

# PREMIUM CHINA FUND (ARSN 116 380 771)

NOVEMBER 2020  
2 PAGES

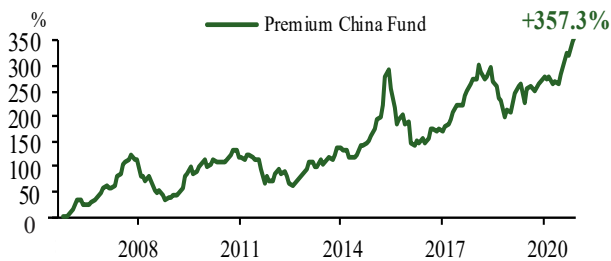
## Investment objective

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 142.5 million <sup>2</sup>

## Performance since inception <sup>1,2</sup>



## Performance update <sup>1,2</sup>

	Premium China Fund
One month	+2.3%
Three months	+7.1%
Six months	+25.9%
One year	+24.2%
Since inception	+357.3%
Annualised return	+10.6%
Annualised volatility	17.9%

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

## Annual return since inception <sup>1,2</sup>

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)	+20.6%

<sup>1</sup> Past performance is not indicative of future results.

<sup>2</sup> 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 November 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 3.0800 Entry price: AUD 3.0877 Exit price: AUD 3.0723  
Distribution: AUD 0.0129 (for the year ended 30 June 2019)

## Manager's commentary

### Market review

Chinese equities recorded another month of strong performance in November as solid recovery data continued.

The factory activities expanded for the ninth straight month, with the official manufacturing Purchasing Managers' Index coming in at 52.1 in November<sup>1</sup>. This is helped by stabilized demand and supply of manufacturing products. The services sector also registered a similar trajectory of expansion.

Several positive events in November boosted equity markets. First, the U.S. election risks were partially cleared as Joe Biden becomes the presumptive president-elect. Second, COVID vaccine development has progressed well as two pharma companies announced their late-stage filings.

Looking forward, we believe the prospective vaccine would result in a broader recovery across countries and sectors and continue to buoy investor sentiment. Such a macro backdrop and the extreme gap between value and growth stock valuations would support selective laggards, such as financials in our point of view, to continue to pick up.

### Portfolio review and outlook

The Fund grew 2.3% (in AUD) while the MSCI China Index lost 2.1%<sup>2</sup> (in AUD).

This month, our core holdings in consumer-related names continue to contribute to our fund performance. China's latest Five Year Plan, which takes national consumption as a development strategy, provided a positive spin to our exposure to home appliances and sports apparel companies, for example. China's ahead-of-the-curve recovery is supported by a strong pickup in export and trade. In particular, a leading shipping company in the portfolio rallied on solid data. Our financial holdings are also supported by broader economic recovery expectations and the steepening yield curve in China.

Conversely, China's anti-trust draft rules caused a slight detraction of some internet giants. That said, anti-trust rules in the internet space are not uncommon worldwide and are unlikely to derail the long term structural growth outlook.

We remain constructive on China equities as liquidity remains abundant and the economic recovery path continues to be solid. The dual-circulation strategy's focus on self-sufficiency is expected to support domestic-driven businesses and offer pronounced investment opportunities for selective best-of-breed companies in the long run.

Source:

<sup>1</sup> National Bureau of Statistics, People's Republic of China, 30 November 2020

<sup>2</sup> MSCI, 30 November 2020

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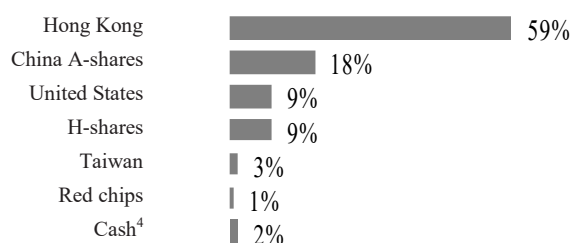
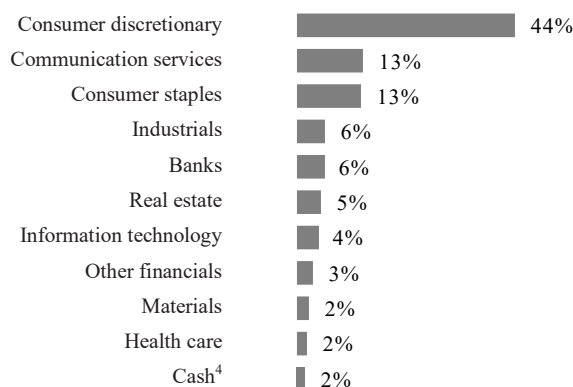
**Top 10 holdings**

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	13.5
Pinduoduo Inc	Retailing	United States	7.4
Meituan	Retailing	Hong Kong	6.9
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	4.8
China Merchants Bank Co Ltd	Banks	H-shares	4.3
Alibaba Group Holding Ltd	Retailing	Hong Kong	4.2
Wuliangye Yibin Co Ltd	Food, beverage & tobacco	China A-shares	3.9
Nissin Foods Co Ltd	Food, beverage & tobacco	Hong Kong	3.4
Gree Electric Appliances, Inc. of Zhuhai	Consumer durables & apparel	China A-shares	3.1
China Xinhua Education Group Ltd	Consumer services	Hong Kong	3.0

These holdings made up 55% of the Fund.

No. of holdings : 42

Level of currency hedge : 45.5%

**Geographical exposure by listing**<sup>3</sup>**Sector exposure**<sup>3</sup>**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

<sup>3</sup> 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.

<sup>4</sup> Cash includes receivables and payables (except cash for collaterals and margins).

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