

Monthly NTA Statement

May 2017

Ellerston Asian
Investments Limited
ACN 606 683 729

13th June 2017

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

Ellerston Asian Investments Limited (**ASX: EAI**) advises the unaudited Net Tangible Asset backing (**NTA**) per share of the company as at 31 May 2017:

NTA per share	31 May 2017
NTA before tax	\$1.0738
NTA after tax	\$1.0537

The NTA is based on fully paid share capital of 112,063,372

The difference between the NTA before tax and the NTA after tax relates to the provision for deferred tax on set-up costs and tax on unrealised capital gains from the Company's Investment Portfolio.

On September 13 2016, EAI announced an on-market buy-back of up to 10% of its shares, commencing September 27 2016 and continuing for twelve months.

As at 31 May 2017, a total of 7,936,629 shares had been bought back.

The company's gross performance before tax for the month of May was 3.86%.



Ian Kelly
Company Secretary

Important Note

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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Ellerston Asian Investments

Investment Update – May 2017

Commentary

EAI was up 3.9% during May on a gross basis and the pre-tax NTA increased from \$1.03 to \$1.07 over the course of the month. The pre-tax NTA is now up approximately 12% over the last three months. We continued to buy back shares during the month.

The top contributors to absolute performance in May were Ping An Insurance, Tencent and Samsung Electronics. Ping An is one of the largest insurers in China and is a major beneficiary of rising rates. The stock was up 14% in May and is up 29% calendar year to date (CYTD). Ping An was also the largest contributor to alpha during the month.

Tencent and Samsung were the top performers in April and continued to trade well in May. Emerging Markets have now witnessed 11 straight weeks of inflows and which have been dominated by passive funds. Tencent and Samsung are the two largest weights in the MSCI Asia ex Japan Index at approximately 5% each. To put this in perspective, Tencent and Samsung's combined weight in the benchmark is now greater than the country weights of Thailand, Indonesia, Malaysia and the Philippines put together.

We like these stocks from a bottom up perspective and they meet all the criteria of our large cap, high growth, high quality biased portfolio. However, we took some profits in Tencent in early June as the stock was overbought and outperformance of the large cap tech sector globally suggests rotation into old economy, cyclical laggards is a risk for tech heavy portfolios.

From a country perspective, we continue to be overweight India and underweight Korea and Taiwan. Being underweight Korea detracted significantly from alpha during the month, costing EAI 82bps of relative performance. The KOSPI index continues to hit new highs driven by excitement about the new Moon administration and potential chaebol reform. Despite this, we remain underweight the Korean market because the geo-political situation continues to be uncertain and Korea, as a developed country, provides fewer high growth stock opportunities than markets like India or China.

From a sector perspective, we have stocks in all sectors but remain overweight financials and underweight low growth sectors like utilities and telecom.

Cash levels are at less than 10% and FX remains hedged to the benchmark for all currencies with a weight of greater than 10%. Interestingly, it is important to note that the Chinese renminbi (RMB) **appreciated** against the USD during the month of May.

This is a major reversal from the steady depreciation since August 2015 and is a positive for Chinese stocks listed in Hong Kong and as ADRs. There are a number of possible reasons for this reversal including: (1) a rumoured handshake agreement between Trump and Xi that the RMB would appreciate against the dollar in return for the US backing off the currency manipulator label; (2) a change in the way the PBOC sets the reference rate versus its currency basket; and (3) a desire for a strong RMB in advance of the launch of the northbound Bond Connect later this year. In any case, a stronger RMB is a positive for our portfolio and reduces capital account risks for China, at least temporarily.

Key Information

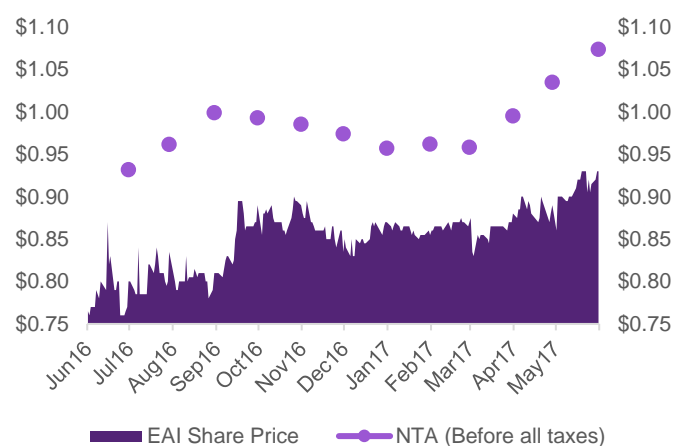
ASX Code: Shares	EAI
Listing date	15 September 2015
Share price at 31/5/2017	\$0.93
NTA (before tax)	\$1.07
NTA (after tax)	\$1.05
EAI Market Capitalisation	\$104.2m
ASX Code: Options	EAIO
Option price	\$0.026
Exercise price	\$1.00
Avg Management Fee	0.84% pa
Performance Fee	15%

Performance

Metric	EAI Gross	EAI Net *	Index
1 Month	3.9%	3.8%	4.6%
3 Months	12.4%	12.1%	13.2%
6 Months	10.9%	10.3%	16.6%
1 Year	16.2%	14.9%	21.8%
ITD	12.9%	10.6%	20.8%

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

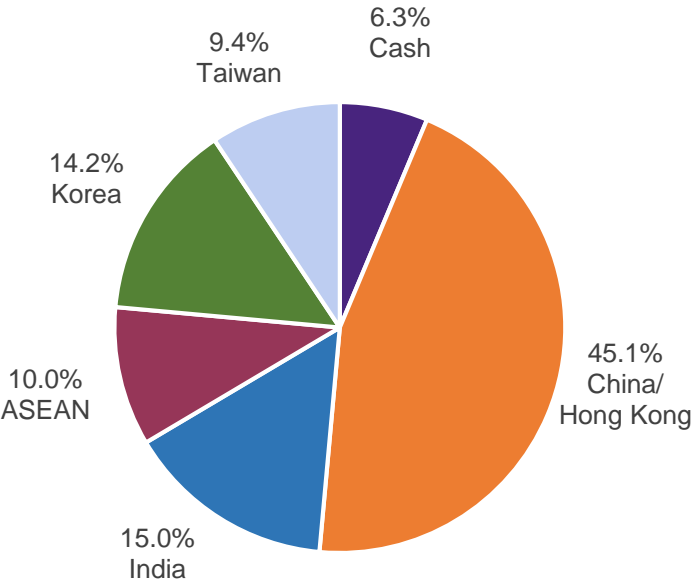
EAI Share Price Vs NTA (Before all taxes)



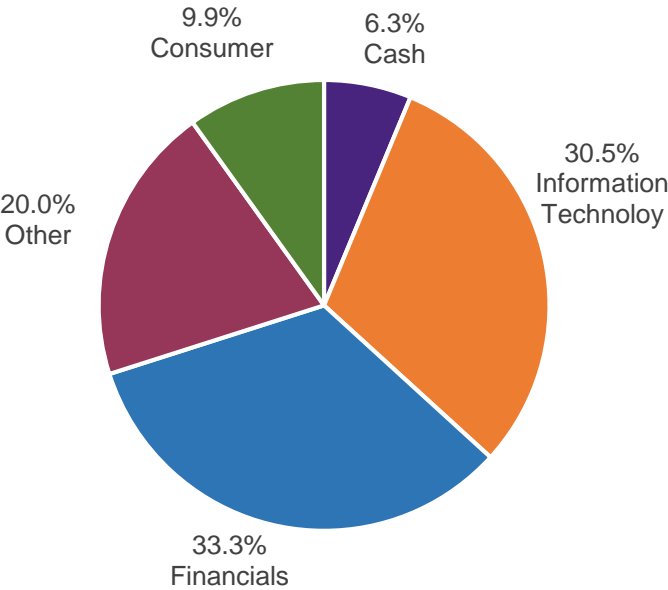
Top 10 Holdings

	%
SAMSUNG ELECTRONICS CO LTD	6.3
TSMC	5.4
HONG KONG EXCHANGES AND CLEARING	4.8
TENCENT HOLDINGS LTD	4.5
PING AN INSURANCE GROUP	4.5
DBS GROUP HOLDINGS LTD	3.6
AIA GROUP LTD	3.3
LARSEN AND TOUBRO LTD	3.2
CHINA PETROLEUM AND CHEMICAL	3.1
LARGAN PRECISION CO LTD	3.0

Geographical Exposure



Sector Allocation



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