

Ellerston Asian Investments Limited

ACN 606 683 729

Level 11, 179 Elizabeth Street

SYDNEY NSW 2000

13 February 2017

The Companies Office
ASX Limited
Level 6
Exchange Centre
20 Bridge St
SYDNEY NSW 2000

ELLERSTON ASIAN INVESTMENTS LIMITED (ASX: EAI) INVESTMENT UPDATE

Please find enclosed Investment Update for January.

For any further enquiries please contact Link Market Services on 1300 551 627 or Ellerston Capital Limited Investor Relations on 02 9021 7797.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'I Kelly', is positioned above the typed name of the signatory.

Ian Kelly
Company Secretary

Ellerston Asian Investments

Investment Update – January 2017

Commentary

EAI was up 0.5% in January on a gross basis and the pre-tax NTA was \$0.96. We continued to buy back shares over the course of the month and the discount as of January 31 had closed to roughly 11%.

Absolute performance in January masks an important dynamic between the local index and the Australian dollar (AUD). In local currency terms, EAI was up over 4% but the AUD appreciated from \$0.72 at the end of December to \$0.76 at the end of January, thus reducing the fund's returns in AUD.

Relative performance in January was negatively impacted by EAI's very high cash balance. Index performance in January 2017 was the best start to a year since 2012. We find this surprising given the level of uncertainty the region faces with respect President Trump's trade and foreign policies and the risk of seasonal capital outflows from China.

We have since reduced cash from over 30% to approximately 18%. This was not due to a significant change in market outlook but is a function of increasing and re-initiating positions in India as December quarter results were released and we gained confidence in the earnings outlook post-demonetization. Axis Bank, is an example of a stock we sold earlier in 2016 and then bought back at a significantly lower level. IndusInd Bank (up 21%) and Tata Motors (up 15%) are examples of stocks we bought on the post-demonetization sell off and that have performed well since.

On February 1, Prime Minister Modi and Finance Minister Jaitley announced the Union Budget which was well received by the market. We think that financials and consumer will be the biggest sector beneficiaries of the budget and 90% of our Indian investments are in these two sectors.

There are currently 24 stocks in the portfolio with an average market cap of \$78b. The largest sector weights remain financials, technology and consumer, with financials the largest sector overweight. In terms of country allocation, our biggest overweight is India (domestic demand) and the biggest underweights are Taiwan, China and Korea (exporting economies).

Samsung was the biggest contributor to performance in January hitting a new all-time high during the month. Sinopec and Maruti were also major contributors to January performance while Infosys was the largest detractor. On FX, we remain hedged as per the benchmark for all countries with weights greater than 5%.

Key Information

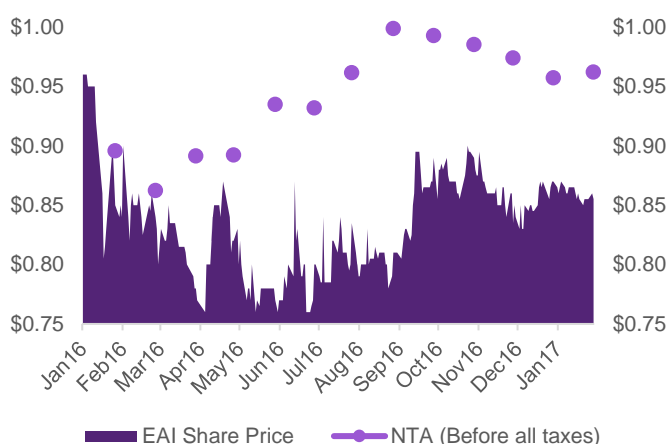
ASX Code: Shares	EAI
Listing date	15 September 2015
Share price at 31/1/2017	\$0.855
NTA (before tax)	\$0.96
NTA (after tax)	\$0.97
EAI Market Capitalisation	\$112.7m
ASX Code: Options	EAIO
Option price	\$0.039
Exercise price	\$1.00
Avg Management Fee	0.84% pa
Performance Fee	15%

Performance

Metric	EAI Gross	EAI Net *	Index
1 Month	0.60%	0.50%	1.28%
3 Months	-2.06%	-2.36%	0.93%
6 Months	0.67%	0.06%	3.78%
1 Year	8.72%	7.41%	10.24%
ITD	0.75%	-0.91%	4.59%

*Before all taxes and after fees. Includes the effects of the share buyback.

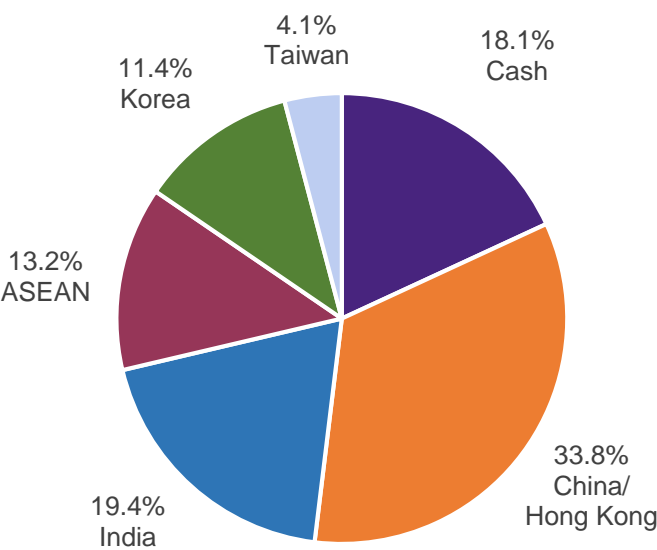
EAI Share Price Vs NTA (Before all taxes)



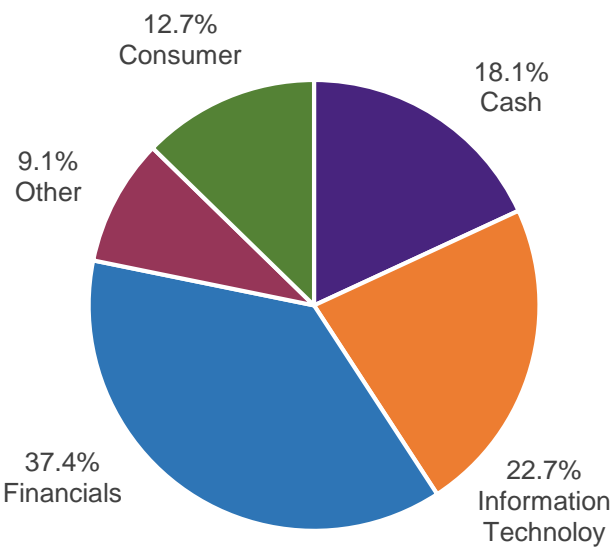
Top 10 Holdings

	%
TENCENT HOLDINGS LTD	6.8
SAMSUNG ELECTRONICS CO LTD	6.5
AIA GROUP LTD	5.0
CHINA PETROLEUM AND CHEMICAL	4.8
MARUTI SUZUKI INDIA LTD	4.4
DBS GROUP HOLDINGS LTD	4.2
TSMC	4.1
CHINA LIFE INSURANCE CO LTD	4.0
PING AN INSURANCE GROUP CO OF	3.9
NAVER CORP	3.8

Geographical Exposure



Sector Allocation



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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