

Monthly NTA Statement

January 2018

Ellerston Asian
Investments Limited
ACN 606 683 729

14th February 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 January 2018:

NTA per share	31 January 2018
NTA before tax	\$1.2394
NTA after realised tax *	\$1.2124
NTA after tax ^	\$1.1782

The NTA is based on fully paid share capital of 105,616,105

* **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 January was 5.1%.

Option Conversion - During the month of January, 19,700 options were exercised and converted to shares which diluted the NTA before tax by **\$0.00004** per share.

Options - If all of the remaining 2019 options had been exercised by 30 January 2018, the fully diluted NTA before tax would have been **\$1.1485** 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.

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Ellerston Asian Investments (ASX: EAI)

Investment Update – January 2018

Performance

	1 Month	3 Months	6 Months	1 Year	1 Nov 2015 [^]	Since Inception
EAI Gross	5.1%	6.5%	17.1%	30.4%	25.0%	31.4%
EAI Net*	5.0%	6.2%	16.4%	28.9%	21.7%	27.7%
MSCI Asia ex Japan (AUD)	3.9%	5.0%	15.3%	31.7%	29.6%	37.7%

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

[^]Performance fee commencement

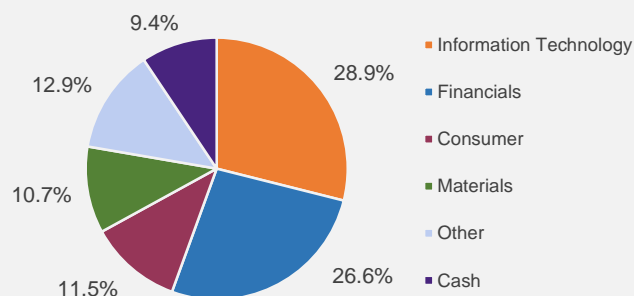
Key Facts

Listing date	Sept 2015
NTA (before tax)	\$1.2394
NTA Fully Diluted (before tax) *	\$1.1485
NTA (after realised tax) [^]	\$1.2124
NTA (after tax) **	\$1.1782
Share price at 31/1/2018	\$1.10
EAI Market Capitalisation	\$116.2m
Average Management Fee	0.85%
Performance Fee	15%
Option price (ASX: EAIO)	\$0.10
Exercise price	\$1.00

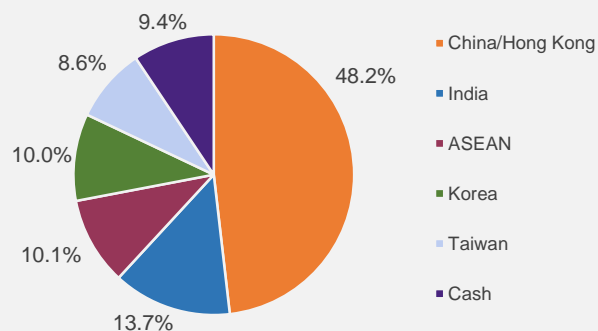
Top 10 Holdings

Top 10 Holdings	Weight
TENCENT HOLDINGS	7.0%
ALIBABA GROUP HOLDING	5.8%
SAMSUNG ELECTRONICS	5.3%
DBS GROUP HOLDINGS	4.2%
TSMC	3.9%
LARSEN AND TOUBRO	3.3%
CHINA CONSTRUCTION BANK	3.2%
ICBC	3.1%
CHINA LIFE INSURANCE CO	2.7%
PING AN INSURANCE GROUP	2.5%

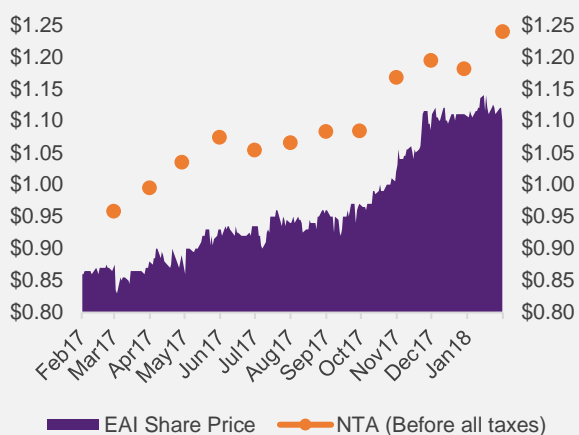
Sector Allocation



Geographic Exposure



EAI Share Price vs NTA (Before all taxes)



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

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** NTA after tax - Includes any tax on unrealised gains and deferred tax.



Commentary

2018 got off to a good start for Ellerston Asian Investments (EAI). The fund was up 5.1% in January and EAI outperformed the index by 1.2% (gross). The pre-tax NTA rose from \$1.1809 at the end of December 2017 to \$1.2394 at the end of January 2018.

There are a few reasons why Asian markets performed so well in January. First of all, China performed very strongly. The Hang Seng China Enterprise Index (HSCEI) was the best performing major market in the world up 15.8% in January. This compares to the MSCI World Index which was up 5.2% and the ASX 200 which was down 0.45%. Chinese banks performed particularly well. EAI has two Chinese banks in our Top 10 holdings, China Construction Bank and ICBC, which were up 25.3% and 17.7% during the month, respectively.

Secondly, there was some seasonality involved. Late November and December 2017 saw significant profit taking. However, fundamentals in Asia and the earnings outlook for 2018 remain very strong, so funds were redeployed almost immediately in 2018.

Thirdly, the USD was weak in January with the US dollar index (DXY) falling over 3% during the month. A weak USD is typically good for emerging markets. Asia is 73% of the MSCI Emerging Markets Index and Emerging Markets funds saw record weekly flows in January. A weak USD is also good for commodity prices, so many of our material stocks and energy investments performed well during the month.

There are currently 49 stocks in the portfolio with an average market cap of over \$100 billion. The largest sector weights remain technology and financials. In terms of country allocation, we have trimmed our overweight positions in China and have increased the allocation to Thailand. China was the largest contributor to alpha during the month and Taiwan was the biggest detractor.

In terms of stock performance, the most significant contributors to alpha during the month were Ping An Insurance, Larsen & Toubro, Hong Kong Exchange and the Chinese banks (China Construction Bank and ICBC). The top detractors from alpha were Airtac International and Geely.

While these strong market movements were welcomed, by mid-January many Asian markets and many of our individual of our stocks looked significantly overbought technically. Therefore, we took profits and raised cash from 5.1% at the end of December to approximately 9.4% at the end of January. The first two weeks of February did witness a pull-back and increased volatility in global markets, so this increase in cash was well timed.

Regards,

Mary Manning

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DISCLAIMER

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