

Monthly NTA Statement

August 2018

Ellerston Asian
Investments Limited
ACN 606 683 729

14th September 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 August 2018:

NTA per share	31 August 2018
NTA before tax	\$1.1858
NTA after realised tax *	\$1.1437
NTA after tax ^	\$1.1411

The NTA is based on fully paid share capital of 109,439,830

* **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 14,834,262 shares had been bought back

The company's gross performance before tax for the month was 1.18%.

Option Conversion - During the month, 267,500 options were exercised and converted to shares which diluted the NTA before tax by **\$0.0004** per share.

Options - If all of the remaining 2019 options had been exercised by 31 August 2018, the fully diluted NTA before tax would have been **\$1.1194** 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 Limited (ASX: EAI)

Investment Update | August 18

PERFORMANCE SUMMARY

Returns (%)	Net*	Gross	Benchmark
1 Month	1.08	1.18	1.51
3 Months	-1.81	-1.53	-1.72
6 Months	-2.68	-2.13	-1.49
1 Year	10.74	12.01	10.22
2 Years p.a.	9.59	10.87	12.88
Inception p.a.	7.31	8.56	10.22

* Before all taxes and after fees, includes the effects of the share buyback, and excluding the effects of option exercise dilution.

Source: Ellerston Capital

COMMENTARY

August was a difficult month for Asian Markets but the fall in the Australia dollar (AUD) offset the decline in Asian stocks. As such, Ellerston Asian Investments (EAI) finished the month up 1.2% (gross) versus the benchmark which was up 1.5%. The pre-tax NTA as of August 31st was \$1.1858 and the fully diluted pre-tax NTA was \$1.1194. During the month, the AUD depreciated 3.2% from \$0.7424 to \$0.7189.

The selloff in Asian and Emerging Markets (EM) has continued in August and is a function of a number of factors. First of all, as US rates rise and the dollar strengthens, it creates funding issues for EM countries with current account deficits and results in local currency weakness. This can then lead to a vicious cycle of investors selling stocks and bonds in countries where the currency is depreciating which, not surprisingly, results in further currency weakness.

The selloff in EM started months ago but was centred on idiosyncratic, macro-economically fragile countries like Argentina and Turkey. The selloff has now spread to Brazil and South Africa (these countries are now known as the BATs). In Asia, the countries the most at risk from further EM contagion are Indonesia and the Philippines. We have zero exposure to these countries or their currencies.

Moving on to sectors, financials was the largest positive contributor to performance in August and technology sector was the largest detractor. Technology has come under pressure for a number of reasons. First of all, many of the largest Asian technology companies are listed as ADRs. Therefore the fall in the Chinese yuan (CNY) versus the USD in July and August has a direct, negative translation impacts for Chinese ADRs.

Secondly, there is rising concern that the DRAM cycle that drove the share prices of semi-conductor stocks like Samsung and SK Hynix over the last few years is rolling over as new supply comes online. As such, these stocks have been under pressure. Note that we have taken profits in Samsung.

Thirdly, the mega cap technology stocks in Asia, Tencent (including Naspers), Alibaba, Baidu, Samsung, TSMC, account for almost 20% of the MSCI Emerging Markets index so passive outflows from EM hurts these stocks disproportionately. Finally, Tencent has been particularly weak on account of regulatory concerns surrounding its online games business.

In terms of country exposure, India remains our largest overweight. During August, India continued to perform very well with the NIFTY 50 Index rising over 3% during the month and over 9% FYTD. As mentioned above, we have zero exposure to Indonesia, Philippines and Malaysia and have less than 2% of the portfolio allocated to Thailand.

In terms of stock performance, ICICI Bank, Anta and Ping An were the highest contributors to relative performance in August and while Globalwafers and SK Hynix were the largest detractors. We no longer have a position in SK Hynix.

Key Facts

Listing Date	September 2015
NTA (before tax)	\$1.1858
NTA Fully Diluted (before tax*)	\$1.1194
NTA (after realised tax [^])	\$1.1437
NTA (after tax ^{**})	\$1.1411
Share Price at 31/8/2018	\$1.04
EAI Market Capitalisation	\$113.8m
Average Management Fee	0.85%
Performance Fee	15%
Option Price (ASX:EAIO)	\$0.032
Exercise price	\$1.00

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

[^] 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.

Also in August, Analyst Fredy Hoh was promoted to Deputy Portfolio Manager of EAI.

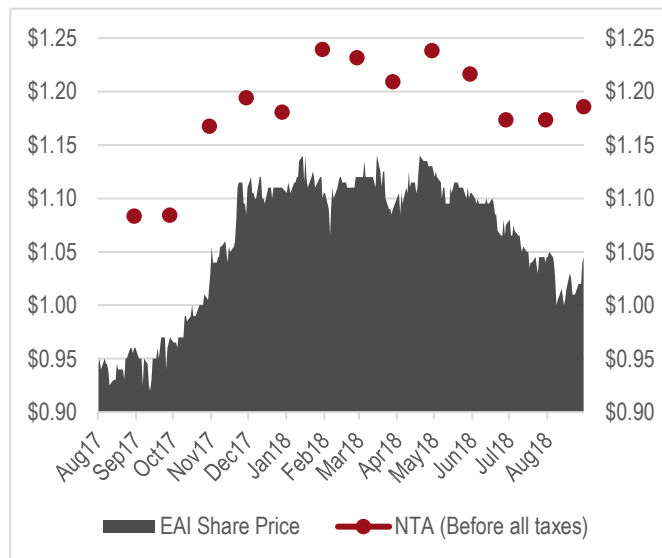
Regards,
Mary Manning
Portfolio Manager

ELLERSTON ASIAN INVESTMENTS TOP HOLDINGS

Top 10 holdings as at 31 August 2018	%
TENCENT HOLDINGS	6.5
PING AN INSURANCE GROUP	6.1
TSMC	5.4
ALIBABA GROUP HOLDING	4.4
CHINA CONSTRUCTION BANK	3.9
HONG KONG EXCHANGES	3.7
RELIANCE INDUSTRIES	3.7
ICICI BANK LIMITED	3.4
DBS GROUP HOLDINGS	3.3
SAMSUNG ELECTRONICS	3.2

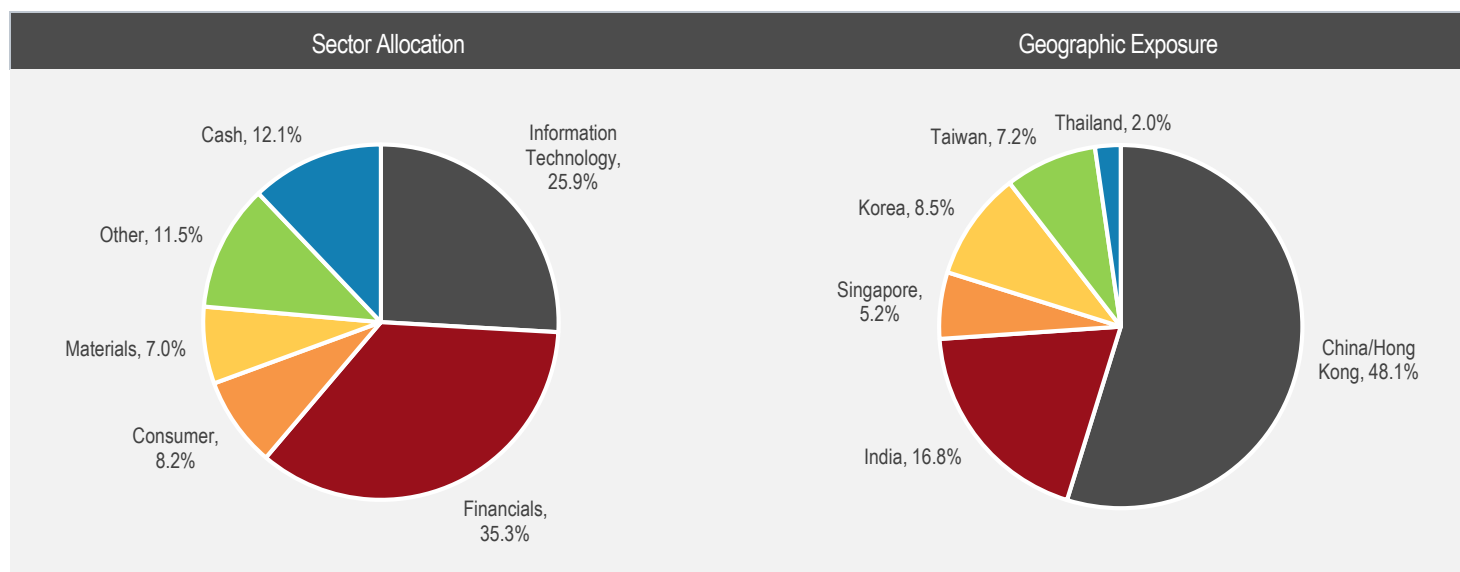
Source: Ellerston Capital

EAI SHARE PRICE VS NTA (Before Tax)



Source: Ellerston Capital

SECTOR & GEOGRAPHIC ALLOCATIONS



Source: Ellerston Capital

For further information, please contact:

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