



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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## Ellerston Asian Investments (ASX: EAI)

Investment Update – December 2017

### Performance

	1 Month	3 Months	6 Months	1 Year	1 Nov 2015 <sup>^</sup>	Since Inception
EAI Gross	-1.0%	9.3%	12.8%	24.9%	19.0%	25.1%
EAI Net*	-1.1%	9.0%	12.1%	23.4%	16.0%	21.7%
MSCI Asia ex Japan (AUD)	-0.5%	8.3%	11.9%	28.4%	24.8%	32.6%

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

<sup>^</sup>Performance fee commencement

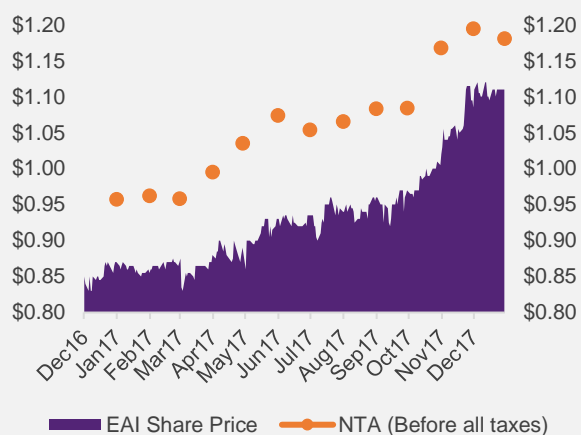
### Key Facts

Listing date	Sept 2015
<b>NTA (before tax)</b>	<b>\$1.1809</b>
NTA Fully Diluted (before tax) *	\$1.1121
NTA (after realised tax) <sup>^</sup>	\$1.1653
NTA (after tax) **	\$1.1363
<b>Share price at 30/11/2017</b>	<b>\$1.10</b>
EAI Market Capitalisation	\$116.2m
Average Management Fee	0.85%
Performance Fee	15%
Option price (ASX: EGIO)	\$0.11
Exercise price	\$1.00

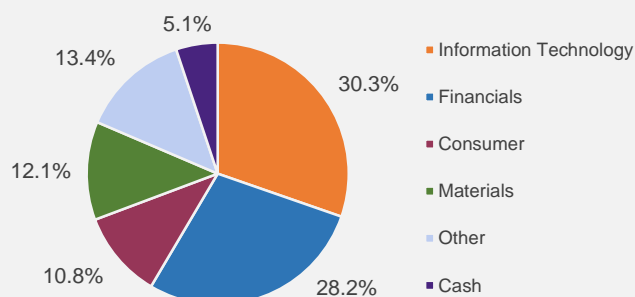
### Top 10 Holdings

Top 10 Holdings	Weight
TENCENT HOLDINGS	7.1%
TSMC	5.8%
SAMSUNG ELECTRONICS	4.8%
ALIBABA GROUP HOLDING	4.3%
PING AN INSURANCE GROUP	4.2%
DBS GROUP HOLDINGS	4.1%
ICBC	3.3%
CHINA CONSTRUCTION BANK	3.2%
LARSEN AND TOUBRO	3.1%
POSCO	3.0%

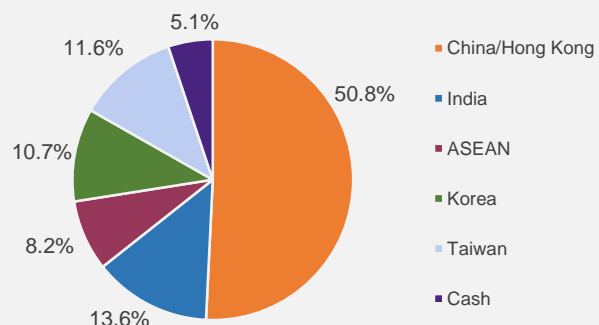
### EAI Share Price vs NTA (Before all taxes)



### Sector Allocation



### Geographic Exposure



\* NTA Fully Diluted (before tax) – Calculated as if all of the remaining 2019 options had been exercised by 30 November 2017.

<sup>^</sup> 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.



## Commentary

December was a volatile month for global markets. EAI was down 1.1% during the month and underperformed the Index by 56bps. The pre-tax NTA as of December 31, 2017 was \$1.18 versus \$1.19 at the end of November. We did not buy back any shares during the month.

Technology stocks were the biggest drag on both absolute and relative performance in December. There were a few reasons for this sell off in tech. First of all, given the sector's outstanding performance in 2017, investors took profits in tech going into yearend. Secondly, tax reform in the US generated some rotation related selling which spilled over into Asia. And finally, there was some disappointing anecdotal evidence on Apple iPhone X sales which put further pressure on tech stocks. We viewed this sell off as primarily non-fundamental (the iPhone news being the only exception) and maintained our high weighting in technology.

In early January, the technology sector rebounded sharply as investors reset in their top tech holdings. For example, on the first day of trading in 2018, Alibaba was up over 6% and oversold Apple supply chain stocks like Sunny Optical and Largan were up 9% and 6%, respectively.

China also started 2018 with a bang. The Hang Seng China Enterprise Index up 3.1% on the first day of trading and followed through with a strong performance on Day 2 of the new year. This was due to strong Southbound flows (i.e. mainland Chinese investors buying shares in Hong Kong via the Stock Connect), a favorable announcement from the PBOC regarding short term bank liquidity during Chinese New Year and a positive comments from North Korea.

In early January, Kim Jong-Un made conciliatory comments that he will not escalate tensions during the Winter Olympics in Korea during February. A few days later, the "hotline" between North and South Korea was been utilized for discussion between the two countries for the first time since 2015. These actions provide some geopolitical comfort, at least in the immediate term, and may suggest a willingness to cooperate that was not evident previously.

In India, state elections in Gujarat during December showed continued support for Prime Minister Modi's party, the BJP. There was concern going into these elections that the Congress Party, led by a seemingly reinvigorated Rahul Gandhi, would take a significant number of seats from the BJP, however this risk proved to be unfounded. As the 2019 general election approaches, we expect heightened attention paid to Indian politics and policy execution by Modi. The 2018 Budget, due to be announced in early February, is the next milestone in this respect.

There are currently 45 stocks in the portfolio with an average market cap of over \$100b. The largest sector weights in the portfolio are tech and financials. In terms of country allocation, our biggest overweights remain China and India and the biggest underweight is Korea. The positions in the fund remain the usual suspects: Tencent, TSMC, Samsung, Alibaba (the STAT stocks) as well as DBS and Ping An.

In terms of stock performance, the most significant contributors to alpha during the month were Sino Biopharm, Maruti Suzuki and Ping An. The top detractors from alpha were mobile camera stocks Sunny Optical and Largan. As mentioned above, these two stocks have rebounded month to date in January. Cash at the end of December was approximately 5%. Currencies with a greater than 10% weight are hedged as per the index.

We remain constructive on Asian equity markets in 2018 and look forward to an exciting year. Any questions, comments or feedback, are greatly appreciated.

Regards

Mary Manning

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