

## 2018 Annual General Meeting Thursday 18 October 2018

On behalf of the Board, I'd like to welcome all Ellerston Asian Investments (EAI) shareholders, invited guests and other visitors present to our 2018 Annual General Meeting. As we have a quorum, I now declare the annual general meeting open.

Before we start may I ask members of the audience to please switch off their mobile phones.

To begin, let me introduce myself and the people with me on the floor.

My name is Ashok Jacob and I'm Chairman of Ellerston Asian Investments Limited. Our Board and Management here today include Sam Brougham, Stuart Robertson and Paul Dortkamp. Ellerston Capital CEO, Brian O'Sullivan is also present together with EAI's Portfolio Manager, Mary Manning.

Also present today is our auditor for the 2018 financial year, Rohit Khanna from Ernst & Young.

Rohit is available to take questions relevant to the conduct of the audit and the preparation and content of the Independent Audit Report. The Corporations Act requires that the Company make copies of relevant questions of the Company's auditors received available. *No written questions were received.* Please direct any questions that you have of our auditor through me.

### Chairman's Address

Let me first begin by stating that every investment portfolio should have some exposure to Asia. The Asian region represents the best structural growth story in the world. Average GDP growth is over 5% and China and India, the region's two largest economies, are growing at 6.7% and 7.4%, respectively. Asia is home to 4.5 billion people and approximately 60% of global consumers live in Asia. There are over 1 billion Millennials in the region and by 2030, it is expected that 4 of the 5 largest economies in the world will be in Asia. Asia is also home to global leaders in the technology sector including mega-cap companies like Tencent, Alibaba, Samsung and TSMC. Despite these factors, both Australian investors and global investors continue to be underweight the region, though we expect this to change over the coming decade.

The trade tensions between the US and China was an important factor influencing our macro outlook for the region. However, we continue to find compelling investment opportunities in Asia and valuations are becoming increasingly attractive as equities have sold off on perceived policy fears rather than hard fundamentals. The MSCI Asia ex Japan Index at currently trading at only 11x PE versus S&P500 at 15.3x and ASX200 at 14.1x. These metrics are very compelling.

Now we will turn to the results for the fiscal year ending 30 June 2018.

### Results for the year ended 30 June 2018

The Company recorded a pre-tax profit of \$12,568,994 and a net profit after income tax expense of \$9,323,781.

As at 30 June 2018 the Company's Net Tangible Assets had increased to \$1.1737 per share before all taxes (compared to 30 June 2017 of \$1.0540 per share before all taxes) and to \$1.1290 per share post all taxes (compared to 30 June 2017 of \$1.0397 per share post all taxes).

# ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

The Directors declared EAI's first fully franked dividend of 1.0 cents per share, which was paid to shareholders on the 5<sup>th</sup> of October 2018. After payment the payment of the dividend the Company had a dividend profit reserve of 11.7 cents per share on current shares on issue and 7.4 cents per share on a fully diluted basis. This provides the Company with over 3 years of capacity to pay future shareholder dividends of at least 2 cents per annum fully franked (1 cent per half ) going forward, subject to various factors.

We are pleased to announce that EAI posted strong absolute returns in FY18 and outperformed the benchmark. The fund was up 13.3% (gross) during the year and outperformed the benchmark by 0.4% (net of fees). Included also is performance to end September 2018 which Mary will address during her market outlook.

Under the initial public offering, loyalty options were issued to applicants on the basis of one loyalty option for every two shares issued under the General and Broker Firm Offer; and two loyalty options for every three shares issued under the Priority Offer for those investors who had a shareholding in Ellerston Global Investments (E). These loyalty options vested on 28 February 2016. We were pleased that of the maximum 68,979,453 loyalty options issued, 65,167,917 vested with an exercise price of \$1.00, these options have an expiry date of 28 February 2019 so we remind investors that this is approaching and that these options were trading at \$0.048 as at 9 October 2018. Any options exercised will be entitled to any future dividends should they be declared by the Company.

## Resolutions

We will now turn to the formal business of the meeting.

The Notice of Meeting was posted to shareholders and copies are available from the registration desk. I propose that the Notice of Meeting be taken as read. Is there anyone who objects to this?

The proxy and voting procedures for this meeting are as follows: A show of hands will be taken for the three resolutions proposed.

When shareholders vote can they please raise their yellow card. If you hold a blue card you have already voted or are a joint holder. If there are any shareholders who are eligible to vote at the meeting and who have not received their yellow voting card, please see a representative from Link Market Services at the registration desk. If you hold a red card you are a visitor and not eligible to vote or speak at the meeting.

Following discussion on each item, the proxy results will be displayed on the screen behind me.

I would also like to highlight that Ellerston Asian Investments directors and executives identified as key management personnel will not be voting undirected proxy votes given to them for item 1, the Remuneration Report.

On all other items of business, where undirected proxies have been given in favour of the Chairman, I will be voting those proxies in favour of all items. I have been informed by my fellow directors and the company secretary that they will also vote any undirected proxies given to them in the same manner with the exception of item 1, the Remuneration Report.

When it comes to asking questions, would speakers please make themselves known by raising their hands.

Please note that only persons holding yellow or blue admission cards are entitled to ask questions at this meeting. Visitors holding a red card are not eligible to vote or speak, but are welcome to listen.

We will now move onto the items of business for this meeting as set out in the Notice of Meeting.

## RESOLUTION 1 - REMUNERATION REPORT

The Corporations Act requires that a resolution that the remuneration report be adopted must be put to the vote at the Company's annual general meeting. The vote on this resolution is advisory only and does not bind the directors of the Company. The Remuneration Report to shareholders is contained on pages [13 to 15] of the 2018 Annual Report.

This item gives you the opportunity to ask questions about or make comment on EAL's remuneration policies.

Is there any discussion on this item?

On the screen behind me are the details of the total valid proxies for this item.

All those in favour, please raise your yellow voting cards.

All those against, please raise your yellow voting cards.

## RESOLUTION 2 - ELECTION OF DIRECTOR

The next item of business to consider and if thought fit to pass the following resolution

***"That Sam Brougham, who retires as a Director pursuant to the requirement in ASX Listing Rule 14.5 and section 63 of the Company's Constitution and being eligible be elected as a Non-executive Director."***

The Board (with Mr Brougham abstaining in respect of this resolution) recommends the election of Mr Brougham.

Is there any discussion on this item?

On the screen behind me are the details of the total valid proxies for this item.

All those in favour, please raise your yellow voting cards.

All those against, please raise your yellow voting cards.

## RESOLUTION 3 – ELECTION OF DIRECTOR

The next item of business to consider and if thought fit to pass the following resolution as an ordinary resolution

***"That Ashok Jacob, who retires as a Director pursuant to the requirement in ASX Listing Rule 14.5 and section 63 of the Company's Constitution and being eligible be elected as a Non-independent executive Director"***

Resolution 3 is the election of myself and I believe it is appropriate that I step aside for this part of the meeting. I now hand the Chair over to Mr Paul Dortkamp who will deal with Resolution 3.

**[Paul]** Thank you Ashok. As Ashok has advised, Resolution 3 deals with the election of Ashok Jacob. The Board of directors (excluding Ashok) unanimously recommend you vote in favour of this resolution.

Is there any discussion on this item?

On the screen behind me are the details of the total valid proxies for this item.

All those in favour, please raise your yellow voting cards.

All those against, please raise your yellow voting cards.

I will now hand over to the Portfolio Manager, Mary Manning.

## **Q&A**

This now concludes the business section of the AGM and we now call for general questions from the audience.

Following question time, the AGM will be formally announced as closed. The Ellerston Global Investments AGM follows this at 2pm today and we invite you to attend. Following the Ellerston Global Investments AGM, we welcome you to join the Board for tea and coffee.

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# Ellerston Asian Investments ANNUAL GENERAL MEETING

October 2018

# Annual General Meeting October 2018

## AGM AGENDA

- Chairman's Welcome & Address
- Results
- Resolutions
- Portfolio Overview and Market Outlook



# 1. Chairman's Welcome and Address

## Board

Name	Position	Independence	Prior experience
Ashok Jacob	Chairman & Non-Executive Director	Not Independent	Consolidated Press Holding Ltd , Thorney Holdings. Current directorships include MRF Ltd, Thorney Opportunities Ltd and EGI.
Sam Brougham	Non-Executive Director	Independent	Ceres Capital, Structured Asset Management, JBWere and Price Waterhouse
Paul Dortkamp	Non-Executive Director	Independent	Rivergum investors, First State Fund Managers Ltd ( now CFS Investments) and the RBA
Stuart Robertson	Non-Executive Director	Independent	BT Funds Management and Zurich Australia.

## Personnel

Name	Position	Prior experience
Mary Manning	Portfolio Manager	Oaktree Capital, Soros Fund Management and Citigroup
Brian O'Sullivan	Chief Executive Officer Ellerston Capital Limited	Zurich Australia and BT Funds Management.

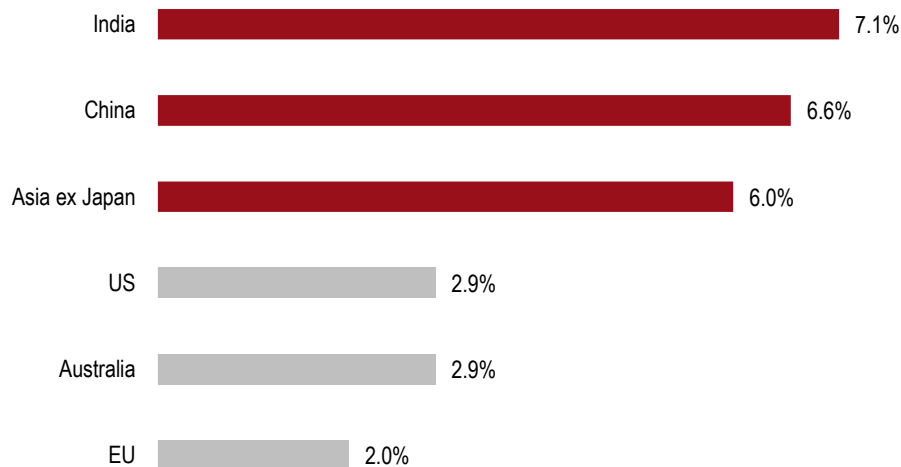


# Chairman's Remarks

## ASIA PROVIDES ACCESS TO INEXPENSIVE GROWTH

- Asia is the best structural growth story in the world driven by strong demographics, a rising middle class, infrastructure build and technological leapfrogging.
- Asian growth is not driven by ultra-loose monetary policy or fiscal stimulus, therefore it is more sustainable in the long term.
- Growth is scarce in Australia and investors are overpaying for the growth that is available.

### GDP Growth in Asia vs ROW



### What are investors paying for growth?

Country	PE	EPS Growth	PEG Ratio
ASX 200	14.1x	4.6%	3.1x
S&P 500	15.3x	10.2%	1.5x
EAI	18x	18%	~1x

# Chairman's Remarks

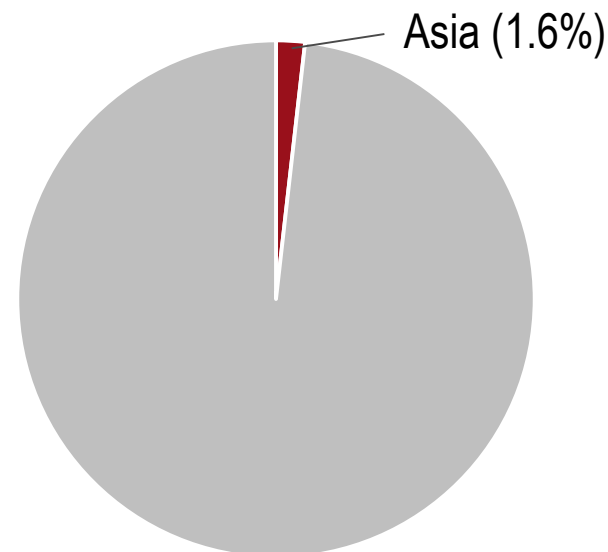
## TOO BIG TO IGNORE

- Asia is home to over 4.5 billion people. 60% of global consumers live in Asia.
- By 2030, 4 of the 5 largest economies in the world will be in Asia.
- Despite Asia's size and growth trajectory, the region remains chronically underrepresented in global indices and equity portfolios.

### 2030 Expected GDP

Country	GDP (trillions)
China	\$38.0
USA	\$23.5
India	\$19.5
Japan	\$5.6
Indonesia	\$5.4

### MSCI World Index





# Results

# Financial Results

## FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

		30 June 2018	
Pre Tax Profit		\$12,568,994	
After Tax profit		\$9,323,781	
Earnings per share (a)		8.69	
Final dividend declared per share		1.0	
Dividend profit reserve	Dividend profit reserve per share	\$11,501,161	11.7 cents (b) & 7.4 cents (c)
Pre Tax Net tangible asset backing per share		\$1.1737	

a) EPS on an undiluted basis b) cents per share 30 June shares on issue c) cents per share on a fully diluted basis

## PERFORMANCE TO 30 JUNE 2018

%	1 Month	6 Months	1 Year	2 Year (p.a.)	Since Inception (p.a.)
<b>EAI Net</b>	-3.4%	-0.1%	12.0%	12.5%	7.1%
<b>Benchmark*</b>	-2.9%	-0.3%	11.6%	16.0%	10.4%

## PERFORMANCE TO 30 SEPTEMBER 2018

- Most recent weekly pre-tax NTA is estimated \$1.0647 and Fully Diluted pre-tax NTA is \$1.0416 (as of Oct 12). The current share price is \$1.005 (as of Oct 15)

%	1 Month	6 Months	1 Year	2 Year (p.a.)	Since Inception (p.a.)
<b>EAI Net</b>	-3.21%	-4.19%	7.11%	8.15%	5.97%
<b>Benchmark*</b>	-1.66%	-3.05%	7.52%	12.16%	9.33%

\* Benchmark is MSCI Asia ex Japan (non-accumulation) Index in AUD.

# Share Buy Back & Options

- A total of 69m options issued under the prospectus, 65m vested
- 60,754,493 options outstanding as at 12 October 2018
- Exercisable at any time up until and including 28 February 2019
- Strike price of \$1.00 per option which is a discount to the current NTA
- Any options exercised will be entitled to any future dividends should they be declared by the Company
- On 12 September 2018 EAI announced a renewal of its on-market buy-back as a part of its ongoing capital management program
- The buy-back period will continue until 26 September 2019 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buyback



# Resolutions

# Annual General Meeting October 2018

## FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

### Resolution 1 Remuneration Report

“To adopt the remuneration report of the Company for the year ended 30 June 2018”



# Annual General Meeting October 2018

## FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

### Resolution 2 Election of Director

“That Sam Brougham, who retires as a Director pursuant to the requirement in ASX Listing Rule 14.5 and section 63 of the Company’s Constitution and being eligible be elected as a Non-executive Director”

# Annual General Meeting October 2018

## FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

### Resolution 3 Election of Director

“That Ashok Jacob, who retires as a Director pursuant to the requirement in ASX Listing Rule 14.5 and section 63 of the Company’s Constitution and being eligible be elected as a Non-independent executive Director”

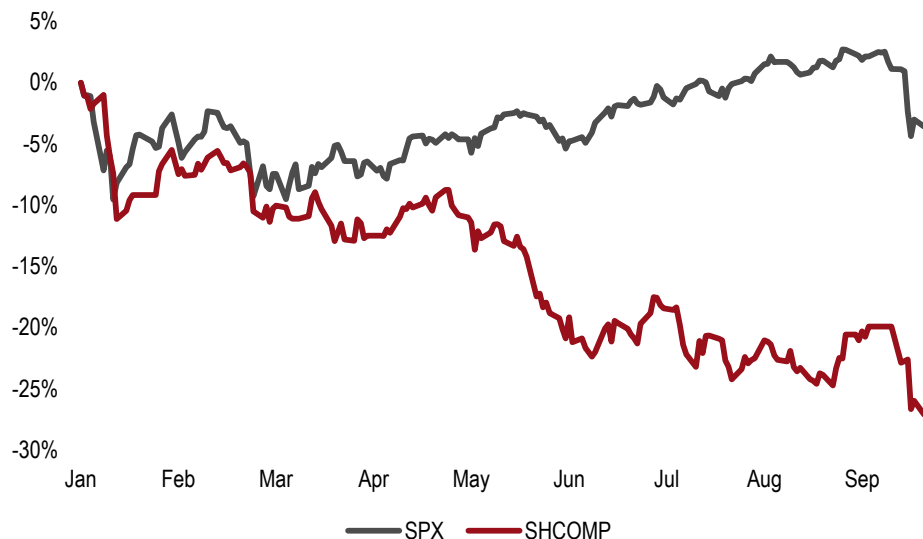


# Asian Market Outlook

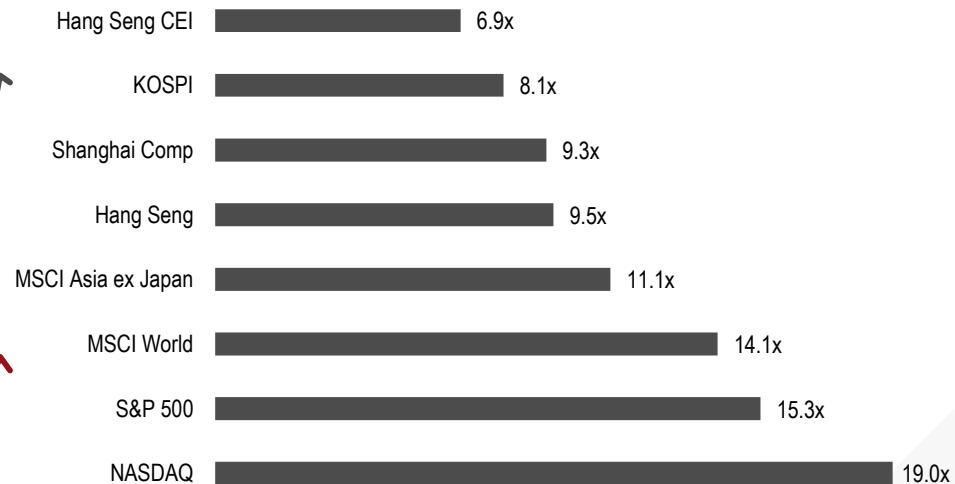
## A GOOD BUYING OPPORTUNITY IS EMERGING, BUT WE NEED A CATALYST

- The Hang Seng China Enterprise Index (HSCEI) is down 26% since its late January high and the Shanghai Composite is down 27%. However, the S&P 500 is roughly flat over the same time from and is near its all time high in AUD terms. This divergence is unsustainable.
- There have been 3 main sources of the current sell off: the trade war, the strong USD and stress in Emerging Markets. All 3 are inter-related. The market needs a catalyst to change course. Valuation alone is not enough.

### Asian Markets Have Sold Off Significantly Since Feb 2018



### Valuations are Now Very Compelling in Asia



# Asian Market Outlook

WHERE TO FROM HERE?



US-Sino  
Trade War:  
3 scenarios



US Rates  
and Stress  
in  
Emerging  
Markets



Elections in  
Indonesia,  
India and  
Thailand



Leadership  
by Chinese  
technology  
stocks and  
unicorn  
listings



Trajectory  
of the  
Chinese  
consumer

## UPDATE ON THE TRADE WAR

- We have consistently outlined 3 scenarios in the trade war:

Tit for Tat Escalation	Negotiated Outcome	Extreme Retaliation
China almost out of room on tariffs.  Timing of \$200b implementation and rate.  Non-tariff measures.  Pushback from within the US.  Trade tension the new normal?	Mid-term elections coming up in the US. A trade win vs a trade war going into the polls?  Negotiables (trade deficit) vs non-negotiables (China 2025) for China.  Is Trump a credible negotiating partner?  G20 meeting in Buenos Aires in Nov.	Cyberespionage retaliation under section 301.  “Weaponization” of the RMB.  China sells US Treasuries.  Travel/study restrictions for Chinese.  G3 alliance against Chinese trade.

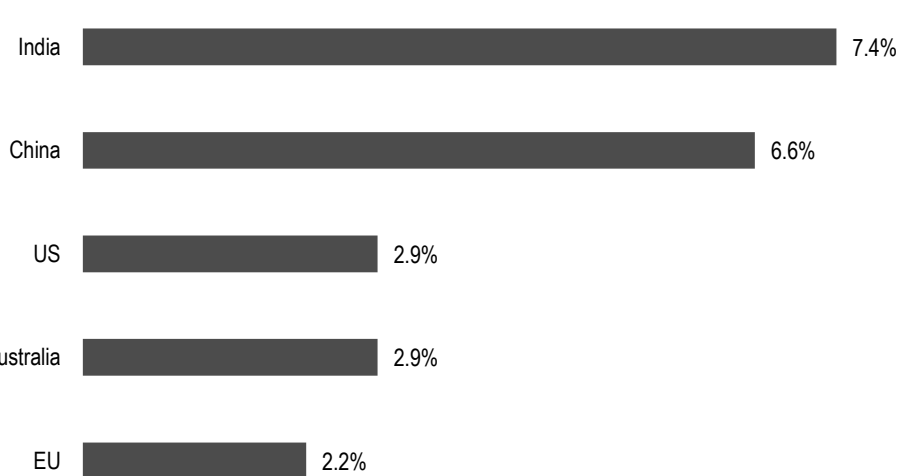
- US actions on trade are not just about reducing the trade deficit. More broadly, these actions are about stopping the rise of China and regaining lost ground in the technology arms race.
- America’s desire to maintain its hegemonic status is why many of the trade policies are focused on delaying China 2025 and disadvantaging China’s technology industry.
- The upcoming mid-term elections and a meeting between Trump and Xi at the G20 in late November are possible catalysts.

# The Structural Growth Story in India

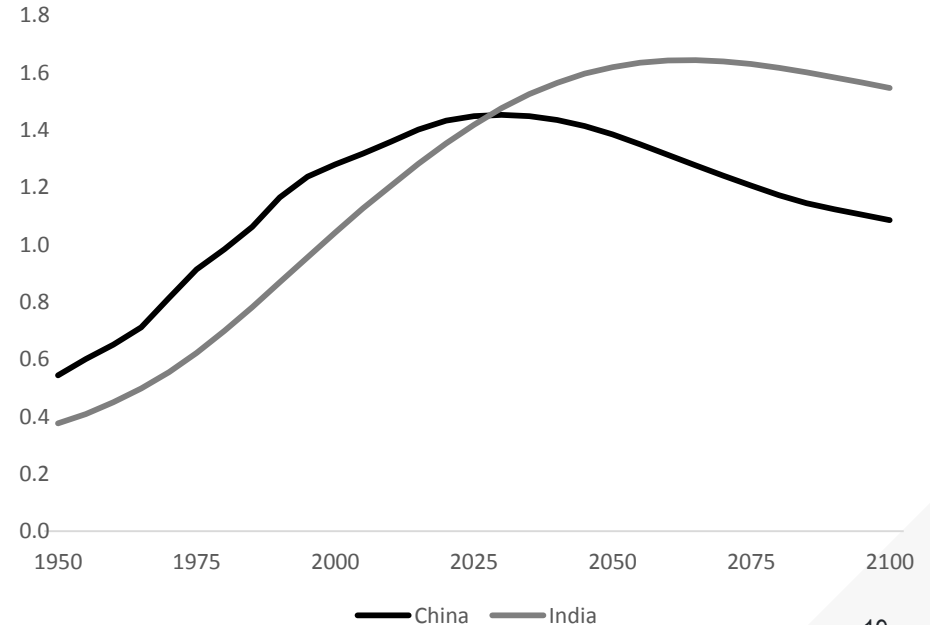
## INDIA IS A CRITICAL AND UNDER-APPRECIATED MARKET

- India is currently the 3rd largest economy in the world (in purchasing power parity terms) after China and the United States.
- India is one of the fastest growing economies in Asia and in Emerging Markets as a whole.
- India accounts for 18% of the world's population and will overtake China's population by 2030.
- 65% of India's population is under the age of 35. There are over 400m millennials in India.

### Indian GDP Growth is High and Accelerating

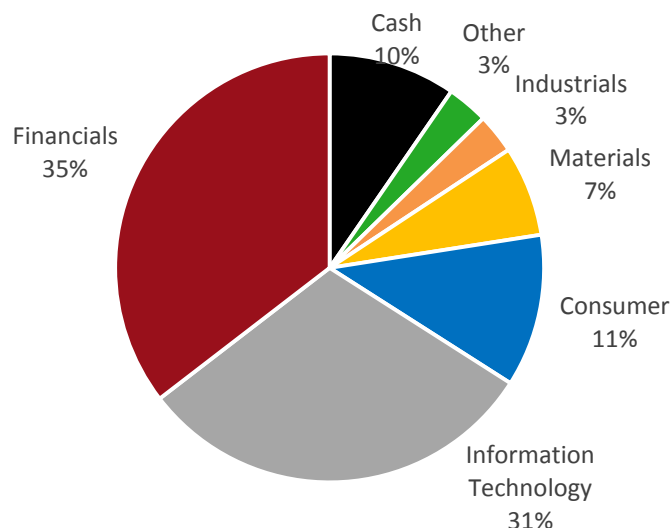
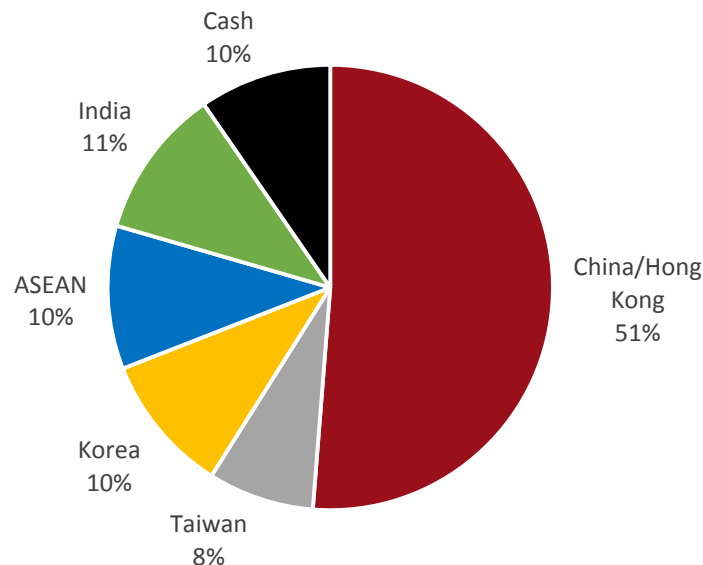


### Population Dynamics in India versus China



Sources: Bloomberg \*Purchasing Power Parity

## PORTFOLIO CHARACTERISTICS AS OF 30 SEPTEMBER 2018



Top 10 Holdings	Portfolio Weight (%)
Tencent Holdings	7.4
Ping An Insurance	6.7
Alibaba Group	5.9
TSMC	5.8
Samsung Electronics	5.3
DBS Group Holdings	4.2
China Construction Bank	4.1
Hong Kong Exchanges	4.0
China Merchants Bank	3.4
ICICI Bank Limited	3.1
<b>Total Top 10</b>	<b>49.9%</b>



# Investment management team

## Ashok Jacob – Chairman/ Chief Investment Officer

### Dedicated Asia Team

**Mary Manning**  
Portfolio  
Manager (18)



- PhD in Economics from the University of Sydney, MBA from Harvard Business School
- Previously at Oaktree Capital, Soros, Citigroup

- Macro, portfolio construction and management
- Financials and Tech
- ASEAN

**Fredy Hoh**  
Deputy  
Portfolio  
Manager (12)



- Masters of Professional Accounting from UNSW, Bachelor of Economics from University of Sydney
- Previously at BoAML, Macquarie Capital, E&Y\*

- Tech and Materials
- North Asia (Korea/Taiwan)
- Mandarin speaker

**Vinay Narsi**  
Analyst (17)



- CFA designation, Masters of Applied Finance (FINSIA) and Bachelor of Business from UTS
- Previously at UBS AM, QIC, Perennial, Colonial FS

- India
- Industrials, Energy and Indian Tech
- Gujarati speaker

**Eric Fong**  
Analyst (7)



- CFA designation, MSc Finance from London School of Economics, Bachelor of Commerce from UNSW
- Previously at BoAML, Deutsche Bank\*, JPM\*

- China
- Consumer and Tech
- Mandarin and Cantonese speaker

**Global Macro team**

**Global Equities team**

**Australian Equities team**

**Venture Capital/  
Private Equity team**

**Middle Office, Risk Team and Legal and Compliance functions**

# EAI on the Ground in Asia

## TIME ON THE GROUND, CLOSE RELATIONSHIPS WITH COMPANIES

- Spent over 1/3 of the year on the ground in FY18 (115 days in Asia) visiting 15 different cities in 8 countries.
- 245 company contact points (meetings, calls, site visits) including 108 in China, 42 in India, 64 in Korea/TW and 31 in ASEAN. Roughly one contact point every trading day.
- Site visits to Alibaba/Hema Fresh (Beijing), Hikvision (Hangzhou), iFlytek (Beijing), Jollibee (Manila), Wynn (Macau) and Maruti Suzuki (Mumbai & Delhi).
- All meetings and calls are documented on a team spread sheet to facilitate information sharing and institutional memory.

Date	Team Member	Countries/Cities Visited
June/July 2017	Mary	Philippines, Vietnam
Sept 2017	Fredy	Seoul, Taipei, HK
Oct 2017	Eric	HK, Macau, Shenzhen, Hefei, Ningbo, Hangzhou, Shanghai
Nov 2017	Mary	Delhi
Nov 2017	Fredy	Taipei, Taichung
March 2018	Mary	Beijing, HK
March 2018	Fredy	Seoul, Taipei, HK, Macau
March/April 2018	Eric	HK, Shenzhen
May 2018	Fredy	Seoul, HK, Taipei
May 2018	Eric	HK, Ningbo, Hangzhou, Beijing
June 2018	Vinay	Mumbai



# EAI Marketing and Distribution

## BUILDING RELATIONSHIPS WITH SHAREHOLDERS AND POTENTIAL INVESTORS

- EAI Investor Roadshow will be held in October and November with a record number of registrations
- EAI presented at the Switzer Conference in Melbourne and Australian Investor Association Conference on the Gold Coast
- Numerous 'LiveWire' posts, videos, outlook reports for stockbrokers and consumer publications
- 2 separate 'Your Money' nabtrade podcasts on Asia and India.
- Consultant ratings slated for 2018 & 2019 (Lonsec Dec 2018, IRR and Zenith 2019). Process has begun.
- Numerous TV appearances including CNBC Asia, Switzer, Channel 9
- Weekend ARF Chanticleer Profile "India is the best growth option in Asia"



ON THE GROUND VIEW FROM  
ASIA

Fredy Hoh - Ellerston Asian  
Investments

## nestegg.com.au

INVESTMENT INSIGHTS

### A buying opportunity emerging in China as the trade war escalates


Mary Manning 28 September 2018 — 12:59 pm



There are three possible scenarios in the trade war: tit for tat tariff escalation, a negotiated outcome and extreme retaliation.


Trump went ahead and imposed tariffs on \$200b of additional Chinese goods at a 10% rate, with this rate rising to 25% in January of 2019. Trump has also said that he is ready to go with tariffs on an additional \$267b of Chinese goods. This latter amount would effectively impose tariffs on all imports from China. As such, tit for tat tariff escalation appears to be nearing the latter stages simply because both China and the US are running out of room.

**Switzer**  
DAILY

INVESTORS  
CENTRAL

STRONG, HIGH YIELD  
MONTHLY RETURNS

HOMEBUSINESS NEWSEXPERTSYOUR MONEYSWITZER TV



MONEY TALKS@SWITZER.COM.AU @PETERSWITZER MONEY TALKS -18:00

**Money Talks**

How scared should we be about the current volatility in the stock markets? Three fund managers joined the show to talk it out. (Broadcast Monday 12th February).

# EAI Marketing and Distribution

BUILDING RELATIONSHIPS WITH SHAREHOLDERS AND POTENTIAL INVESTORS



9th October, 2018

By 2030 India is going to be the 3rd largest economy in the world, yet very few investors have exposure to this powerful growth story. [Show More](#)



## FINANCIAL REVIEW

India is the best growth option in Asia



by Chanticleer

Experienced global equities fund manager Mary Manning was excited to be in India at precisely the same time as Prime Minister Narendra Modi orchestrated one of his radical economic manoeuvres.

It was November 2016 when Modi, without warning, announced [the demonetisation of 500 and 1000 rupee bank notes](#) to curb the country's massive black economy.







Q&A

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# Thank you

## FOR FURTHER INFORMATION

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