

Monthly NTA Statement

February 2018

Ellerston Asian
Investments Limited
ACN 606 683 729

13th March 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 28 February 2018:

NTA per share	28 February 2018
NTA before tax	\$1.2316
NTA after realised tax *	\$1.2034
NTA after tax ^	\$1.1725

The NTA is based on fully paid share capital of 105,687,438

* **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 February was -0.5%.

Option Conversion - During the month of February, 71,333 options were exercised and converted to shares which diluted the NTA before tax by **\$0.0002** per share.

Options - If all of the remaining 2019 options had been exercised by 28 February 2018, the fully diluted NTA before tax would have been \$1.1437 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 – February 2018

Performance

	1 Month	3 Months	6 Months	1 Year	2 Years	1 Nov 2015 [^]	Since Inception
EAI Gross	-0.5%	3.5%	14.4%	30.1%	46.4%	24.3%	30.7%
EAI Net*	-0.6%	3.2%	13.8%	28.6%	43.0%	21.0%	27.0%
MSCI Asia ex Japan (AUD)	-1.3%	2.0%	11.9%	27.4%	46.1%	27.9%	35.9%

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

[^]Performance fee commencement

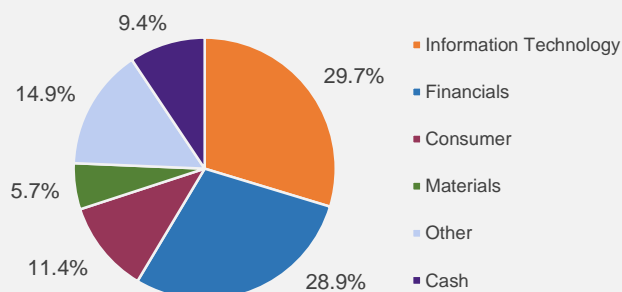
Key Facts

Listing date	Sept 2015
NTA (before tax)	\$1.2316
NTA Fully Diluted (before tax) *	\$1.1437
NTA (after realised tax) [^]	\$1.2034
NTA (after tax) **	\$1.1725
Share price at 28/02/2018	\$1.12
EAI Market Capitalisation	\$118.4m
Average Management Fee	0.85%
Performance Fee	15%
Option price (ASX: EAIO)	\$0.10
Exercise price	\$1.00

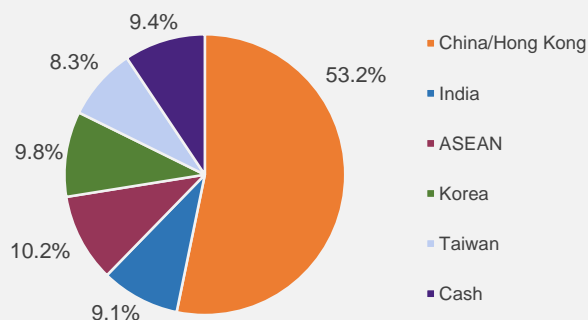
Top 10 Holdings

Top 10 Holdings	Weight
TENCENT HOLDINGS	6.8%
ALIBABA GROUP HOLDING	6.2%
SAMSUNG ELECTRONICS	6.0%
PING AN INSURANCE GROUP	3.9%
TSMC	3.9%
LARSEN AND TOUBRO	3.1%
DBS GROUP HOLDINGS	3.1%
HONG KONG EXCHANGES & CLEARING	3.0%
CHINA CONSTRUCTION BANK	3.0%
ICBC	2.9%

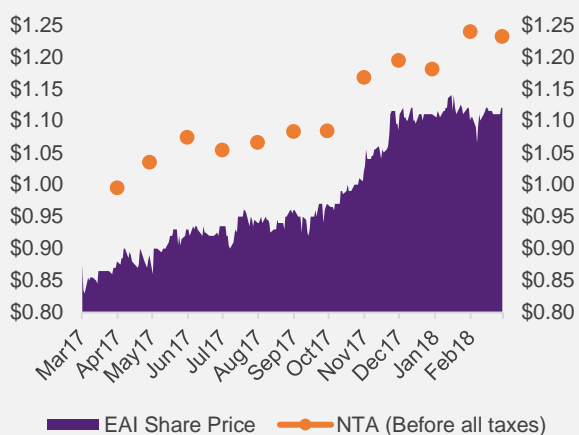
Sector Allocation



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.

[^] 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

A very strong January gave way to a much more volatile February for Asian markets. In mid to late January we took considerable profits and had raised cash to over 10% by mid-February. We also shifted some of the portfolio into lower beta markets like Thailand. The fund was down -0.5% in February but outperformed the benchmark by 0.8% during the month. The NTA as of February 28th was \$1.2316.

There are currently 46 stocks in the portfolio with an average market cap of over \$100 billion. The largest sector weights remain technology and financials and the largest country weight is China. Cash at the end of February was approximate 9.4%.

In terms of stock performance, the most significant contributor to both absolute returns and to alpha during the month was DBS, the largest bank in Singapore. DBS is a stock we have held in the fund since inception. During February, DBS announced excellent 4Q17 results and also surprised the market with a special dividend. DBS rose 9% during the month and is up 61% since we initiated the position in September 2015.

The top detractors from absolute performance during the month were Alibaba and Tencent. This is not because their share price performance was the worst, but because their position sizes are so large at around 6-7% each. The top detractor from alpha during February was China Life.

As mentioned in EAI's 2018 Asia Outlook piece, one of the biggest risks for Asia this year is the threat of a trade war with the United States. This risk has taken one step closer to becoming a reality with the Trump administration threatening to impose high tariffs on steel and aluminium imports. Ironically, while much of Trump's anti-trade rhetoric focuses on China, the US imports most of its steel from Canada and Brazil. Chinese imports are less than 5% of the total.

The big question now is whether these tariffs are one offs in industries where Trump wants to pander to his supporters in the American rust belt, or whether they signal the start of a new global trade regime designed by a leader who thinks that "Trade wars are good, and easy to win."

There is no denying that a protectionist America is bad for Asian economic growth. However, the vast majority (approximately 70%) of our portfolio is comprised of domestic demand stocks so we are not overly exposed to potential threats. The main exception to our domestic demand centric portfolio is the technology sector. Many of the largest companies in Korea and Taiwan (Samsung, SK Hynix, TSMC) are part of the global tech supply chain. As such, we are watching closely for any hints that trade protectionism may migrate from old economy sectors like steel, aluminium and autos, to intellectual property related sectors like tech.

Regards,

Mary Manning

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