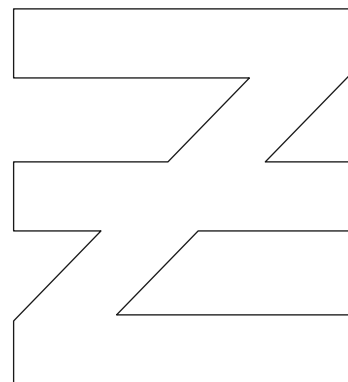


Ellerston Asian Investments Limited (ASX:EAI)



Monthly Newsletter, April 2021

Key Information

Listing Date^^	4 September 2015
NTA (before tax)*	\$1.3155
NTA (after realised tax)^	\$1.2777
NTA (after tax)**	\$1.2596
Share Price at 30/04/21	\$1.17
EAI Market Capitalisation	\$163.5 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.



Performance Summary

Performance	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception^^ (p.a.)
Net^	1.50%	-0.60%	5.45%	22.00%	11.86%	8.01%	8.79%
Benchmark*	0.98%	0.23%	9.83%	22.88%	9.21%	6.24%	9.41%
Alpha	0.52%	-0.83%	-4.38%	-0.88%	2.65%	1.77%	-0.62%

^ 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)

Ellerston Asian Investments (EAI) was up 1.50% (net) during April, outperforming the benchmark which was up 0.98%. Financial year to date in 2021, EAI is up 19.44%.

Ellerston Asian Investments aims is to have a sustainable dividend policy based on multiple years of profit reserves. A 2.5 cent fully franked dividend per share was paid on April 7, 2021, which is in line with the 2.5 cent fully franked dividend per share paid in October 2020. As at the end of April 2021, EAI's dividend profit reserve was approximately 16.8 cents per share (after the 2.5 cent, April 4, 2021 div. inclusive).

The discussion below covers cyclical outperformance, COVID-19 resurgence, particularly in India, and China Net Zero investment conclusions.

CYCLICALS OUTPERFORMANCE

Cyclicals continued to perform well in April, often at the expense of growth stocks. Commodity linked cyclicals performed well on higher underlying prices while interest rate sensitive stocks also performed well despite the US 10 year falling from its high of 1.74% at the end of March to its current level of 1.58%. Our positioning in Materials companies is typically minimal given our strict ESG criteria, but we remain significantly overweight financials as a way to balance the portfolio during periods of rotation. This worked well in April and our positioning in banks was a major source of alpha generation for the Fund.

We continue to believe that a taper tantrum is a distinct possibility in the next 12 months as the US economy gains strength in both absolute and relative terms. Given this outlook and the implications for the USD, Ellerston Asia remains underweight countries with high current account deficits and volatile currencies. We have zero exposure to Indonesia, Malaysia, Thailand and the Philippines and are underweight India.

COVID RESURGENCE IN ASIA

April witnessed a resurgence of COVID-19 cases in a number of Asian countries including Taiwan, Korea, Thailand and, most notably, India. India has now surpassed 20 million cumulative infections, the number of daily cases continues to remain above 350,000 and daily death consistently above 3,000. As a result, India's underdeveloped healthcare infrastructure has become severely constrained with shortages of oxygen, hospital beds, ICU facilities and essential workers. Vaccinations have dropped off as a result of the surge in cases as people prefer to remain at home and are wary of medical infrastructure that is already overwhelmed.

Prime Minister Modi is now under intense criticism for his mishandling of the second wave of COVID-19. There were a number of key state elections in early May and Modi continued to allow and support large political rallies despite the possibility of them becoming super-spreader events. He has also refused to impose a nation-wide lockdown due to the adverse economic implications and has instead handed off lockdown decisions to the state level. As a result, the rules remain a patchwork of restrictions in effect for different time frames. Modi's party, the BJP, was defeated in the West Bengal election in early May and his approval ratings have plummeted. This raises concerns about Modi's chances for securing a third term in 2024.

Surprisingly, however, Indian markets have held up incredibly well in the face of this growing public health crisis. The NIFTY sold off less than 1% during April and still only ~3% from its all-time high. Feedback from on the ground is that local fund managers continue to hold stocks and put new money to work as long as they are confident there will be no national lock down and as long as the case load in Mumbai is under control. We think this is very short sighted. Our base case is that things will get worse before they get better and that a nationwide lock down is still a possibility. As such, in early May we meaningfully reduced our exposure to India and many of the stocks we do still own are exporters that benefit from a lower Indian Rupee (e.g. Infosys, Dr Reddy's).

CHINA NET ZERO AND THE VIRTUAL CLIMATE SUMMITT

At our monthly webinar in December 2020 we mentioned that we were doing a deep dive analysis on China Net Zero, China's plan to become carbon neutral by 2060 and have peak CO2 emissions by 2030. This plan is obviously going to create a lot of opportunities for businesses within China and around the world. We divided the investment opportunities into three buckets: renewables, Electric Vehicles (EVs) and EV supply chain. After months of analysing these sub-sectors, we arrived at four main conclusions:

- 1) EVs and the EV supply chain are the best ways to play the China Net Zero thematic while renewables is the least attractive. While both wind and solar will have a very important role to play in shifting China's energy mix, these sectors have considerable business risk (unsustainable and unreliable government subsidies for example) and other ESG related risks that offset the positive environmental impact (governance and supply chain exposure to Xinjiang, for example).
- 2) The structural trend towards EVs in China is unstoppable and exposure to EVs will become a must for Asian investors in the coming years. We currently have a small position in NIO to gain exposure to this thematic. NIO's stock price has fallen significantly in the last few months and this level may represent a good long term buying opportunity.
- 3) Within the EV supply chain our current preference is for battery plays like LG Chem and CATL rather than other parts of the supply chain. Upstream commodity plays like lithium or cobalt suppliers typically do not meet our ESG criteria and the investible universe EV infrastructure plays in Asia are currently very limited.
- 4) We think it is too early to conclude with conviction which type of battery design (pouch cell, prismatic, other) will be dominant in the ultimate EV supply chain so Ellerston Asia currently has investments in both LG Chem (pouch design) and CATL (prismatic).

Keeping on theme of China Net Zero and sustainability, in April President Biden hosted a virtual climate summit inviting over 40 world leaders. President Xi attended the virtual summit and the US and China pledged to work together to tackle climate change.

Very early in his new role as US Secretary of State, Antony Blinken said "Our relationship with China will be competitive when it should be, collaborative when it can be, and adversarial when it must be." Climate change is one of the few areas where China and the US appear to be able to collaborate. This delineation between competition, collaboration and confrontation is a welcome change to the Trump administration where almost all issues were put in the confrontation category.

PERFORMANCE

In April, JSW Steel was the best performing stock in the portfolio up approximately 53%. This resulted in Materials being the highest sector contributor to alpha and India being the highest country contributor to alpha. The second highest sector contributor to alpha was Financials by strong performance and overweight positions in the three Singapore banks, DBS, OCBC and UOB. Our position in Ping An was the largest detractor from alpha during the month and we have since trimmed the position.

As always, if you have any questions regarding any aspect of Ellerston Asia or the portfolio, please feel free to contact us at info@ellerstoncapital.com.

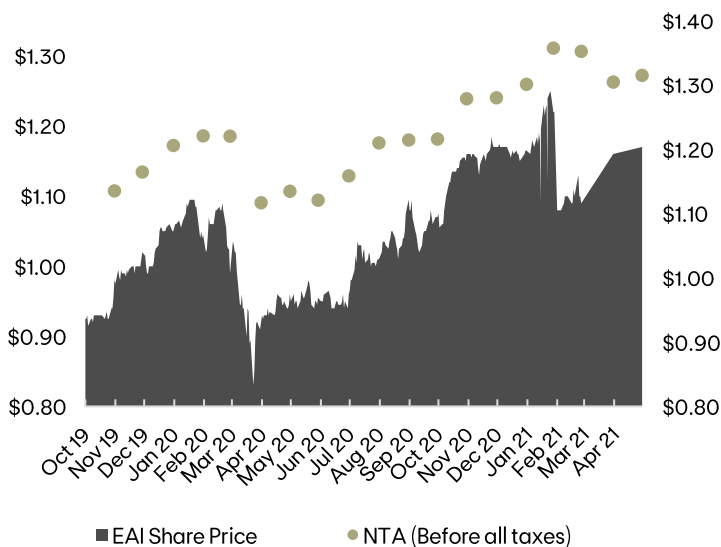
Kind regards,
Mary Manning.

PORTFOLIO CHARACTERISTICS

TOP 10 HOLDINGS

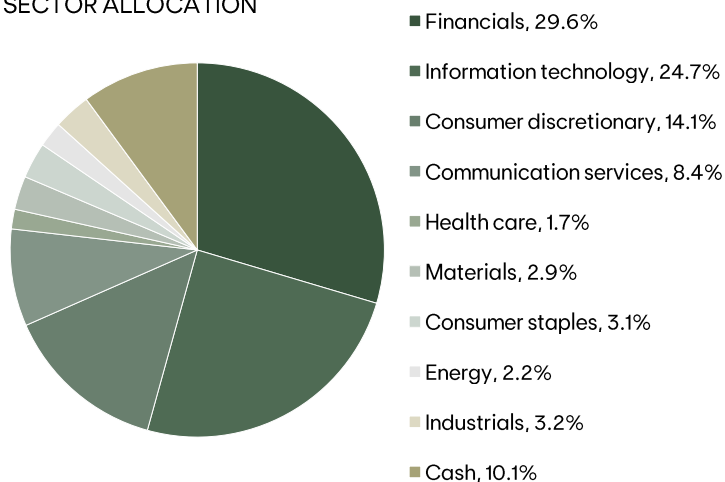
TSMC	8.5%
Tencent Holdings Ltd	7.3%
Alibaba Group Holding Ltd	7.0%
Samsung Electronics	5.9%
Hong Kong Exchanges & Clearing	4.9%
DBS Group Holdings Ltd	3.7%
OCBC Ltd	3.1%
United Overseas Bank Singapore	3.1%
Ping An Insurance	2.7%
China Construction Bank Corp	2.6%

EAI SHARE PRICE VS NTA



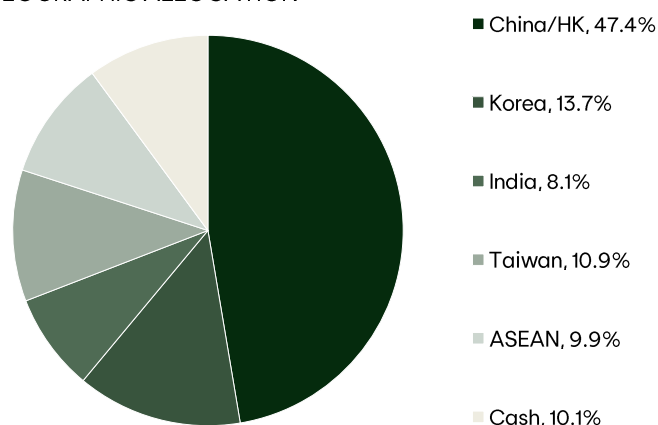
Source: Ellerston Capital.

SECTOR ALLOCATION



Source: Ellerston Capital.

GEOGRAPHIC ALLOCATION



Source: Ellerston Capital.

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Find out more

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

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

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