

PREMIUM CHINA FUND (ARSN 116 380 771)

OCTOBER 2020
2 PAGES

Investment objective

The Premium China Fund is a managed investment scheme which invests primarily in companies listed in Hong Kong, companies listed in Mainland China, companies listed in Taiwan and companies listed on other stock exchanges but with significant assets, investments, production activities, trading or other business interests in the Greater China region, or which derive a significant part of their revenue from the Greater China region.

Fund facts

Investment type:	Registered managed investment scheme
Jurisdiction:	Australia
Fund manager:	Premium China Funds Management Pty Ltd
Investment manager:	Value Partners Hong Kong Limited
Responsible entity:	Equity Trustees Limited
Custodian:	Link Fund Solutions Pty Ltd
Auditor:	Ernst & Young
APIR code:	MAQ0441AU
Inception date:	28 October 2005
Fund size:	AUD 140.4 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium China Fund
One month	+6.2%
Three months	+9.2%
Six months	+22.0%
One year	+23.5%
Since inception	+347.1%
Annualised return	+10.5%
Annualised volatility	18.0%

Volatility is a measure of theoretical risk. In general, the lower the number, the less risky the investment.

Annual return since inception ^{1,2}

2005 (Since inception)	+7.0%	2013	+21.9%
2006	+48.0%	2014	+15.5%
2007	+36.1%	2015	+4.9%
2008	-33.6%	2016	-6.2%
2009	+50.2%	2017	+37.0%
2010	+2.3%	2018	-17.9%
2011	-21.2%	2019	+24.0%
2012	+13.1%	2020 (YTD)	+17.9%

¹ Past performance is not indicative of future results.

² Source: Link Fund Solutions Pty Ltd, Macquarie Investment Management Limited and Bloomberg, in AUD, NAV to NAV, with dividends reinvested. Performance data is net of all fees. Unless specified, all information contained on this report is quoted as at 30 October 2020. Investment involves risks. Investors should read the Product Disclosure Statement for details and risk factors in particular those associated with investment in emerging markets.

Unit price: AUD 3.0113 Entry price: AUD 3.0189 Exit price: AUD 3.0038
Distribution: AUD 0.0129 (for the year ended 30 June 2019)

Manager's commentary

Market review

China's effective handling of the pandemic continued to play a part in macro improvements. Relaxed social distancing rules allowed domestic activities and consumption to gain strength.

As measured by the manufacturing Purchasing Managers' Index, the country's factory activities have expanded for eight months in a row¹. The services sector saw the same trend of on-track recovery. The encouraging signs echoed the third-quarter corporate earnings results (constituents of the MSCI China Index), which were better than the consensus forecast.

Portfolio review and outlook

The Fund grew 6.2% (in AUD) while the MSCI China Index gained 7.4%². In October, the USD appreciated 1.9% against the AUD. The currency hedging, as a result, was a key detractor to fund performance.

In October, the earnings resiliency supported the share prices of the consumer-related sectors on the mainland and contributed to our portfolio returns. In particular, e-commerce and baijiu names rallied on the robust demand. The latest Five Year Plan confirmed the goals to digitize the economy and bring quality growth. Another sector that recorded good performance was financials, which benefitted from the continuous encouraging macro data.

Other than currency impacts, the real estate and education sectors were negatively impacted by investors' concerns over tightened regulation. We remain constructive on quality real estate developers amid tightened credit policy and higher education operators as they should be less affected.

While the U.S.' attitude towards China remains uncertain, China's determination to develop the nation's self-sufficiency reassures us on the outlook of our investment themes. Thus, our preference for domestically-focused companies remains unchanged.

Source:

- National Bureau of Statistics, People's Republic of China, 31 October 2020
- MSCI, 30 October 2020

www.premiumchinafunds.com.au
Tel: (02) 9211 3888 Email: info@premiumchinafunds.com.au

Think Asia
Think Premium

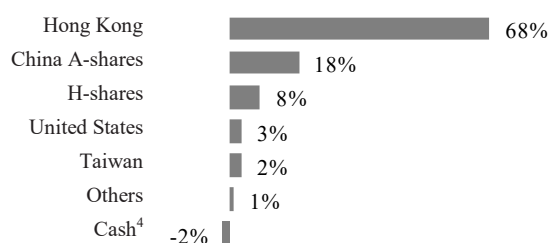
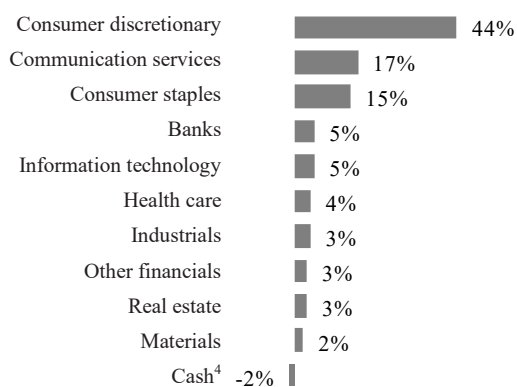
Top 10 holdings

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	16.8
Alibaba Group Holding Ltd	Retailing	Hong Kong	10.1
Meituan	Retailing	Hong Kong	7.5
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	4.9
Wuliangye Yibin Co Ltd	Food, beverage & tobacco	China A-shares	4.5
China Merchants Bank Co Ltd	Banks	H-shares	4.2
Pinduoduo Inc	Retailing	United States	4.1
Nissin Foods Co Ltd	Food, beverage & tobacco	Hong Kong	4.0
China Xinhua Education Group Ltd	Consumer services	Hong Kong	3.1
Gree Electric Appliances, Inc. of Zhuhai	Consumer durables & apparel	China A-shares	2.9

These holdings made up 62% of the Fund.

No. of holdings : 41

Level of currency hedge : 47.8%

Geographical exposure by listing³**Sector exposure³****Fee structure**

Management fee	2.30% p.a. of Net Asset Value
Performance fee	15% of outperformance of the fund over MSCI China Free (High-on-high principle)
Transaction costs	Buy: +0.25% of unit price for applications Sell: -0.25% of unit price for redemptions
Minimum subscription	Dependent on IDPS provider / AUD 25,000 direct
Dealing frequency	Daily

Senior investment staffs**Co-Chairmen & Co-Chief Investment Officers:**

Cheah Cheng Hye; Louis So

Senior Investment Directors:

Norman Ho, CFA; Renee Hung

Investment Directors:

Chung Man Wing; Michelle Yu, CFA; Yu Xiao Bo

Senior Fund Managers:

Lillian Cao; Anthony Chan, CFA; Kelly Chung, CFA; Doris Ho;

Glenda Hsia; Amy Lee, CFA, CAIA; Luo Jing, CFA; Frank Tsui;

Yu Chen Jun

³ Exposure refers to net exposure (long exposure minus short exposure). Derivatives e.g. index futures are calculated based on P/L instead of notional exposure.

⁴ Cash includes receivables and payables (except cash for collaterals and margins).

Disclaimer: This report is issued by Premium China Funds Management ("Premium") for general information purposes only and does not take into account the investment objectives, financial situation or needs of any particular investor. Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 AFSL No. 240975, is a subsidiary of EQT Holdings Limited, a publicly listed company on the Australian Securities Exchange (ASX:EQT), is the Responsible Entity of the Premium China Fund ("Fund"). The comments contained herein are expressions of belief only and should not be relied upon as authoritative or without the recipient's own independent verification or in substitution for the exercise of judgment by any recipient, and are subject to change without notice. Financial data herein are obtained from sources believed to be reliable. The performance of individual shares may not be representative of the performance of the fund as a whole.

The views expressed are the views of Value Partners Hong Kong Limited and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. All materials have been obtained from sources believed to be reliable, but their accuracy is not guaranteed. This material contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

Neither Premium, Value Partners, Equity Trustees, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this report or accepts liability to any person who relies on it.