

# AGM Chairman's Address

## 2016 Annual General Meeting Thursday, 20 October 2016

On behalf of the Board, I'd like to welcome all Ellerston Asian Investments shareholders, invited guests and other visitors present to our first 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 mobiles.

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 Stuart Robertson, Paul Dortkamp, Sam Brougham. Ellerston CEO, Brian O'Sullivan is also present together with EAI's Portfolio Manager, Mary Manning.

### Chairman's Address

Ladies and gentlemen, Ellerston Asian Investments (EAI) listed on September 15, 2015. We launched the fund on the belief that Asia offers one of the best long term growth profiles in the world. As such, EAI is focused on providing investor's access to this growth by constructing a high growth, high quality, large cap portfolio of Asian stocks.

On average, the earnings of the Portfolio's securities are growing at 21% for 2016 with an average PE of 21x. This means the PEG ratio, namely the price we are paying for growth, is less than 1x. Australian and other developed market PEG ratios closer to 2x. We believe an investment in EAI provides access to growth at roughly half the price that investors have to pay elsewhere.

With a concentrated portfolio targeting up to 40 stocks, both country and sector selection is critical. Our scorecard driven investment process is well suited to identifying high conviction stock picks.

Since EAI listed in September 2015, markets globally have witnessed considerable volatility, with Asia being no exception. From its high in November 2015 to its low in early February 2016, EAI's benchmark (the MSCI AC Asia Ex-Japan) fell approximately 17%. Similarly, EAI's portfolio fell considerably during this time but has since recouped those losses.

We remain focussed on constructing a portfolio of high growth, high quality and large cap stocks.

### Item 1: Results

As highlighted previously, it has been difficult 12 months for global markets and the company recorded a before-tax loss of \$4.7 million for the period to 30 June 2016 and an after-tax loss of \$3.3 million.

From inception ( 15<sup>th</sup> September 2015) to the period ending 30 June 2016, the EAI portfolio fell by - 4.0% Net (before all taxes) versus our benchmark, the MSCI AC Asia Ex-Japan Index (AUD) which was down - 1.7%.

There has been positive performance FYTD with the portfolio returning +6.5% Net compared to the benchmark return of +6.4%.

Since Inception to 30 September 2016 EAI has gained +2.3% Net compared to +4.7% for the benchmark.

# AGM Chairman's Address

## **Narrowing the discount.**

The Board noted that during the year, EAI was trading at a discount greater than that of a number of other internationally focussed Listed Investment Companies. As such on the 13<sup>th</sup> September 2016, the Board announced a buyback of up to 10% of its shares commencing the 27<sup>th</sup> September 2016.

Since the announcement of the buyback, we are pleased that the discount has narrowed and as at 30 September 2016 was approximately 10%. We expect the discount to narrow further overtime.

The Company has also instigated a range of other initiatives which include, amongst other things, the release of weekly NTA estimates to shareholders as well as other shareholder engagement activities. Examples include our recently concluded Investor Roadshow and forthcoming thought pieces to be released.

As part of the initial capital raising, investors were also issued options under the general and priority offer.

Under the general offer, investors were issued one loyalty option for every two shares issued. Under the priority offer, investors were issued two options for every three shares issued.

We are pleased that of the 68.9m options issued under the prospectus, 65.1 million vested in February of this year. The options can be exercised into ordinary shares at the exercise price of \$1.00 up until the 28<sup>th</sup> February, 2019.

## **Market Outlook**

Asia remains the highest growth region in the world and we continue to find high quality, high growth, large cap stocks in which to invest.

The MSCI AC Asia ex Japan Index rose considerably between February 2016 and September 2016, and the portfolio was positioned for this move.

Given the possibility of another US rate rise in December 2016, we are now more cautiously positioned and have recently increased cash.

In the longer term, we remain constructive on the outlook for Asian markets, particularly India and particularly in the technology and consumer sectors.

## **Portfolio Comment**

We believe that a Pan Asian approach is superior to single country funds. Being benchmark independent, EAI is positioned in countries with the most favourable outlook in terms of structural growth identified.

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

# AGM Chairman's Address

## 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.

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 red 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 blue 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 from the floor please make themselves known to Monica and a microphone will be made available to you.

Please note that only persons holding yellow or red admission cards are entitled to ask questions at this meeting. Visitors holding a blue 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.

## **ITEM 2**

### **RESOLUTION 1 - REMUNERATION REPORT**

The Remuneration Report to shareholders is contained on pages 13 to 15 of the 2016 Annual Report.

Let me introduce our auditor, 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. Please direct any questions you have of our auditor through me. This item gives you the opportunity to ask questions about or make comment on EAI'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.

# AGM Chairman's Address

## **ITEM 3**

### **RESOLUTION 2 - RE-ELECTION OF DIRECTOR**

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

***"That Stuart Mark Robertson, 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 re-elected as a Non-executive Director".***

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

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.

## **ITEM 4**

### **RESOLUTION 3 – APPOINTMENT OF AUDITOR**

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

***"That for the purpose of section 327B of the Corporations Act 2001 (Cth) and for all other purposes, Ernst & Young, having consented in writing to act in the capacity of auditor be appointed as an auditor of the Company".***

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.

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

Following question time, the AGM will be formally announced as closed and I welcome you to join the Board for tea and coffee.



# Ellerston Asian Investments ANNUAL GENERAL MEETING

October 20 2016

## AGM Agenda

1. Chairman's Welcome & Address
2. Results
3. Market Outlook
4. Portfolio Comment
5. Resolutions

# 1. Chairman's Welcome & 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	Everest Capital, Zurich Australia, BT Funds Management and Price Waterhouse.



## EAI's strategy

### High Growth

- Average EPS growth is 21%
- Average PE of 21x
- Average PEG of ~1x
- $\text{EPS Growth} \times \text{Higher PEG} = \text{High Returns}$

### Large Cap

- Average market cap is over \$60b
- Average market cap of Top 10 holdings is over \$100b

### Concentrated

- Up to 40 Stocks
- 4 core thematics

### Benchmark Independent

- By country
- By sector

## Powerful Thematics



Structural  
reform in India



Disruptive  
technologies in  
Asia



Rise of the Asian  
consumer



Capital market  
liberalisation in  
China

## 2. Results

## Period ended 30 June 2016

- EAI pre tax return ↓-4.01%    EAI post tax return ↓-2.80%
- Market index return ↓-1.67%
- Net Tangible Assets      \$0.9320    per share
- Before-Tax Profit/(Loss)    (\$4,671,490)
- After-Tax Profit/(Loss)      (\$3,292,696)

## Performance Update through 30 September 2016

Performance %	Since Inception to 30 Sept 2016	Qtr July – Sept 2016
Gross EAI returns (before tax and fees)	3.6%	6.9%
Net EAI returns (before tax, after fees)	2.3%	6.5%
MSCI AC Asia Ex Japan (\$AUD)	4.7%	6.4%

Note: NTA is before tax

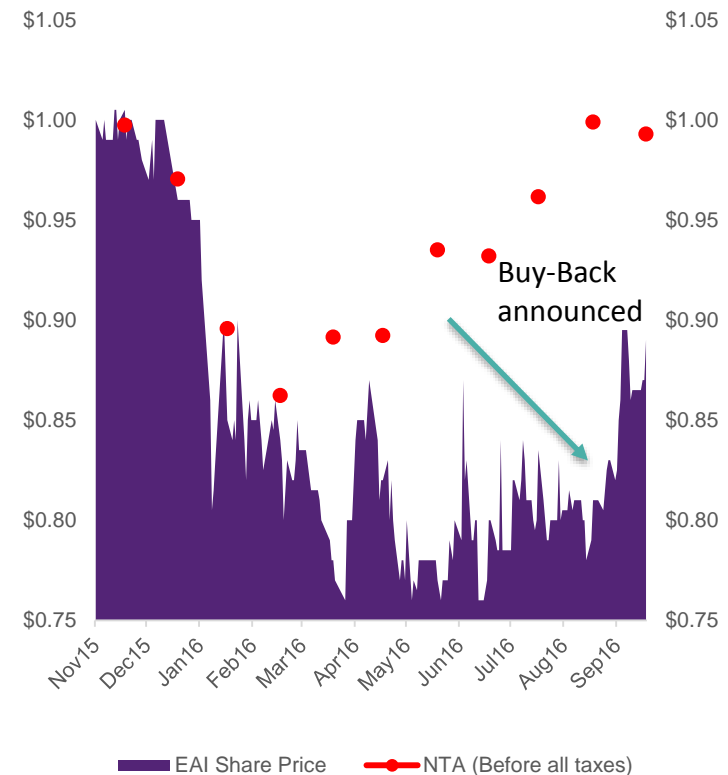
## Narrowing the discount

### 1. Share Buy Back

- EAI was trading at a discount of approximately 19% to the pre tax NTA.
- EAI Share Buy Back announced on Sept 13<sup>th</sup> 2016, commencing 27<sup>th</sup> September 2016 of up to 10% of its shares.
- By 30 September 2016, the discount to NTA had narrowed to approximately 10%.
- We expect the discount to narrow further overtime.

### 2. Other initiatives

- Moved to weekly estimate NTA
- Increasing investor engagement
  - Annual roadshows
  - Thought pieces



### 3. Market Outlook

## Outlook

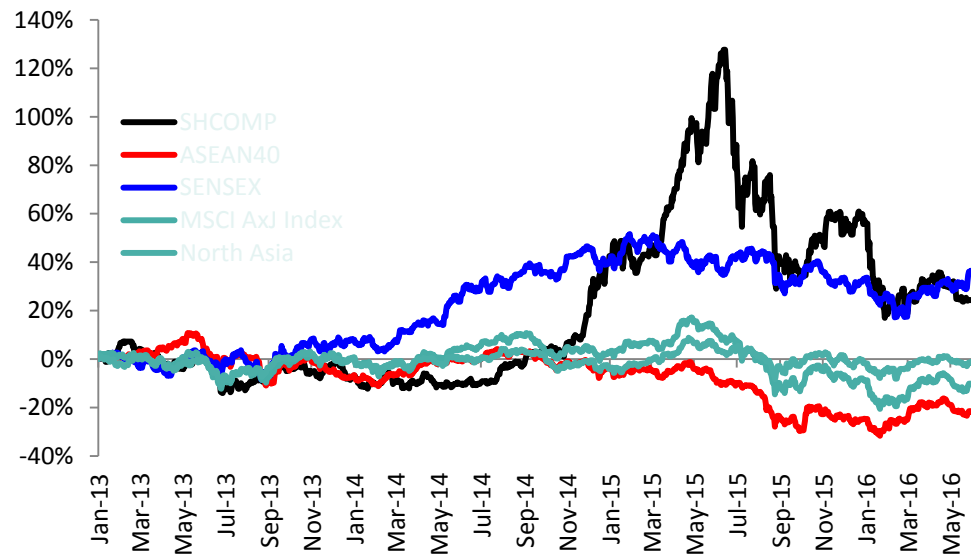
- Asia remains the highest growth region in the world and we continue to find high quality, high growth, large cap stocks in which to invest.
- The MSCI AC Asia ex Japan Index rose considerably between February 2016 and September 2016, and the portfolio was positioned for this move.
- Given the possibility of another US rate rise in December 2016, we are now more cautiously positioned and have recently increased cash.
- In the longer term, we remain constructive on the outlook for Asian markets, particularly India and particularly in the technology and consumer sectors.

## 4. Portfolio Comment

## Country Selection

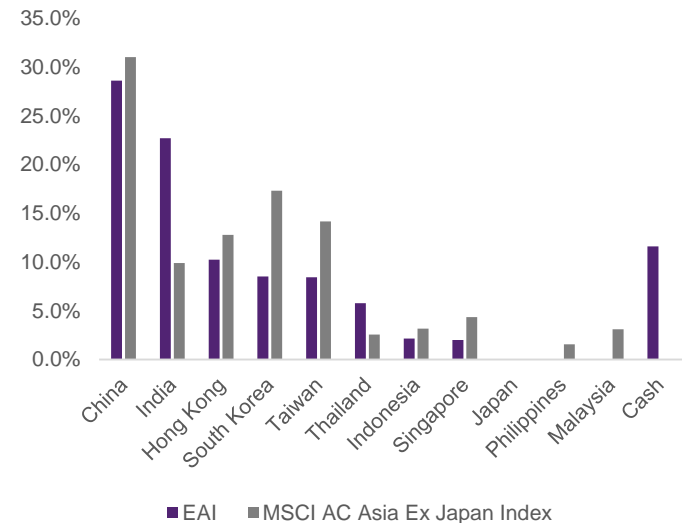
- Pan Asian approach superior to single country funds.
- EAI is benchmark independent and positioned in countries with the most favourable outlook in terms of structural growth identified.
- India is the largest overweight in the portfolio. Malaysia & Philippines are zero weight.

Country Selection Can Generate Significant Alpha



Source: Bloomberg. A portfolio that was invested in ASEAN in the first half of 2013, then India until November 2014, and then China until mid-2015, would have more than doubled (~150% price appreciation) vs the benchmark up 12%.

Geographical Exposure Vs Benchmark



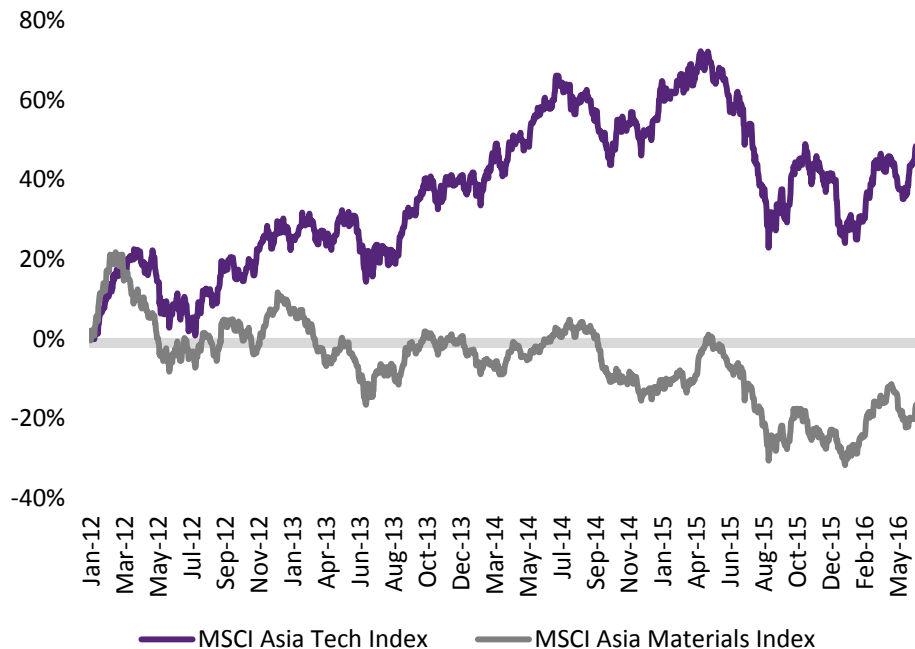
Data as at 30 September 2016



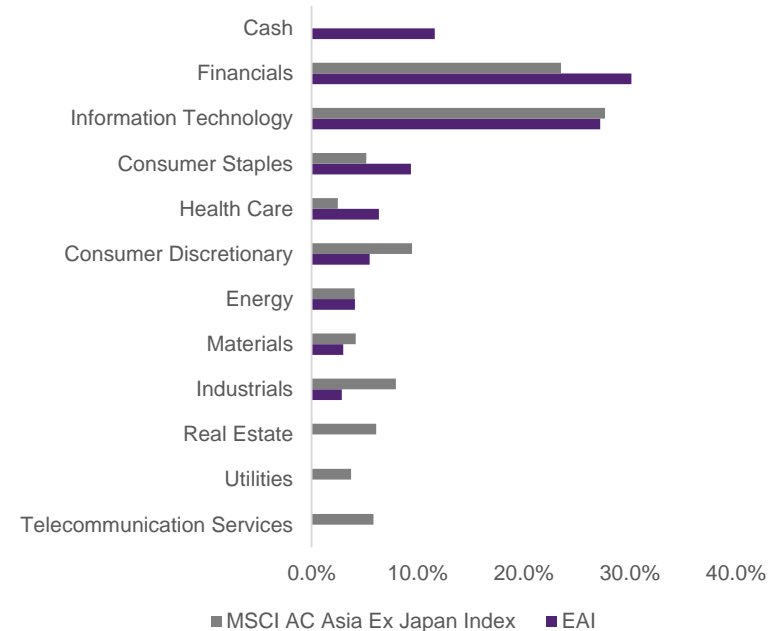
## Sector Selection

- 80% of the portfolio is in 3 sectors: technology, consumer and financials.
- These are the fastest growing and which are directly correlated with GDP growth.

Sector Selection Can Generate Significant Alpha



Sector Exposure Vs Benchmark



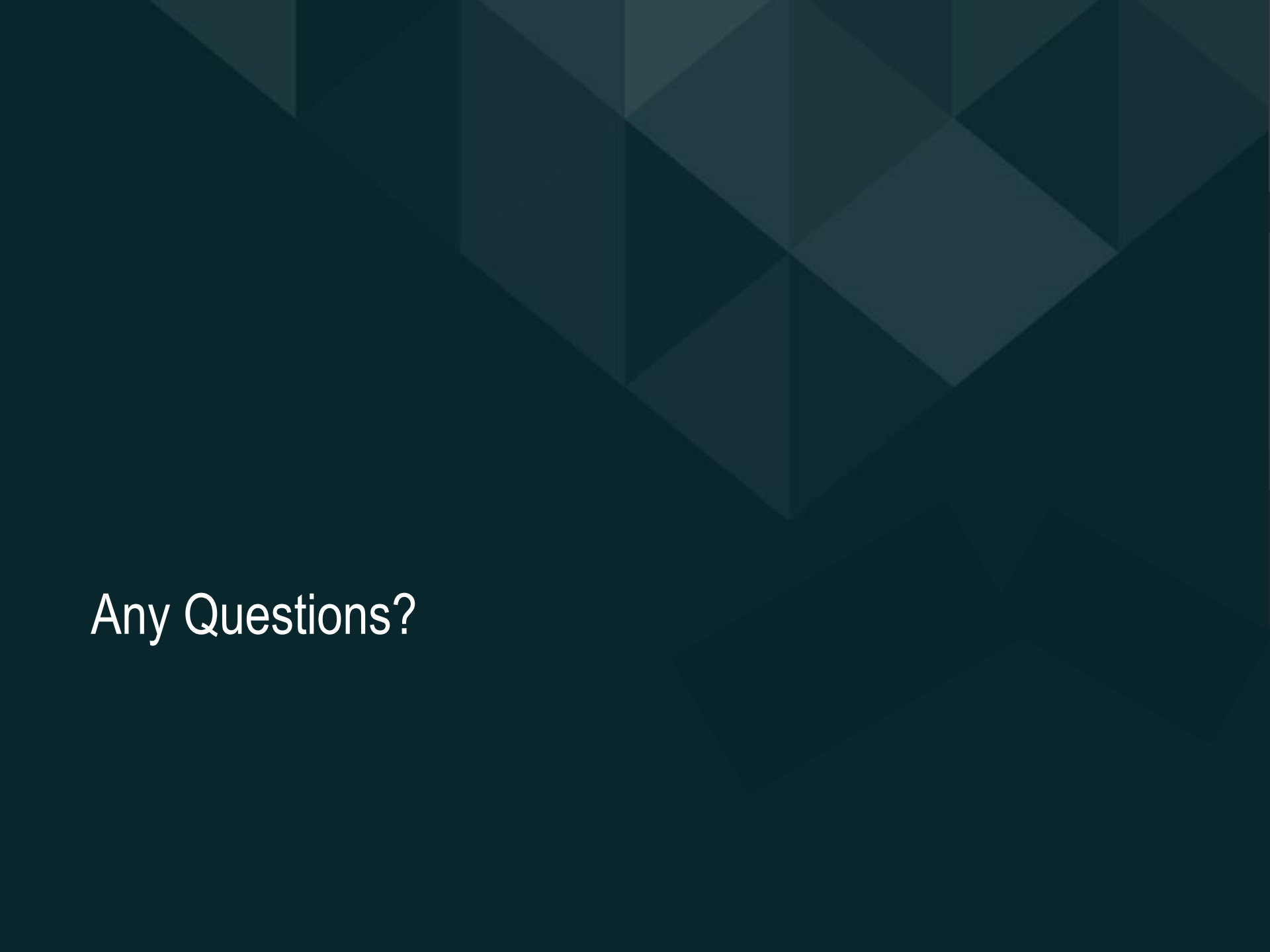
As at 30 September 2016

## Top Portfolio Holdings

Company	%	Country
TSMC	5.3	Taiwan
AIA Group Ltd	5.2	Pan Asia
Hong Kong Exchange & Clearing	5.0	Hong Kong
Tencent Holdings Ltd	5.0	China
Ping An Insurance Co Ltd	4.9	China
China Life Insurance Co Ltd	4.2	China
China Petroleum and Chemicals Co	4.1	China
Naver Corp	3.9	South Korea
Maruti Suzuki India Ltd	3.3	India
Largan Precision Co Ltd	3.2	Taiwan

As at 30 September 2016

## 5. Resolutions



Any Questions?

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