

Establishment Investment Trust plc

REVIEW

The share price rose by 4.0% in February while the Net Asset Value climbed 1.3%. In comparison, the MSCI AC Asia ex Japan Index rose 1.0%, the MSCI AC World Index gained 1.6% and the FTSE UK Private Investor Balanced Index climbed 1.1% as markets consolidated January's advance.

Hong Kong (+4.7%), China (+2.3%) and Taiwan (+3.6%) led the way while Indonesia (-5.6%), the Philippines (-3.8%) and South Korea (-3.0%) lagged. By sector, Consumer Discretionary (+4.6%) continued on a charge while Financials (+2.0%) and Utilities (+1.6%) also outperformed. Telecoms (-2.3%), Healthcare (-0.5%) and Consumer Staples (-1.0%) lagged.

All figures above are total return unless otherwise stated and in sterling terms.
Source: Bloomberg.

CHINA - IMPACT OF MSCI, BLOOMBERG BARCLAYS & PASSIVE

Shareholders will be aware that your investment manager is not a believer in passive investing, but - driven by cost pressures and increased regulatory oversight - it remains a powerful trend.

On 28th February MSCI announced that the China A share inclusion factor will rise from 5% to 20% in three steps between May and November this year. The weighting of China A shares will rise from 0.8% of the MSCI Emerging Market Index to 3.3%. Assuming the inclusion factor continues to rise over time, China's total weight in the index (A & H shares) will rise to 42% from the current 31%.

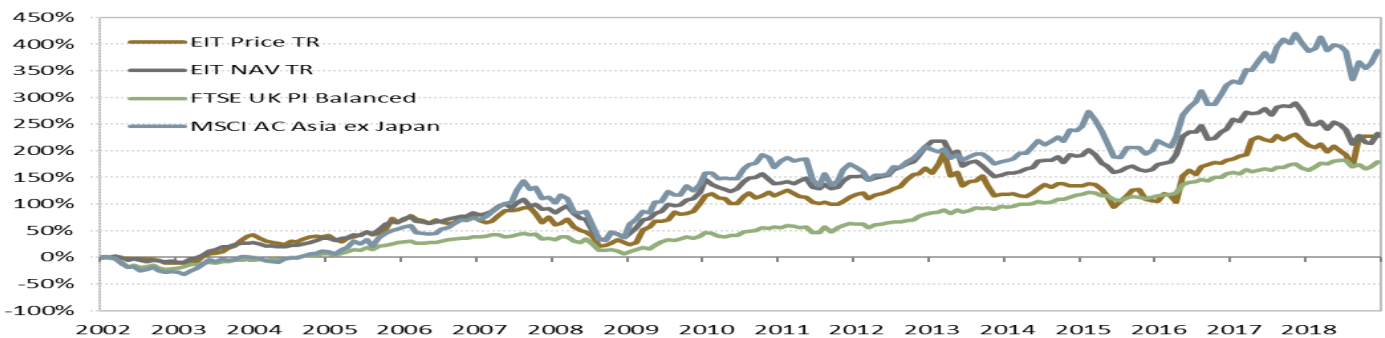
Perhaps less well known (at least to equity followers) is the imminent implementation of the inclusion of China in the Bloomberg Barclays Global Aggregate Indices (a fixed income index). Although this was announced almost one year ago, implementation starts this April with the inclusion factor rising 5% every month for twenty months. The Renminbi weight in the index will be roughly 6%, the fourth largest currency weight after the Dollar, the Euro and the Yen.

Forget trade wars, spiralling debt levels and any other macroeconomic or political concerns - truckloads of passive money will be piling into China's equity and fixed income markets over the next few years.

Foreign holding of China government bonds



Source: China Central Depository & Clearing (CCDC), CEIC Data, CLSA



Net dividends reinvested, all data in sterling

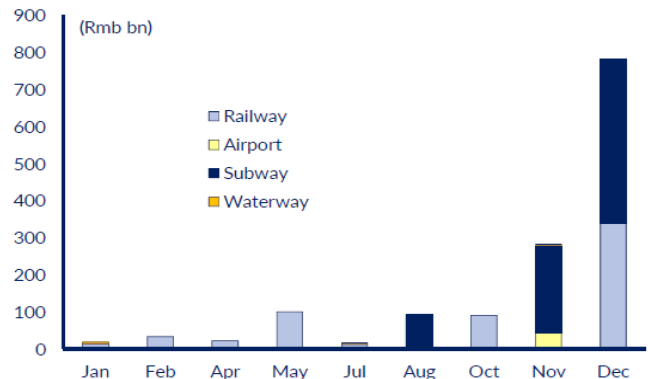
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RESULTS

Various results announcement over the past month painted a mixed picture. Astra International's 4Q numbers were slightly on the weak side reflecting tough competition in Indonesia's auto market while KB Financial managed to disappoint the market again, in stark contrast to Shinhan's more upbeat results. Siam City Cement took another one-off charge which impacted reported earnings but cash flow generation remains very strong and the domestic demand outlook for cement is improving noticeably. TSMC met reduced expectations and becomes the first Taiwanese company to move to quarterly dividend distributions (unlawful until recently). Land & House produced very solid numbers against a weak backdrop in the Thai residential market. The dividend was maintained, the stock yields 7%.

The earnings report that both delighted and interested us the most was the sparkling interim report from portfolio holding JNBY, a leading Chinese retailer of designer clothing. Sales grew 23% y-o-y driven by rapid growth in recently launched brands although the 19% growth in the original JNBY brand was hardly shabby. Gross profit margins dipped a touch and same store sales growth (SSSG) slipped but good cost control allowed the company to report a 22% increase in net profits. The interim dividend was increased 40%. Despite the 32% move in the share price over the month we believe that, on a P/E ratio of 14x June 19 earnings and yielding over 5%, the stock has further upside. Many more results from various portfolio holdings are due in March.

NDRC infrastructure approvals



Source: CRR Macro materials monthly, 16 Jan, NDRC

OUTLOOK

Continued dovish comment in America and firm evidence that the Chinese authorities are actively promoting domestic growth (income tax cuts, VAT cuts, strong growth in aggregate finance, accelerating bank lending growth and increased infrastructure approvals - see chart above) paint a promising picture for growth. A trade deal would obviously be a major bonus.

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LISTED EQUITIES	MARKET	SECTOR	92.9%		
UNILEVER	UK	CONSUMER STAPLES	3.8%		
SAMSUNG ELECTRONICS	KOREA	TECHNOLOGY	3.5%		
TSMC	TAIWAN	TECHNOLOGY	3.4%		
BATS	UK	CONSUMER STAPLES	3.4%		
MINTH GROUP	CHINA	INDUSTRIALS	3.3%		
IMPERIAL BRANDS	UK	CONSUMER STAPLES	3.1%		
GLAXOSMITHKLINE	UK	HEALTH CARE	3.1%		
HDFC	INDIA	FINANCIAL	3.0%		
LAND & HOUSES	THAILAND	REAL ESTATE	2.9%		
SHINHAN FINANCIAL	KOREA	FINANCIAL	2.7%		
TENCENT	CHINA	COMMUNICATIONS	2.7%		
IND & COMM BANK OF CHINA	CHINA	FINANCIAL	2.6%		
SIAM CITY CEMENT	THAILAND	MATERIALS	2.6%		
JNBY	CHINA	CONSUMER DISCRETIONARY	2.6%		
SAMSONITE	CHINA	CONSUMER DISCRETIONARY	2.5%		
JOHNSON ELECTRIC	CHINA	INDUSTRIALS	2.5%		
AYALA CORP	PHILIPPINES	FINANCIAL	2.4%		
ZEE ENTERTAINMENT	INDIA	CONSUMER DISCRETIONARY	2.4%		
ASTRA INTERNATIONAL	INDONESIA	CONSUMER DISCRETIONARY	2.3%		
ITC	INDIA	CONSUMER STAPLES	2.2%		
UNI-PRESIDENT	TAIWAN	CONSUMER STAPLES	2.1%		
SANDS CHINA	CHINA	CONSUMER DISCRETIONARY	2.0%		
CHINA OVERSEAS LAND	CHINA	REAL ESTATE	1.8%		
HAIER ELECTRONICS	CHINA	CONSUMER DISCRETIONARY	1.8%		
MEGAWIDE CONSTRUCTION	PHILIPPINES	INDUSTRIALS	1.7%		
LARSEN & TOUBRO	INDIA	INDUSTRIALS	1.6%		
SUNNY OPTICAL	CHINA	TECHNOLOGY	1.5%		
ALIBABA	CHINA	CONSUMER DISCRETIONARY	1.5%		
MY EG	MALAYSIA	TECHNOLOGY	1.4%		
KB FINANCIAL	KOREA	FINANCIAL	1.3%		
EMEMORY	TAIWAN	TECHNOLOGY	1.2%		
HANON SYSTEMS	KOREA	INDUSTRIALS	1.1%		
SK TELECOM	KOREA	COMMUNICATIONS	1.1%		
CHINA CONSTRUCTION BANK	CHINA	FINANCIAL	0.8%		
ACCESS ENGINEERING	SRI LANKA	INDUSTRIALS	0.6%		
SILVER HERITAGE	NEPAL	CONSUMER DISCRETIONARY	0.3%		
BLACKFRIARS ORIENTAL FOCUS FUND			13.8%		
LIQUIDITY			7.1%		
COUNTRY BREAKDOWN (all equity positions)			92.9%		
CHINA/HK	25.7%	NEPAL	0.3%	TAIWAN	6.7%
INDIA	9.2%	PHILIPPINES	4.2%	THAILAND	5.6%
INDONESIA	2.3%	SINGAPORE	0.0%	UK	13.5%
KOREA	9.8%	SRI LANKA	0.6%	ASIA EX JAPAN REGIONAL [~]	13.8%
MALAYSIA	1.4%			[~] via investment vehicle	
SECTOR BREAKDOWN (directly held equities only)			79.2%		
COMMUNICATIONS	3.8%	FINANCIAL	12.9%	REAL ESTATE	4.8%
CONSUMER DISC.	15.4%	HEALTH CARE	3.1%	TECHNOLOGY	11.0%
CONSUMER STAPLES	14.7%	INDUSTRIALS	10.9%	UTILITIES	0.0%
ENERGY	0.0%	MATERIALS	2.6%		

Compound Annual Growth Rate since Inception (total return)

Share Price **7.2%**

18th March 2002 - 28th February 2019

Net Asset Value **7.2%**

18th March 2002 - 28th February 2019

Market Data

Share Price	206.00p
Net Asset Value	219.65p
Premium / (Discount)	(6.2%)
Shares Outstanding (mn)	20.0
Market Capitalisation (mn)	£41.2
Historic Yield (incl special div)*	5.0%
Ongoing Charges	1.3%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	www.blackfriarsam.com

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	Jim Ryall
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	Susan Thornton
	Thomas Waring

Corporate Broker	Stockdale Securities
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Investment Objective

To achieve long-term capital growth from a managed international portfolio of securities.

Management Fee

One per cent of the market capitalisation per annum

Financial Year	31st March
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Annual Returns % (GBP)	28/02/2019											Performance Data
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Price	44.14	17.80	-7.27	25.42	-7.84	3.02	-4.42	22.58	17.60	-5.45	4.57	Source: www.morningstar.co.uk
NAV	38.06	24.63	-9.81	19.88	-5.45	6.71	-2.90	19.33	18.50	-17.85	3.08	Category: Flexible
Cat Price†	15.39	19.95	0.06	7.37	6.59	1.63	18.70	14.93	10.18	-1.59	3.48	Benchmark:
Cat NAV†	15.39	19.95	0.06	7.37	6.59	1.63	18.70	14.93	10.18	-1.59	2.74	‡ FTSE World TR
Benchmark‡	19.64	16.28	-5.79	11.83	22.36	11.29	4.34	29.59	13.34	-3.09	6.05	

* Based on interim, final and special dividend approved by EIT Board for FY2018.

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