

ELLERSTON ASIAN
INVESTMENTS LIMITED

ACN 606 683 729

15TH September 2020

Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

**CORRECTION – DIVIDEND PAYMENT DATE IN SEPTEMBER INVESTMENT
UPDATE/ANNOUNCEMENT & PRESENTATION**

Ellerston Asian Investments Limited (ASX:EAI) wishes to advise shareholders that the September Investment Update and Presentation released to the ASX on 14 September 2020, incorrectly stated the payment date for the dividend was 10 October 2020. The correct payment date is 2 October 2020.

Please find enclosed an updated Investment Update and Presentation.

Yours sincerely

Ian Kelly
Company Secretary

Ellerston Asian Investments Limited (ASX:EAI)

Performance Report | August 2020

PERFORMANCE SUMMARY

Performance	1 Month	3 Months	6 Months	1 Year	3 Year	Since Inception (p.a.)
Net [^]	0.17%	8.98%	0.85%	13.24%	8.41%	7.29%
Benchmark*	0.26%	8.14%	-1.04%	8.40%	5.45%	7.33%
Alpha	-0.10%	0.84%	1.89%	4.84%	2.96%	-0.04%

Source: Ellerston Capital

[^] The net return figure is calculated before all tax provisions, after fees & expenses, includes the effects of the share buyback, and excluding the effects of option exercise dilution. Past performance is not a reliable indication of future performance

*MSCI Asia ex Japan (non-accumulation) (AUD)

PORTFOLIO COMMENTARY

Ellerston Asian Investments (EAI) was up 0.17% (net) during August versus the benchmark which was up 0.26%. Year to date in calendar 2020, EAI is up 2.77% and has outperformed the benchmark by 2.69% (net).

Ellerston Asian Investments aims to have a sustainable dividend policy based on multiple years of profit reserves. As shown below, EAI began paying a dividend during Financial Year 2019 and paid higher final and interim dividends in the following financial year. In recognition of our strong performance and franking credit balance in FY20, EAI has declared a final dividend of 2.5 cents per share fully franked. This is an increase of 67% on the interim dividend. Note that as of June 30, 2020 EAI had a franking credit balance of 8.5c per share.

Ex Dividend Date	Pay Date	Amount	Franking
4 Sept 2020	2 Oct 2020	2.5c	100%
5 March 2020	27 March 2020	1.5c	100%
4 Sept 2019	4 Oct 2019	1.5c	100%
20 March 2019	5 April 2019	1.0c	100%
5 Sept 2018	5 Oct 2018	1.0c	100%

Key Facts

Listing Date	4 September 2015
NTA (before tax)*	\$1.2148
NTA (after realised tax)[^]	\$1.2084
NTA (after tax)**	\$1.1847
Share Price at 31/08/20	\$1.095
EAI Market Capitalisation	\$144.4 Million
Average Management Fee	0.82%
Performance Fee	15%

* NTA (before tax) – Includes taxes that have been paid.

[^] 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.

MARKET OUTLOOK

As regular readers will know, we have been concerned about the apparent disconnect between the market movements and underlying economic fundamentals since the sharp rebound in March and April 2020. This disconnect is more pronounced in Developed Markets (DM) than in Asia, but Asia would not be immune to a market correction in the US.

Cash levels at the end of August (12.6%) appear to have gone down versus previous months, but this was primarily a timing issue related to Hang Seng Index inclusion on September 4th for some of our larger positions. As of the first week of September, cash was back in the high teens level.

COVID

The majority of Asian countries now appear to have both the epidemic and the economic impact of lock downs under control. India remains the major outlier in this respect with daily new cases consistently over 70,000 and total cases of approximately 4.3 million. India has already surpassed Brazil in terms of total COVID cases and the current trajectory puts India on track to surpass the roughly 6 million cases in the US. Despite the COVID situation, the attitude on the ground in India appears to be one of learning to live with the virus. Economic activity in India is quickly returning to pre-COVID levels in many parts of the country.

Investors are watching the development of vaccines very closely and break throughs or setbacks in vaccine trials are increasingly impacting daily market direction. According to the WHO, there are currently 34 COVID vaccine candidates in clinical evaluation, 9 of which have entered Phase III trials.

China is one of the frontrunners in the COVID vaccine race given it was the first country to detect and experience the outbreak. China accounts for 4 of the 9 vaccine candidates which have entered Phase III trials. One vaccine developed by biotech firm CanSino has already been cleared for use by the Chinese military. However, China has become a victim of its own success. As it has successfully contained the outbreak, there are less domestic patients available for trials so some trials have been shifted abroad.

India, as the largest vaccine manufacturer in the world, will undoubtedly play a very important role in manufacturing successful vaccines post-clinical trials. Currently, India has two indigenous vaccines in development: Bharat Biotech's vaccine is about to begin Phase II trials while Cadila Healthcare's vaccine is already in Phase II. In addition, the world's largest vaccine manufacturer, the Serum Institute of India, has entered into an agreement to produce one billion doses of the Oxford/AstraZeneca vaccine.

While the development of a COVID vaccine is clearly positive from both epidemiological and economic perspectives, it is not a panacea. We sense that investors may be overestimating the immediate term benefits while ignoring some of the risks. These risks include:

- COVID mutates and the vaccine developed only inoculates the original strain;
- Side effects from the vaccine emerge that were not been detected given the rush to complete clinical trials;
- Risky, transmissible social behaviours increase once a vaccine is approved even if large portions of the population are not yet inoculated;
- Significant constraints exist with respect to vaccine supply chains, particularly in developing countries;
- Affordability of the vaccine is an issue, particularly in developing countries;
- There are moral, ethical and political challenges in implementing vaccinations to a herd immunity level (i.e. see the Morrison government's backtrack on mandatory vaccinations).

Given all the above, we see the advancement of vaccine candidates as a strong positive conceptually but acknowledge that effective vaccine development is only the first step on a long road to eradicating, or at least effectively controlling, the spread of COVID worldwide.

US-China Relations and the US Election

As highlighted in previous monthly newsletters, the deterioration of US-China relations is an important risk that is not priced into current markets. The ban of TikTok and WeChat come into effect in September and investors will get more details on what the Executive Order specifically refers to with respect to the banning of "transactions." We have trimmed our Tencent position to approximately 7.0% given this uncertainty and will reassess once the details on the ban are released.

Our expectation is that many of the anti-China policies touted by the Trump administration will escalate going into the November Presidential election. China aside, we feel strongly that election related risks are not adequately priced into the US and global markets. Given the high proportion of mail in votes expected due to COVID, the outcome of the election may not be immediately known with some commentators putting the final result tally as late as December 2020. In addition, if the results are contested and/or if Trump loses but refuses to leave office, the transfer of power on January 2021 could be messy. Finally, a contested election could exacerbate the level of civil unrest already occurring in some major American cities. With the S&P 500 currently near all-time highs, it does not appear that these election related uncertainties are being priced in. This is one of the reasons we remain high cash.

PERFORMANCE

In August, China and Malaysia (zero weight) were the largest country contributors to alpha while Korea was the largest detractor. Consumer Discretionary and Financials were the largest sector contributors to alpha while IT was the largest detractor. Alibaba and JD were the largest single stock contributors to alpha while Samsung Electronics and Mediatek were the largest detractors.

As always, if you have any questions regarding any aspect of EAI or the portfolio, please feel free to contact us at info@ellerstoncapital.com. We are hosting an update conference call on September 15 for Ellerston Asia investors, for which you can register [here](#).

Kind regards,

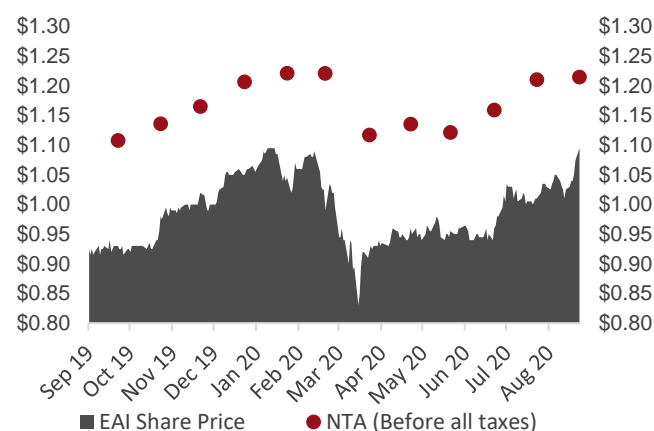
Mary Manning

PORTFOLIO CHARACTERISTICS

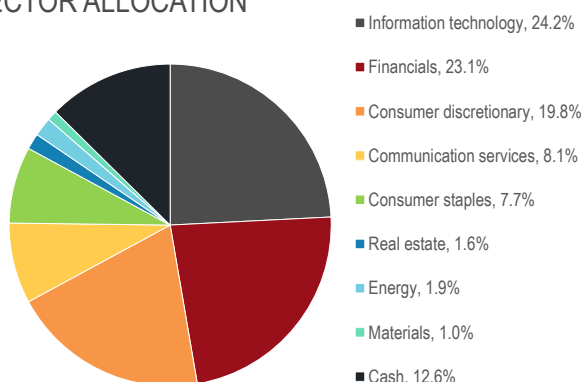
HOLDINGS

Top 10 holdings	%
Alibaba Group Holding Ltd.	13.9%
TSMC	8.0%
Samsung Electronics	7.4%
Tencent Holdings Ltd	7.0%
Hong Kong Exchanges & Clearing Ltd	5.4%
Ping An Insurance	4.9%
DBS Group Holdings Ltd	3.1%
Hindustan Unilever Limited	2.7%
China Merchants Bank Co. Ltd.	2.6%
JD.com, Inc. Class A	2.5%

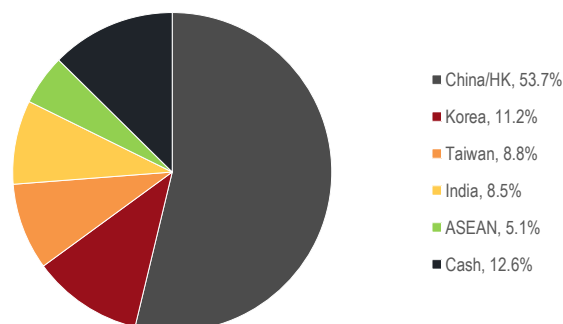
EAI SHARE PRICE VS NTA



SECTOR ALLOCATION



GEOGRAPHIC ALLOCATION



Source: Ellerston Capital

All holding enquiries should be directed to our share registrar, **Link Market Services** on 1300 551 627 or EAI@linkmarketservices.com.au

Should investors have any questions or queries regarding the company, please contact our **Investor Relations team** on 02 9021 7701 or info@ellerstoncapital.com or visit us at <https://ellerstoncapital.com/>

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15 September 2020

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ELLERSTON ASIAN INVESTMENTS LIMITED PRESENTATION

Ellerston Asian Investments Limited (**ASX: EAI**) encloses the presentation for the upcoming Investor Update Webinar.

The Ellerston Asia August 2020 Investment Update will take place on Tuesday 15 September at 10am AEST. Shareholders and investors can register for the webinar at the following link:

[Register your attendance here](#)

For any further enquiries please contact Link Market Services on 1300 551 627 or Ellerston Capital Limited Investor Relations on 02 9021 7701.

Yours sincerely,



Ian Kelly
Company Secretary



ELLERSTON ASIA

Ellerston Asian Investments

Investor Update September 2020

Performance

PERFORMANCE TO 31 AUGUST 2020

- EAI was up 0.17% during the month versus the benchmark which was up 0.26%.
- CYTD in 2020 EAI is up 2.77% and has outperformed the benchmark by 2.69%.
- MTD in September EAI has generated positive absolute returns and positive alpha.
- The most recent NTA (September 11th) is \$1.1973.

%	1 Month	3 Months	6 Months	1 Year	2 Years p.a.	Since Inception p.a.**
EAI Net	0.17%	8.98%	0.85%	13.24%	7.28%	7.29%
Benchmark*	0.26%	8.14%	-1.04%	8.40%	3.15%	7.33%
Alpha	-0.10%	0.84%	1.89%	4.84%	4.13%	-0.04%

. * Benchmark is MSCI Asia ex Japan (non-accumulation) Index in AUD. Inception is Sept 2015.

Dividend

RISING & SUSTAINABLE DIVIDEND

- Ellerston Asian Investments aims is to have a **sustainable dividend policy** based on multiple years of profit reserves.
- As shown below, EAI began paying dividends during Financial Year 2019 and paid higher final and interim dividends in the following financial year.
- In recognition of our **strong performance** and franking credit balance in FY20, EAI has declared a final dividend of **2.5 cents per share fully franked**. This is an increase of **67% on the interim dividend**.
- Note that as of June 30, 2020 EAI had a franking credit balance of 8.5c per share.

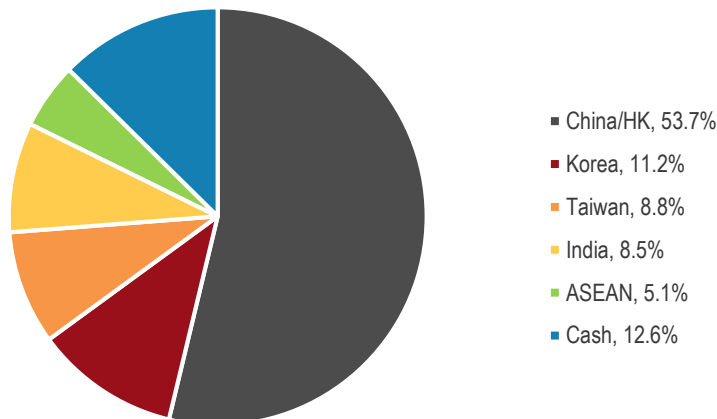
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Portfolio Positioning

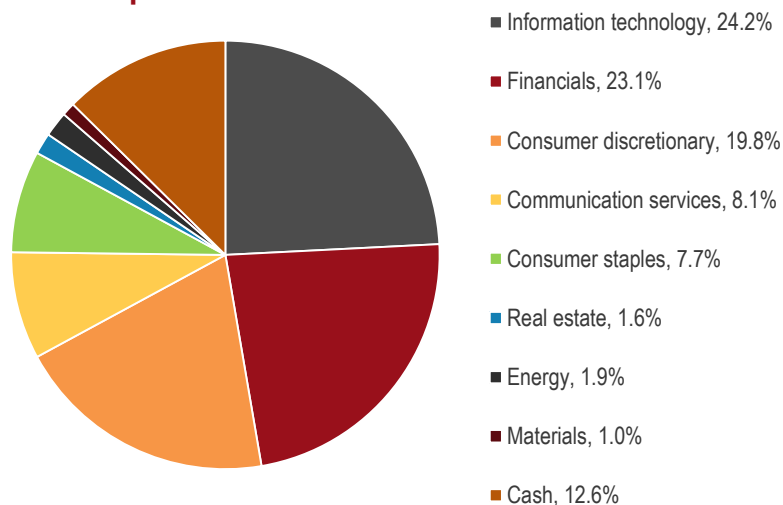
PORTFOLIO CHARACTERISTICS AS OF 31 AUGUST 2020

ELLERSTON ASIA

Country Exposure



Sector Exposure



Top 10 Holdings	Portfolio Weight (%)
Alibaba	13.9%
TSMC	8.0%
Samsung Electronics	7.4%
Tencent	7.0%
Hong Kong Exchanges	5.4%
Ping An Insurance	4.9%
DBS Group	3.1%
Hindustan Unilever	2.7%
China Merchants Bank	2.6%
JD.com	2.5%
Total	57.7%

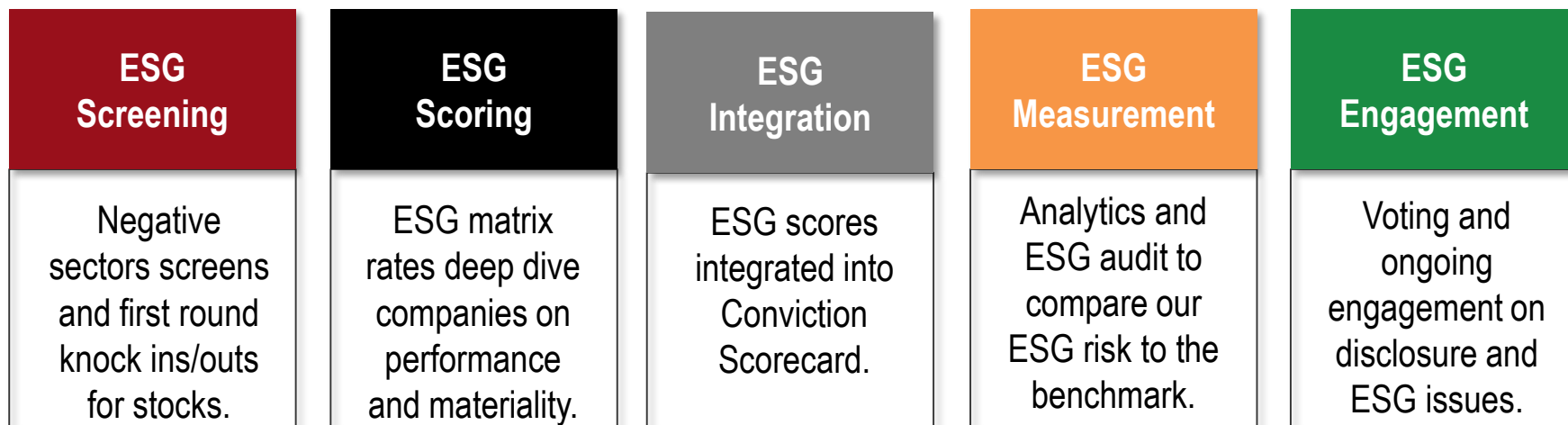


ELLERSTON ASIA

Our Approach to ESG

A STRUCTURED, ENGAGED AND MEASURED APPROACH

- Ellerston Asia has developed a proprietary, structured and measurable approach to ESG which is embedded in the investment process. Our multi-step approach to ESG is shown below.
- We believe that ESG in Asia is generally not as bad as perceived, and ESG in Developed Markets, including Australia, is generally not as good as perceived. The gap is smaller than investors think.
- Ellerston Asia is a new economy centric portfolio. The ESG issues we face are therefore different than those facing a typical domestic or Developed Market portfolio.
- We have a DIY approach to ESG given our time on the ground and Asian language capabilities. We use third party ESG providers for initial screens and ESG risk measurement across portfolios and markets.*



* We use Bloomberg for initial ESG screens, Sustainalytics for ESG measurement and ISS for voting recommendations. All other steps are proprietary to Ellerston Asia and Ellerston Capital.

ESG Screening

NEGATIVE SECTOR SCREENS

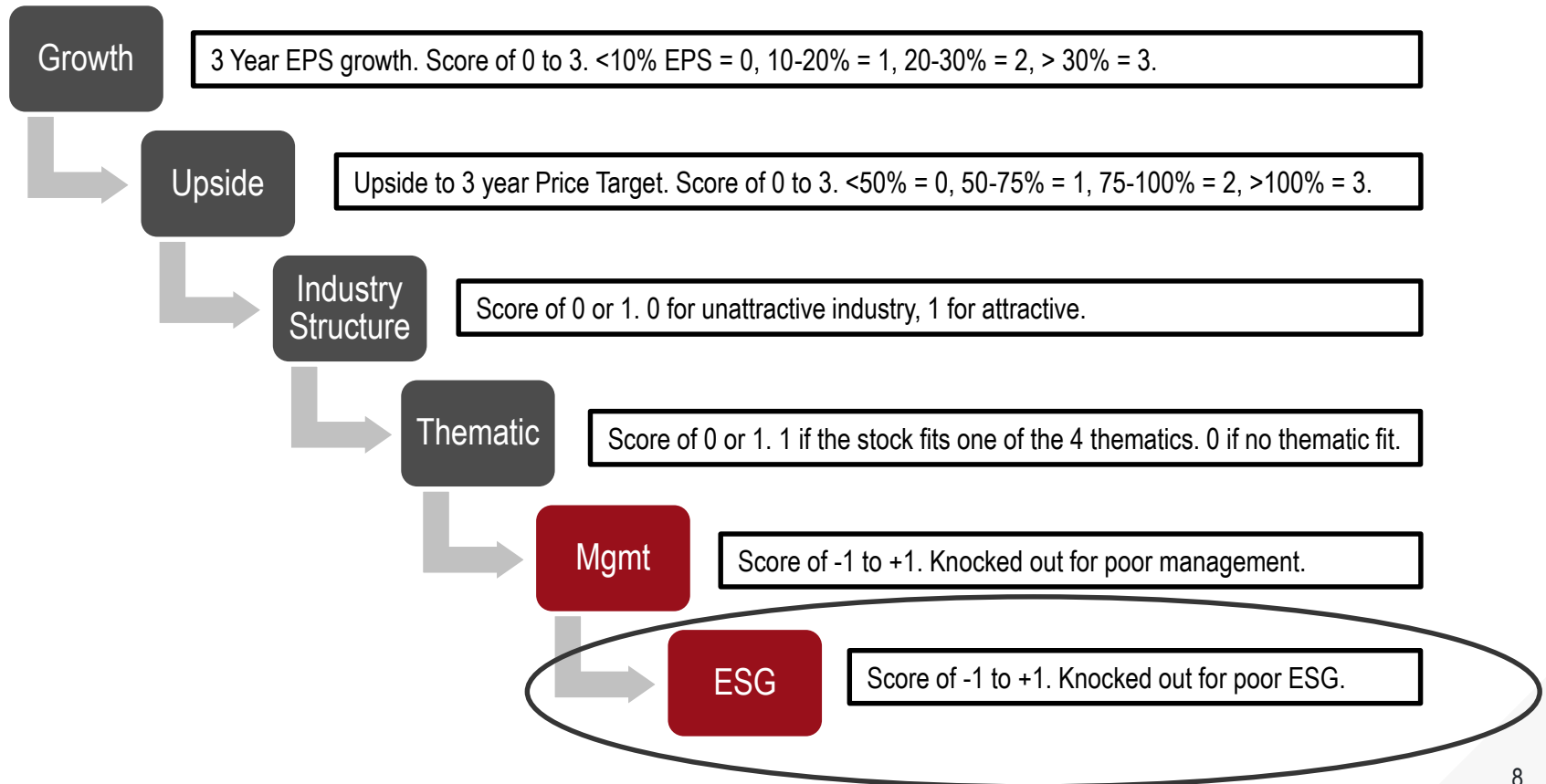
- Ellerston Asia has negative screens in place for the sectors listed below.
- A 0% revenue threshold is used for significant harm sectors and a 5% revenue threshold is used for the other negatively screened sectors.

Sector	Revenue Threshold
Tobacco Production	0%
Armaments & Weapons	0%
Tobacco Distribution	5%
Coal	5%
Gambling	5%
Palm Oil Production	5%
Nuclear Energy	5%
Pornography	5%

ESG Integration

ESG SCORE IS INTEGRATED INTO INVESTMENT PROCESS

- Our Conviction Scorecard is a series of quantitative filters, qualitative assessments and knock outs. Stocks must have a score of 5 or greater to be considered for the portfolio.
- Stocks with a score of -1 on ESG are “knocked out” of the process and are not eligible for portfolio inclusion even if they have a score of 5 or greater on the other metrics.

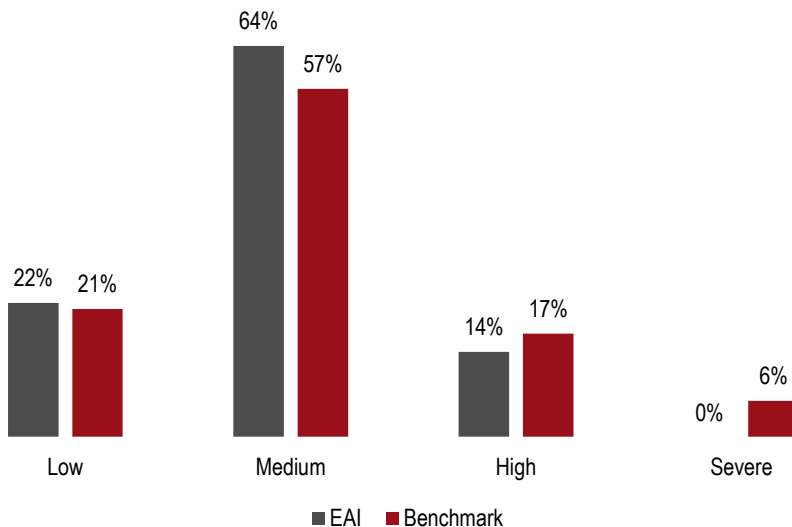


ESG Measurement

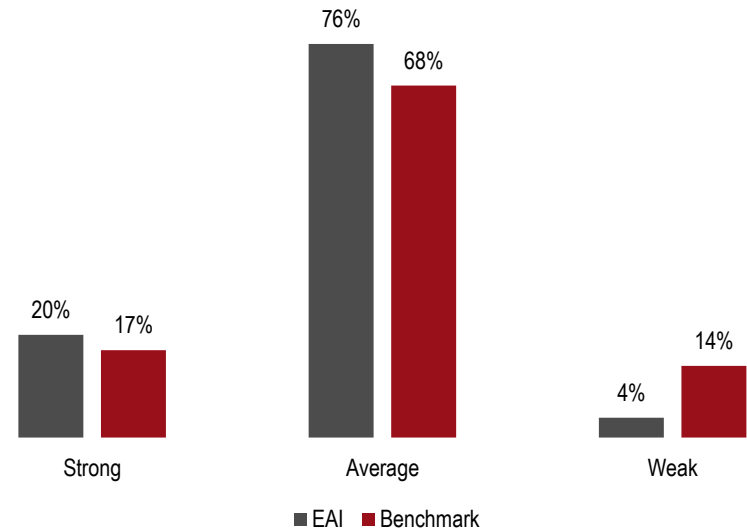
PORTFOLIO ESG RISK VS BENCHMARK

- ESG Measurement using Sustainalytics data shows that our ESG process is effective in reducing ESG risks.
- The prevalence of Severe ESG Risk in the Fund is zero versus the benchmark at 6%.
- The prevalence of companies with weak management of ESG issues is lower than the benchmark, and the prevalence of companies with strong management of ESG issues is higher than the benchmark.
- There are no companies in the Ellerston Asia portfolio with a Sustainalytics Category 5 ESG risk event.

Overall ESG Risk Rating EAI vs MSCI Asia Ex Japan



ESG Risk Management EAI vs MSCI Asia Ex Japan



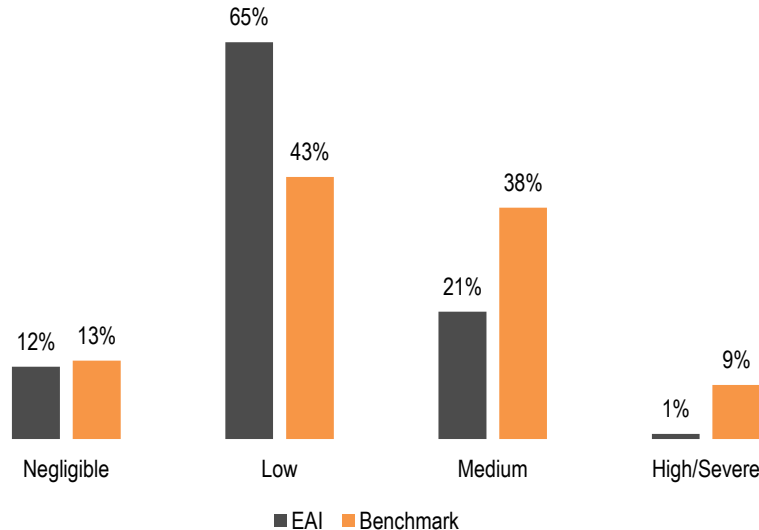
Portfolio as of July 30, 2020. 30 out of 32 (98%) stocks in the portfolio were rated by Sustainalytics. 1,131 stocks out of 1,338 stocks in the benchmark (96%) were rated by Sustainalytics. The unrated stocks are primarily A shares.

ESG Measurement

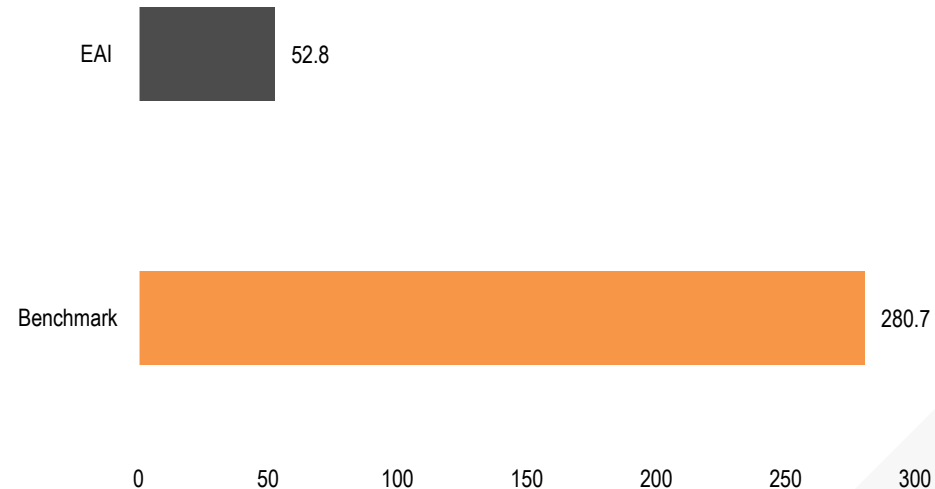
PORTFOLIO CARBON RISK VS BENCHMARK

- Measurement using Sustainalytics data shows that our ESG process is effective in reducing carbon risk in the portfolio.
- The prevalence of High/Severe Carbon Risk in the Fund is lower than in the benchmark.
- The carbon intensity of the portfolio is significantly lower than the benchmark.
- The portfolio has 82% less exposure to Fossil Fuels than the benchmark and 0% stranded assets.
- The portfolio has 13% stronger management of carbon risk than the benchmark.

Overall Carbon Risk Rating EAI vs MSCI Asia Ex Japan



Carbon Intensity (tCO2e/Mil USD) EAI vs MSCI Asia Ex Japan



Portfolio as of July 30, 2020. 30 out of 32 stocks (98%) in the portfolio were rated by Sustainalytics. 998 stocks out of 1,338 stocks in the benchmark (94%) were rated by Sustainalytics. The unrated stocks are primarily A shares.

Our Own ESG

ELLERSTON ASIA

WALKING THE TALK

- Ellerston Capital is a signatory to the Principles of Responsible Investment.
- Ellerston Capital is a signatory to Climate Action 100+.
- Ellerston Capital has been recognised as a leading responsible investor by RIAA.
- The Asia team is represented on the firm wide Ellerston Capital ESG Committee.
- Our team's international travel is carbon neutral.
- Our team is highly diverse.





ELLERSTON ASIA

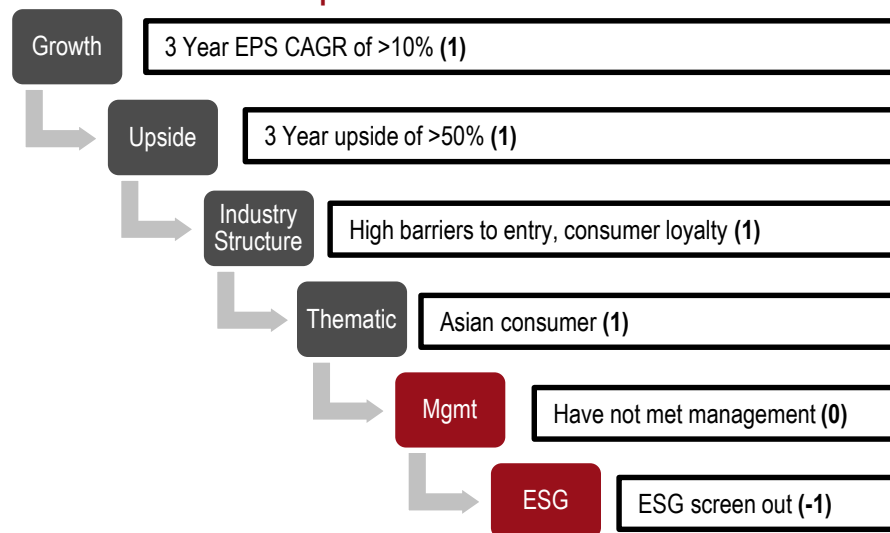
Stock Discussion

Negative Screening Example

HM SAMPOERNA – INDONESIA

- HM Sampoerna is a tobacco company in Indonesia.
- As shown in the Conviction Scorecard below, the stock meets (met) our other investment criteria but is in a negatively screened sector so gets an ESG score of -1.
- The stock is therefore “knocked out” and is ineligible for further analysis or portfolio inclusion.

HM Sampoerna Conviction Scorecard



Negative Sector Screens

Sector	Revenue Threshold
Tobacco Production	0%
Armaments & Weapons	0%
Tobacco Distribution	5%
Coal	5%
Gambling	5%
Palm Oil Production	5%
Nuclear Energy	5%
Pornography	5%

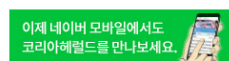
Negative Scoring Example

SAMSUNG BIOLOGICS – KOREA

- Samsung Biologics is a Korean biotech company. It does not operate in any of the negatively screened sectors.
- The stock meets the other investment criteria in our process and was therefore eligible for a deep dive analysis.
- The deep dive analysis revealed major governance related issues namely accounting fraud, failure to inform shareholders of material events and destruction of evidence.
- As such, the stock was scored -1 on both ESG and management. This score was integrated into the Conviction Scorecard making Samsung Biologics ineligible for further analysis or portfolio inclusion.

Controversy Alert

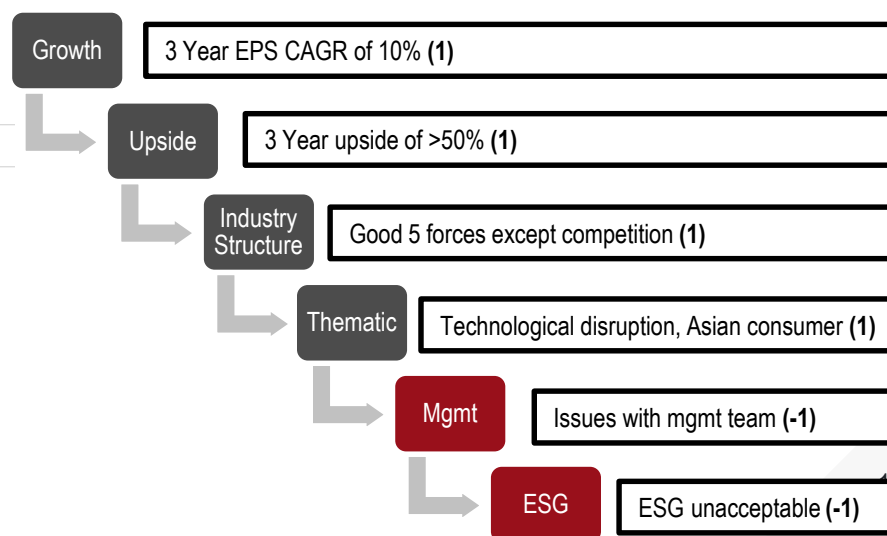
Integration of ESG Score into Conviction Scorecard



The Korea Herald

Business All Industry Technology Transport Retail

Prosecutors seek arrest warrant for Samsung BioLogics CEO in accounting scandal

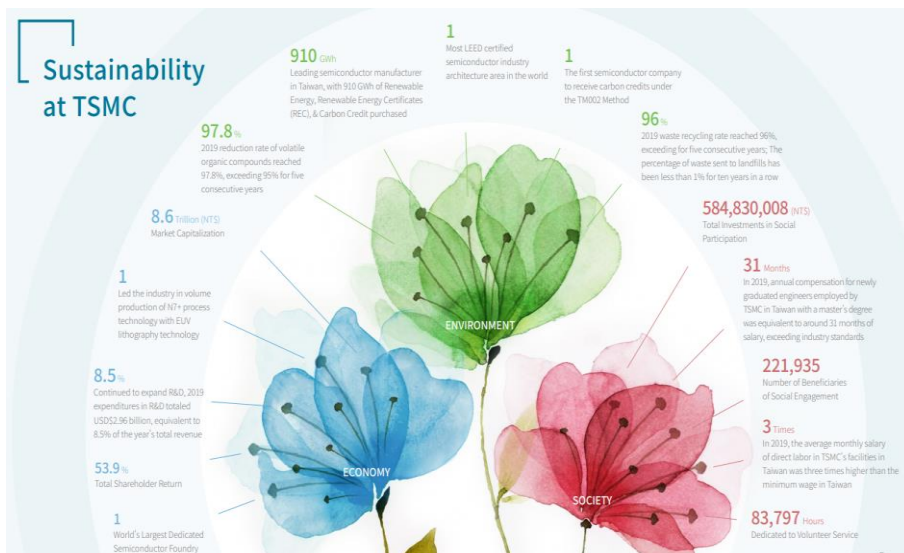


Positive Scoring Example

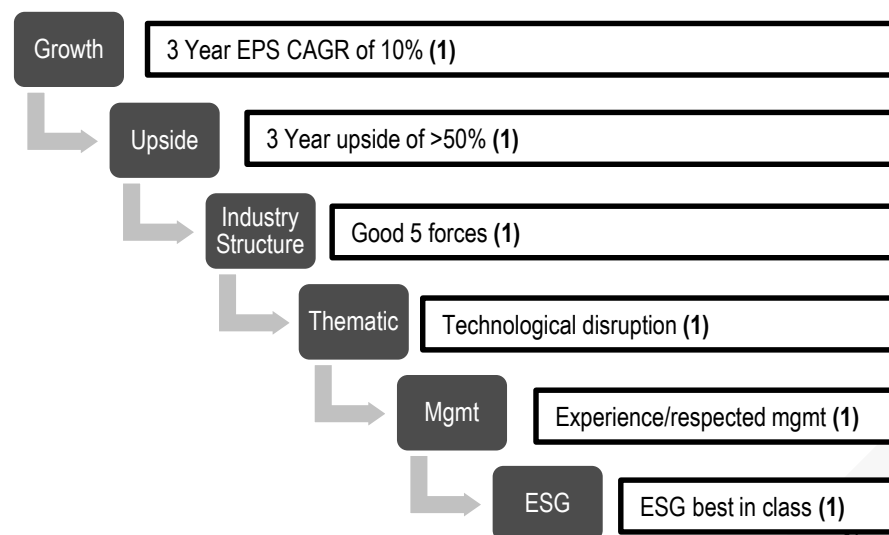
TSMC – TAIWAN

- TSMC is the world's largest semiconductor foundry in the world.
- It does not operate in any of the negatively screened sectors.
- At the time of purchase, TSMC met our growth, upside, industry, thematic and management criteria.
- TSMC is also assessed a score of 1 for ESG as we consider it 'best in class' amongst tech manufacturers globally. It has a strong focus on the environment, has good social practices, has good corporate governance and no major controversies.

TSMC ESG related achievements



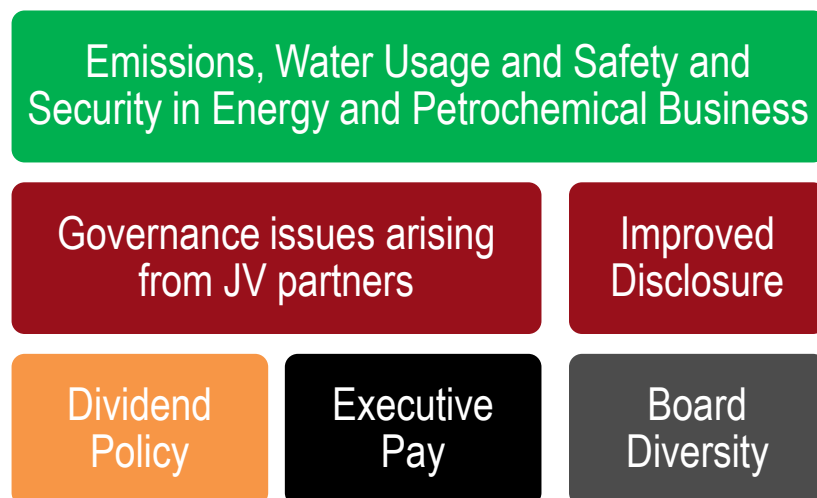
Integration of ESG Score into Conviction Scorecard



Engagement and Retention Example

RELIANCE INDUSTRIES – INDIA

- Reliance is an Indian conglomerate with 3 main business units: Telecom, Retail and Energy.
- Reliance is the only Energy stock in the EAI portfolio and the only stock that is rated a Severe ESG risk by Sustainalytics, The team has done significant engagement to gain comfort in the stock's ESG.
- In the last 3 years, the EAI team has had 4 meetings with Reliance management on the ground in India and has conducted 4 calls/VCs with management since COVID began earlier this year.
- We have voted on all resolutions for the last 3 AGMS and attended the virtual AGM in 2020.
- The team has engaged with CA100+ on this stock, as Reliance is a company we have common interest in improving disclosure.
- The main ESG issues for this stock arise in the Energy business. Our engagement with management makes us comfortable that the telecom and retail businesses will be sold off within the next 2 years at which time we do not anticipate holding any of the energy assets.
- The following diagram summarizes the ESG topics discussed with management.

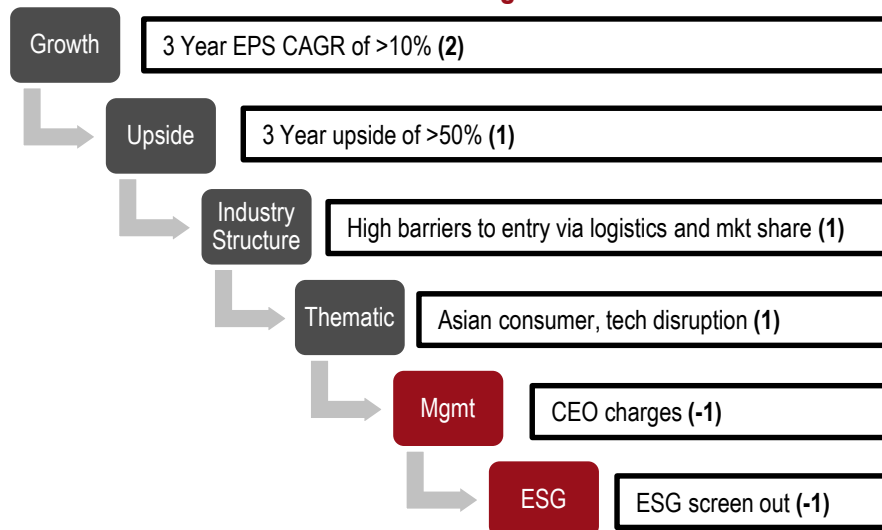


Engagement, Divestment and Reinvestment Example

JD.COM – CHINA

- JD is one of the largest e-commerce companies in China. It meets all of our growth and investment criteria and has been an important alpha generator for the Fund.
- In September 2018, CEO Richard Liu was detained in America for alleged criminal sexual misconduct.
- As shown below, Ellerston Asia has a consistent and long standing relationship with JD management and IR but they were not disclosing any details or providing investors with any comfort as to the governance risks associated with the event. As such, the scores for both management and ESG were moved to -1 and we divested the company.
- Later in the year criminal charges were dropped. Once this had occurred and there was sufficient visibility as to the role and conduct of the CEO going forward, we reinvested in the stock.

JD Scorecard During Late 2018



Engagement with JD

Date	PM/Analyst
January 2017	Mary Manning
May 2018	Eric Fong
Aug 2018	Fredy Hoh
May 2019	Eric Fong
January 2020	Eric Fong
April 2020	Eric Fong
June 2020	Eric Fong



ELLERSTON ASIA

Q&A

Next Webinar

CONTINUOUS ENGAGEMENT

- Next Ellerston Asia Update: Wednesday, 14 October 2020 at 10am AEST
- You can register at
 - <https://primetime.bluejeans.com/a2m/register/vfkfybsx> or
 - the Ellerston website

Ellerston Distribution & IR Team

ELLERSTON **ASIA**

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