

ELLERSTON ASIAN
INVESTMENTS LIMITED
ACN 606 683 729

15 March 2021

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

ELLERSTON ASIAN INVESTMENTS LIMITED PRESENTATION

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

The Ellerston Asia Investment Update will take place on Tuesday 16 March at 10am AEDT. Shareholders and investors can register for the webinar at the following link:

[Register your attendance here](#)

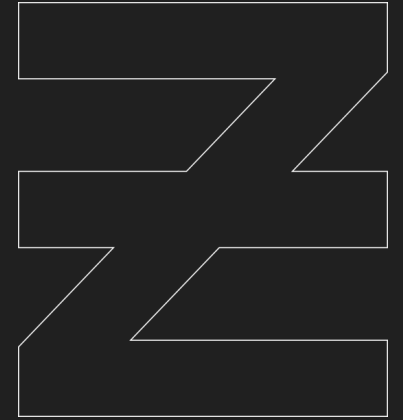
For any further enquiries please contact Link Market Services on 1300 551 627 or Ellerston Capital Limited Investor Relations on 02 9021 7701.

Yours sincerely,



Ian Kelly
Company Secretary

Ellerston Capital



Ellerston Asian Investments Quarterly Update

By Portfolio Manager Mary Manning

March 2021

Outlook for Asian Markets in 2021

6 Main Market Drivers For This Year



**COVID Waves &
Vaccine Roll Out in Asia**



China Net Zero

**Taper Tantrum 2.0 &
Trajectory of the USD**



IPO

Asia's IPO Pipeline

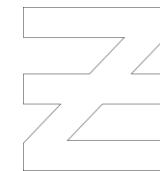
**US China Relations Under
a Biden Administration**



Valuations & Rotations

Post-COVID Macroeconomic Outlook

Asia Boasts One Of The Best Growth Outlooks In The World

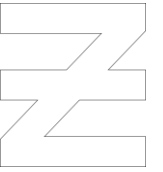


- COVID has accelerated the Japanification of Developed Markets but Asia is already enjoying a post-COVID cyclical upswing and the long term structural growth story remains intact.
- Second waves in Asia are contained, economies are returning (or have already returned) to normal and no Asian country is at the zero bound of interest rates. Policy makers have optionality.
- China's economy is among the strongest in the world and Asia as a region has a stronger growth outlook than other regions.

Country/Region	2020E GDP Growth	2021E GDP Growth
China	2.3%	8.4%
Asia ex Japan	1.0%	5.7%
India	-7.5%	10.0%
USA	-3.5%	4.9%
EU	-6.4%	4.3%
World	-3.5%	3.8%

Asia Vaccine Rollout

Asia Begins Massive COVID 19 Vaccination Drive



- Vaccines are not a panacea for the health and economic problems presented by COVID. The logistics of vaccine distribution in both developed and developing countries has been significantly underestimated.

Country	Current Situation	Vaccine Candidate(s)	Vaccination Targets	Comments
China	More than 50m doses administered	Locally developed vaccine by Sinopharm	50m people by Chinese New Year	1) Question marks over efficacy of locally developed vaccine, 2) vaccine to take
Hong Kong	About 180,000 doses administered	Pfizer-BioNTech vaccine (Fosun Pharma)	Entire population vaccinated by 3Q21	People will have a choice on which vaccine to take
India	About 24m doses administered with more than 5m people receiving both doses	Oxford-AstraZeneca candidate and locally developed candidate from Bharat Biotech	Target 300m people by Jul/Aug 2021	which vaccine to take, 2) daily run-rate of vaccinations below targeted rate
Singapore	Nearly 400,00 doses administered	Pfizer-BioNTech candidate approved	Entire population in 6 months	Plan to set up 36 vaccination centres that can process 2,000 people per day
South Korea	Nearly 600,000 doses administered	Pfizer, Moderna, AstraZeneca and J&J	35m by Sep 2021	Plan to purchase an additional 40m doses of the Novavax vaccine manufactured by local manufacturer SK Bioscience
Taiwan	End Feb/Mar 2021	Oxford-AstraZeneca candidate	No timeline fixed	Three domestic vaccine candidates under trial
Indonesia	About 4m doses administered	China made Sinovac Biotech candidate	2/3rds of population by March 2022	Prioritise vaccine shots for 18-59 year old's

Taper Tantrum 2.0 and the Trajectory of the USD

Implications For Emerging Markets In Asia

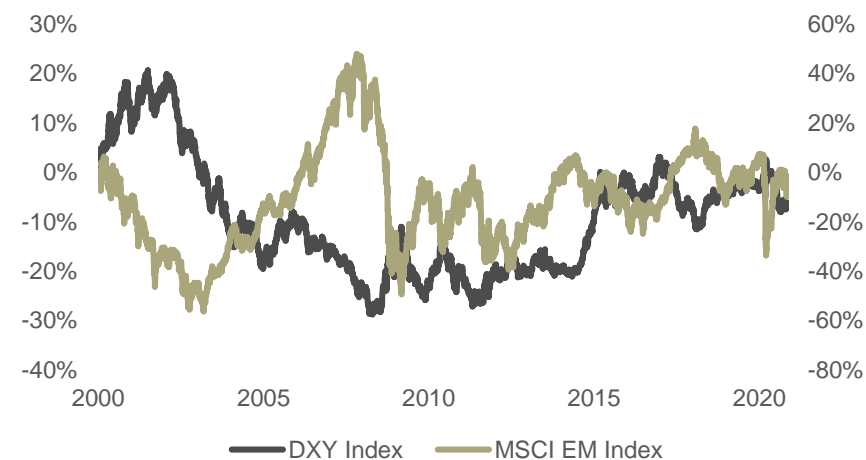


- In May 2013, Fed Chairman Ben Bernanke announced that the Fed would, by the end of the year, reduce the volume of its bond purchases. The market reactions across equities, bonds and FX was violent.
- Bond yields spiked immediately with the US 10 year rising from <2% in mid-May to 2.75% by the end of June and 3% by the end of CY13.
- Equities reacted as well but the reaction was not uniform across markets. Getting country selection correct in a taper is critical.
- Note that the Taper Tantrum was short lived and many markets rebounded strongly into the second half of the year.
- A weak USD has been the consensus trade for the 2H of 2020. The pain trade from here is USD strength which could negatively impact flows into EM.

Market Performance in the 2013 Taper Tantrum

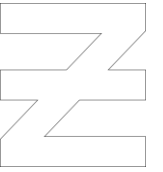
Index	Pre TT High (May 2013)	TT Low (June 2013)	Change High to Low	2013 CYE	Pre TT High to CYE
Nikkei 225	15,627	12,445	-20.4%	16,291	4.2%
MSCI EM	1,061	883	-16.8%	995	-6.2%
SH Comp	2,324	1,950	-16.1%	2,116	-9.0%
ASX Small Caps	5,441	4,575	-15.9%	5,403	-0.7%
Hang Seng Index	23,493	19,814	-15.7%	23,306	-0.8%
JCI	5,215	4,419	-15.3%	4,274	-18.0%
MSCI Asia Ex J	565	481	-14.8%	546	-3.3%
MSCI Asia Ex J Small Cap	1,083	930	-14.2%	1,001	-7.6%
UKX	6,840	6,029	-11.9%	6,749	-1.3%
KOSPI	2,001	1,781	-11.0%	2,011	0.5%
ASX 200	5,221	4,656	-10.8%	5,352	2.5%
Sensex	20,286	18,541	-8.6%	21,171	4.4%
MSCI World	1,521	1,401	-7.9%	1,640	7.8%
Russell Index	1,000	924	-7.6%	1,164	16.4%
Nasdaq	3,029	2,848	-6.0%	3,592	18.6%
S&P 500	1,669	1,573	-5.8%	1,848	10.7%
Dow	15,409	14,660	-4.9%	16,577	7.6%

DXY vs MSCI EM Since 2000



US-China Relations

Taking A Long Term View

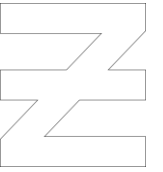


- The US is in hegemonic decline and China is in ascendancy yet global investment indices are still extremely US centric. This will converge over time providing inflows into Chinese equity markets.
- Tensions between these two superpowers will not totally disappear under a new President, but the flashpoints below may become more manageable and predictable in a Biden administration.

Flashpoint		Comment
Hong Kong		<ul style="list-style-type: none">• Sanctions in the wake of National Security Law• Implications for US companies operating in HK (Article 29)• Increased military presence in South China Seas
Technology		<ul style="list-style-type: none">• Ongoing crack down on Huawei / ZTE• Additions to US Entity List• Banning of Chinese Apps
Capital Markets		<ul style="list-style-type: none">• Crack down on ADRs via the Holding Foreign Companies Responsible Act• Banning US government pension funds from investing in ADRs or in China
Trade		<ul style="list-style-type: none">• Formal cancellation of ongoing trade talks• Repeal of Phase I and/or re-initiation of tariffs• FX war and currency manipulation label

Asia's IPO Pipeline

The Continued Rise of Asian Mega-Caps



- There have been many large, high profile capital raisings and IPOs in Asia in the last few months.
- China is home to 242 unicorns including 5 of the largest in the world. About half of the unicorns in China are affiliated with Alibaba, Baidu, Tencent, JD and Meituan – all stocks we own.
- India has 21 unicorns with a total value of over US\$70b. The 2 largest unicorns, Reliance Jio and Reliance Retail, are expected to be spun out from Reliance Industries – also a stock we own.

Rank	Company	Country	Est. Valuation (US\$bn)
1	ByteDance	China	\$140
2	Ant Group	China	100+
3	Reliance Jio	India	70
4	Didi Chuxing	China	60
5	Reliance Retail	India	60
6	Coupang	Korea	50
7	Flipkart	India	25
8	Paytm	India	16
9	Grab	Singapore	14
10	Go Jek	Indonesia	10

Recent IPOs (\$340b combined market cap)



Recent Capital Raisings



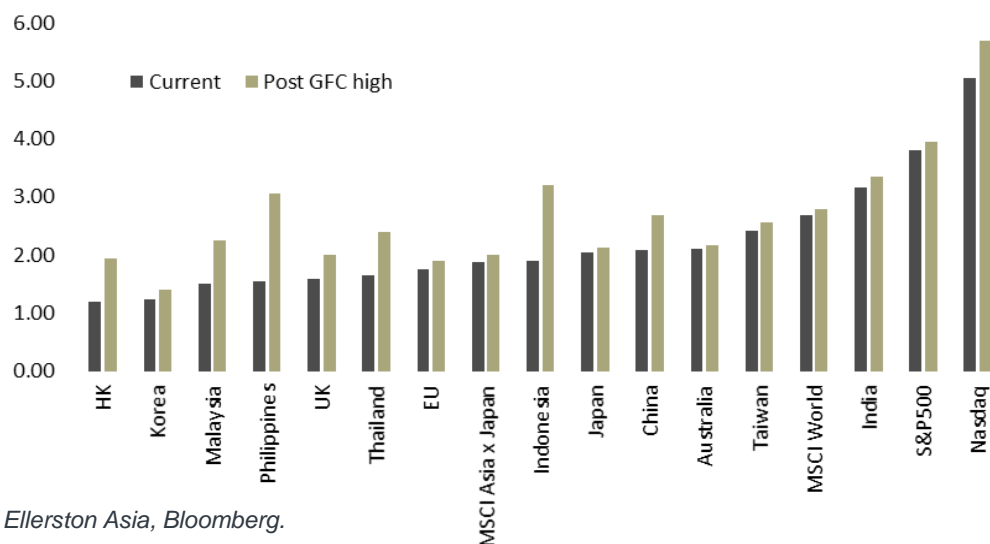
Valuations and Technicals

Tracking Valuations, Technicals And Risk Adjusted Returns

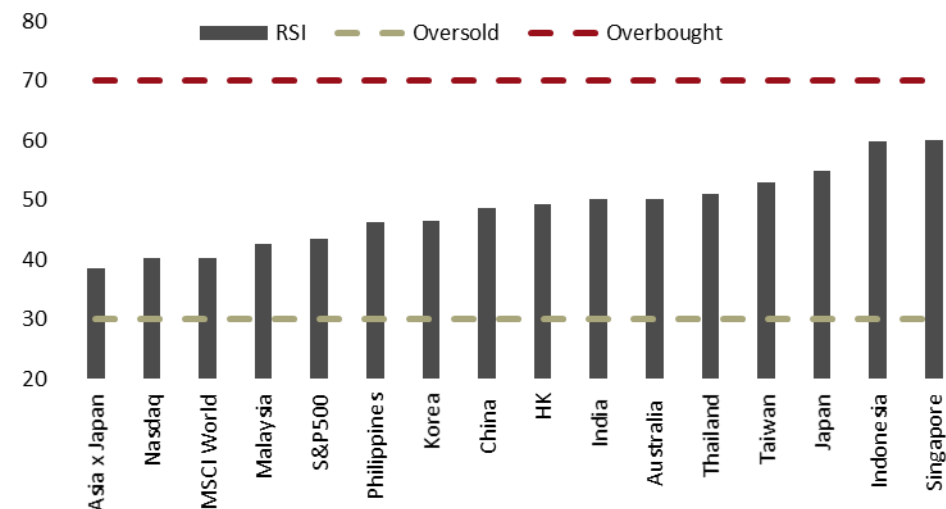


- Prior to the sell off in late February, most markets around the world were at or close to being overbought (i.e. RSI >70) and there was evidence of exuberant behaviour across asset classes (Bitcoin, IPOs, unprofitable tech index, Reddit/Robinhood, SPACs, etc). RSI's are now back at more reasonable levels.
- Valuations are extended globally but are more attractive in EM than in DM.
- **There are a number of double standards emerging between risk adjusted returns and valuations in Emerging vs Developed Markets. This adds to the case for superior risk adjusted returns in EM and Asia.**

Market P/B vs GFC Low and Post GFC High



RSI for Asian Markets



Source: Ellerston Asia, Bloomberg.

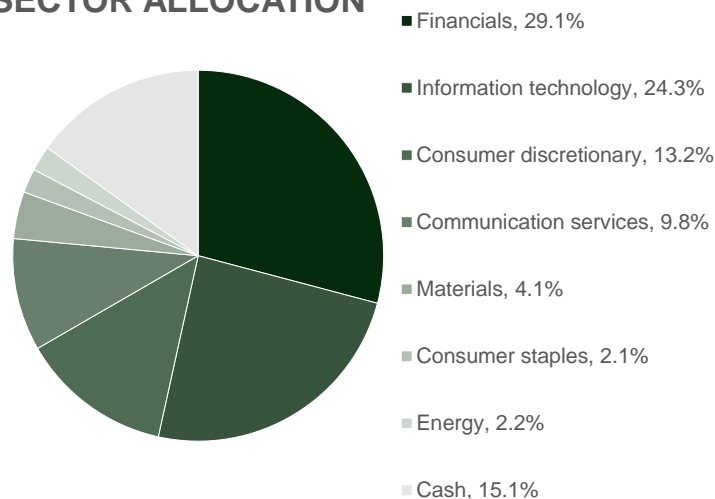
As of 2 March 2021.

EAI Portfolio Overview as at 28 February 2021

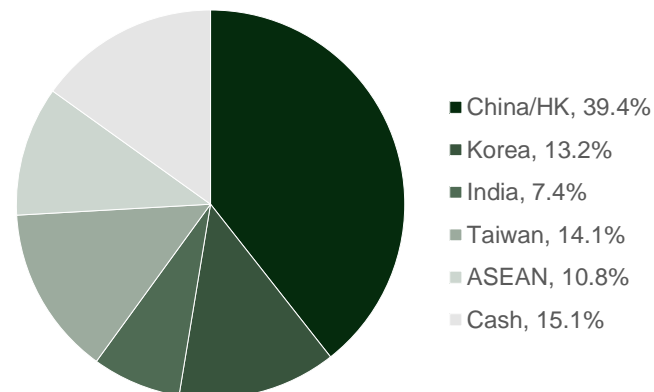
Performance	1 Month	3 Months	6 Months	1 Year	3 Years (p.a.)	Since Inception (p.a.)
EAI*	0.36%	5.65%	13.67%	14.63%	8.38%	9.12%
Benchmark^	0.31%	6.80%	16.95%	15.74%	7.02%	9.72%
Alpha	-0.68%	-1.15%	-3.28%	-1.10%	1.36%	-0.61%

Top 10 Holdings	Portfolio Weight
TSMC	9.9%
Tencent	7.8%
Samsung Electronics	7.2%
Alibaba Group Holding Ltd	7.2%
Ping An Insurance	4.2%
United Overseas Bank	3.3%
DBS	3.2%
Overseas Chinese Banking Corporation	3.2%
Hong Kong Exchanges & Clearing	3.0%
China Construction Bank	2.6%

SECTOR ALLOCATION



GEOGRAPHIC ALLOCATION



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. Inception date is 4 September 2015.

^Benchmark is MSCI Asia ex Japan (non-accumulation) Index (AUD).

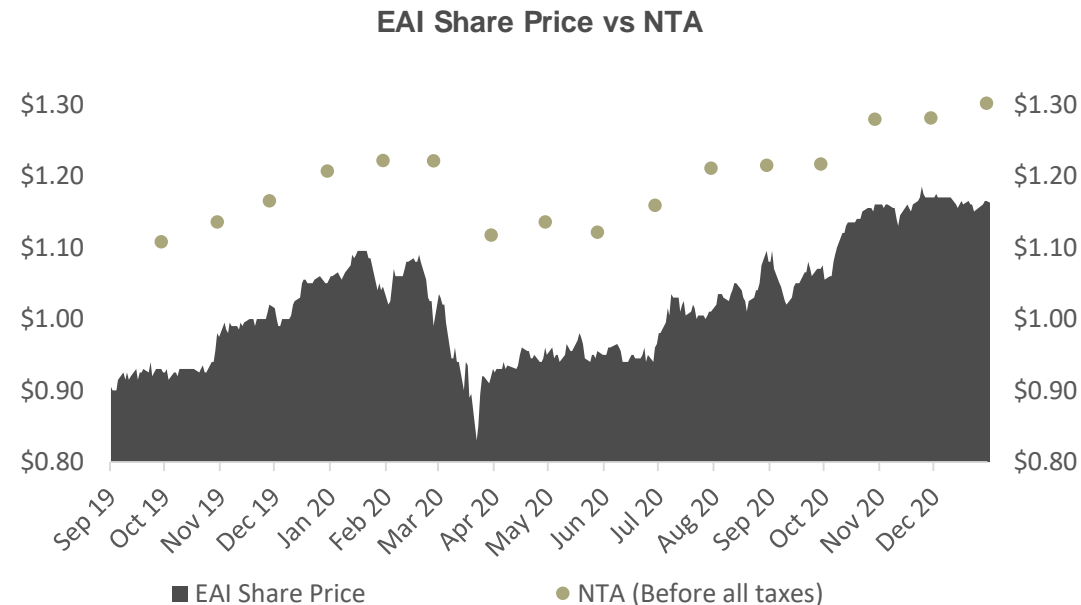
Dividend & Share Price Performance

Rising & sustainable dividend



- Ellerston Asian Investments aims to have a **sustainable dividend policy** based on multiples years of profit reserves.
- In recognition of our **strong performance** and franking credit balance, EAI has declared an interim dividend of **2.5 cents per share fully franked**.
- As at the end of February, EAI's dividend profit reserve was approximately 18.55* cents per share, representing **3.7 years of dividend coverage** for shareholders.

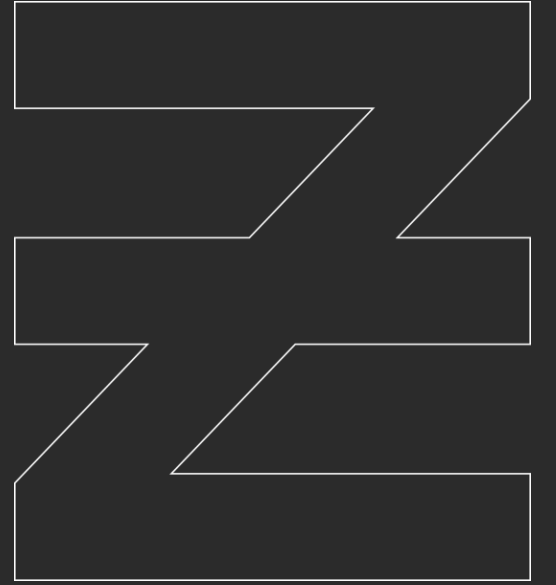
Ex Dividend Date	Pay Date	Amount	Franking
11 Mar 2021	7 Apr 2021	2.5c	100%
4 Sept 2020	2 Oct 2020	2.5c	100%
5 Mar 2020	27 Mar 2020	1.5c	100%
4 Sept 2019	4 Oct 2019	1.5c	100%
20 Mar 2019	5 Apr 2019	1.0c	100%
5 Sept 2018	5 Oct 2018	1.0c	100%



Source: Bloomberg.

* includes FY21 profits / \$2.5c April 7th dividend. Stock price calculation as of 25 Jan 2021.

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Top Stock Picks

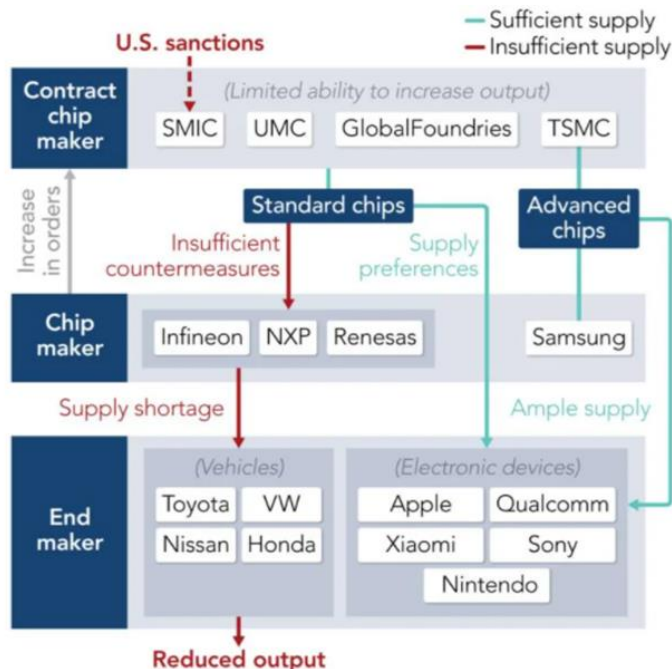
TSMC

High quality structural growth with near term catalysts

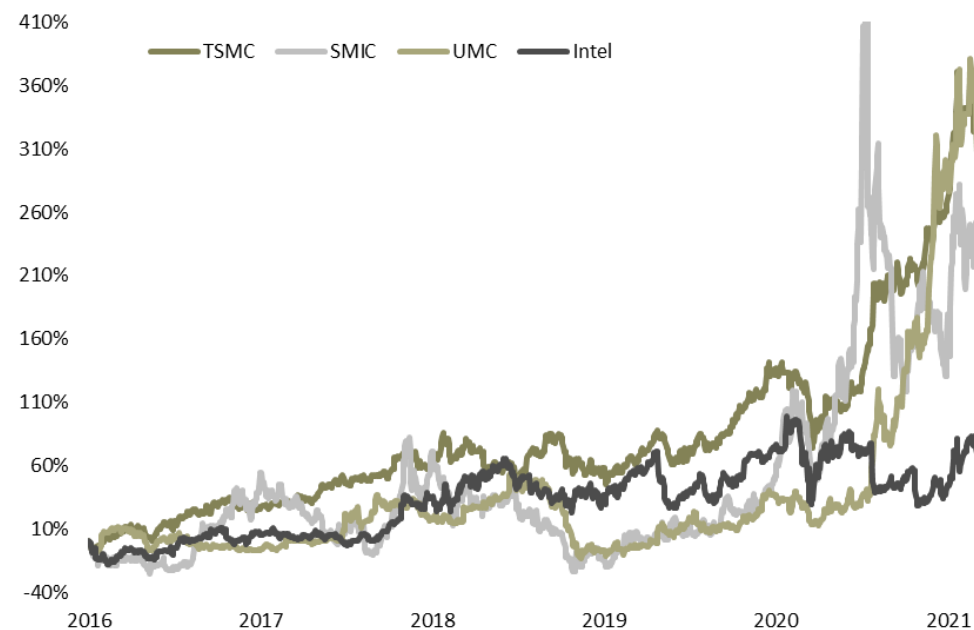


- TSMC is the world's largest semiconductor foundry (54% market share) with a market cap of A\$730bn. It is the largest weight in EAI at 9.9%.
- Key enabler of the emerging technologies such as 5G, IoT, HPC and EVs, which will drive structurally higher growth.
- Near term beneficiary of the global chip shortage that's affecting a number of different applications, most notably in automotive.
- The stock trades on 27x 12 month forward PE and we forecast 12% 3yr EPS CAGR and dividend yield of 3-4% p.a.

TSMC is a major beneficiary of the current chip shortage

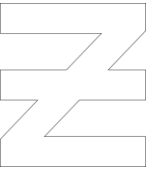


TSMC has outperformed its foundry peers



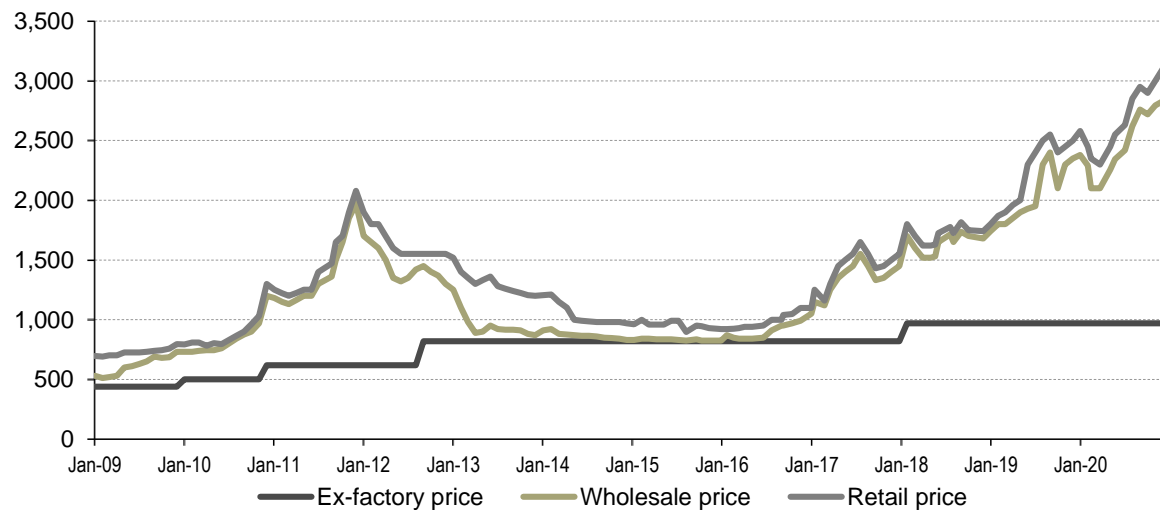
Moutai

China's "National Liquor"

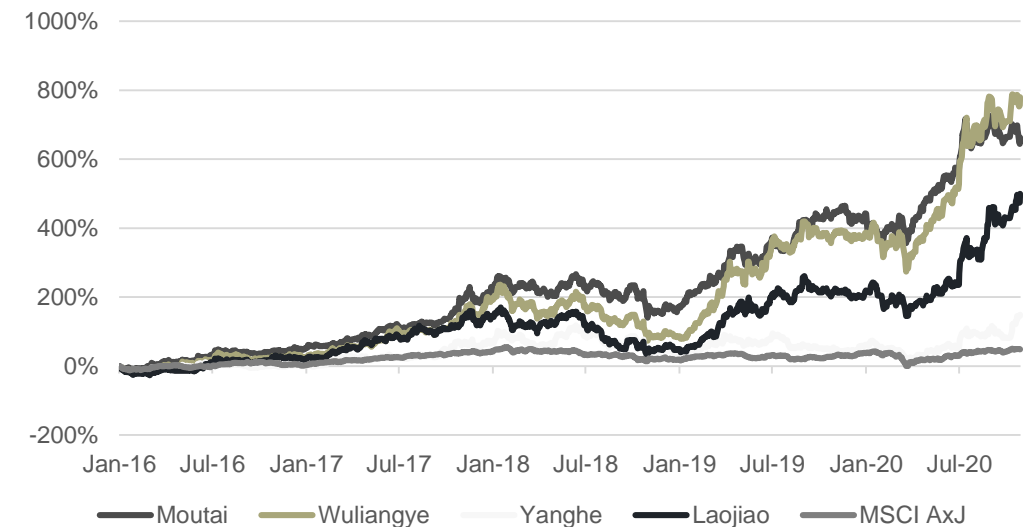


- Moutai is widely considered as the “national liquor” of China and is set to benefit from the multiyear consumer upgrade story in China.
- Its unique supply-demand dynamics, unrivalled branding and robust financial metrics are key reasons for our investment.
- Ongoing capital market liberalisation in China has driven higher allocation and weighting for China-A shares and this will lead to higher active and passive demand for the stock.
- Moutai's strong operating and financial track record is reflected in its share price trajectory. We initially invested in Moutai back in 2015 at around CNY300 and the share price is now CNY2,000.

Room for ex-factory price hike for Moutai

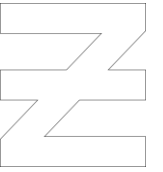


Strong share price performance over time

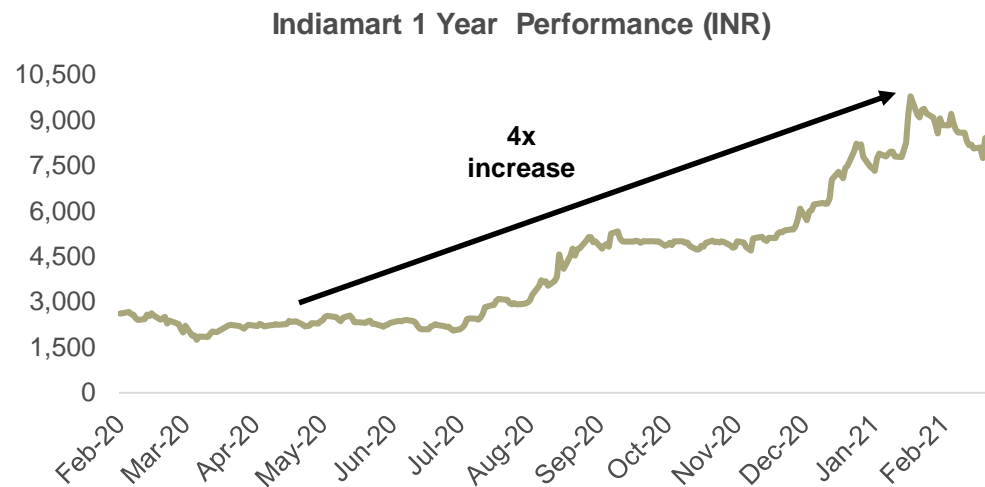
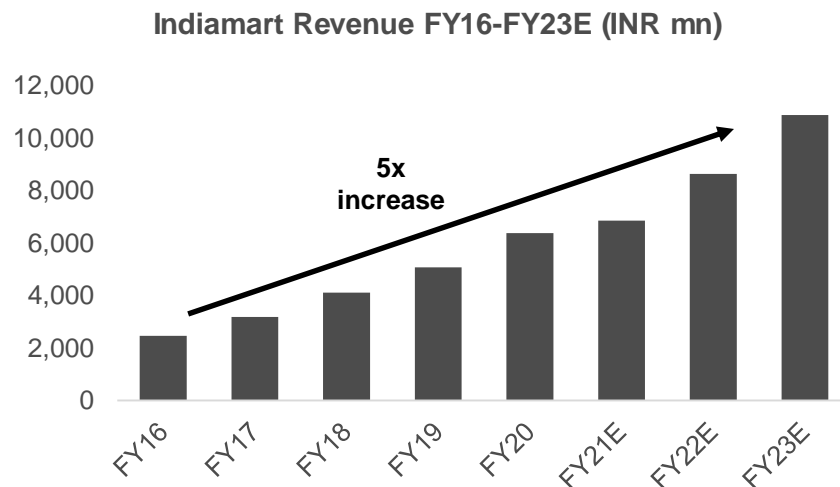


Indiamart

Best Internet Play On Digitisation of SMEs In India



- Indiamart is India's largest B2B online marketplace with more than 70% market share. It monetizes using a freemium model where listings are free, but suppliers pay for premium subscriptions which gives them priority in search results and premium store front branding.
- The growing B2B e-commerce industry coupled with Indiamart's superior market positioning has resulted in strong growth for the company. The underlying market is expected to grow at a 25% CAGR over the next five years.
- A strong network effect has created virtuous cycle with a higher number of buyers translating into further inquiries, in turn leading to more suppliers and, hence, higher monetisation.
- Indiamart currently has 140,000+ paying subscribers which is just 2.2% of the number of suppliers on its platform with an average customer revenue of Rs45,000 per year.

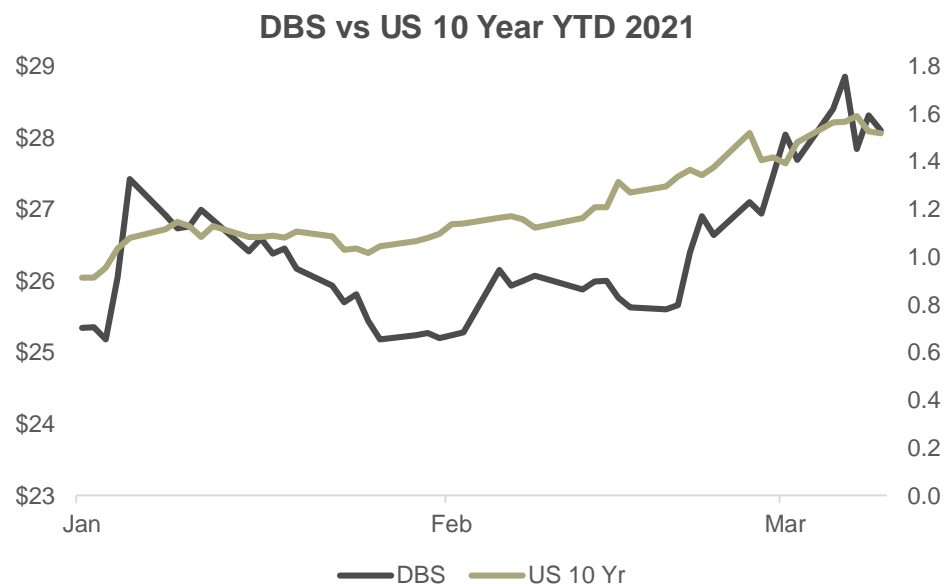


DBS and the Singapore Banks

Beneficiaries of Rising Rates in the US



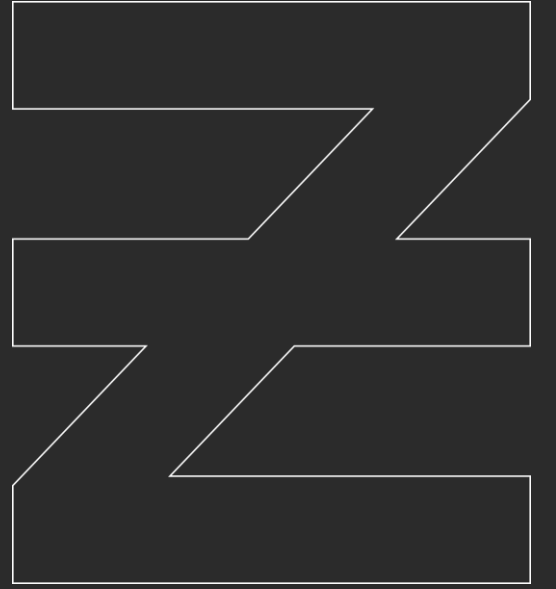
- DBS, OCBC and UOB are 3 of the largest overweight positions in the fund right now (10% combined weight vs the benchmark at around 1.2%).
- The rationale for this ultra-high conviction positioning is 3 fold:
 - (1) Singapore banks are beneficiaries of a higher US Treasury yield as SIBOR typically trades in conjunction with the US 10 Year.
 - (2) Singapore banks provisioned very aggressively in 2021 for a COVID asset quality cycle which has not materialized. There is a significant probability that the Singaporean banks will have write backs in 2021/2022.
 - (3) Valuation is very attractive at ~1x P/B for OCBC and UOB and 1.3x for DBS. All 3 banks are trading at ~12x PE despite double digit growth in both of the next 2 years.



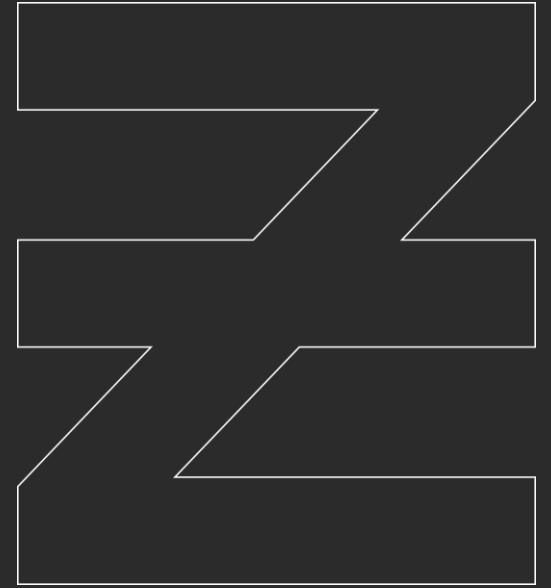
Very Attractive Valuation and Growth

Company	PE	P/B	2021E EPS Growth	2022E EPS Growth
DBS	12.4x	1.3x	25%	12%
OCBC	11.8x	1.0x	24%	12%
UOB	11.8x	1.0x	54%	16%
Average	12.0x	1.1x	34%	13%

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Q&A



Thank You

Next Webinar: 16 June 2021

Register [here](#)

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