

PREMIUM CHINA FUND (ARSN 116 380 771)

JANUARY 2021
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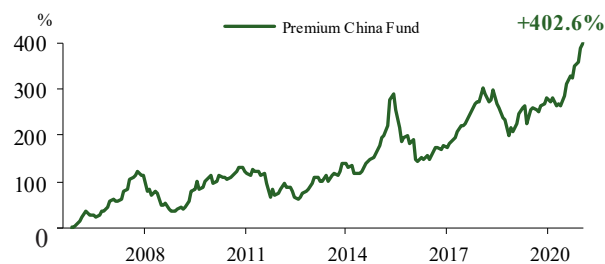
Investment objective

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 153.8 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

Premium China Fund	
One month	+3.1%
Three months	+12.4%
Six months	+22.7%
One year	+34.8%
Since inception	+402.6%
Annualised return	+11.2%
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 ^{1,2}

2005 (Since inception)	+7.0%	2014	+15.5%
2006	+48.0%	2015	+4.9%
2007	+36.1%	2016	-6.2%
2008	-33.6%	2017	+37.0%
2009	+50.2%	2018	-17.9%
2010	+2.3%	2019	+24.0%
2011	-21.2%	2020	+28.6%
2012	+13.1%	2021 (YTD)	+3.1%
2013	+21.9%		

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 29 January 2021. 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 3.3854 Entry price: AUD 3.3939 Exit price: AUD 3.3770
Distribution: AUD 0.0129 (for the year ended 30 June 2019)

Manager's commentary

Market review

China's official Purchasing Managers' Index held up well in January despite a modest slippage in both manufacturing and services segments. The index for factory activities slid to 51.3 but remained in expansionary territory for 11 months consecutively¹.

Investors were wary of the Chinese central bank taking a more neutral stance versus a very stimulative stance before. This resulted in a pullback towards the end-January. We believe China's policy priority is set to ensure financial stability while avoiding bubbles and follows the central bank's promise in December of no sudden interest rate hike.

Portfolio review and outlook

China equities stayed on a resilient growth trajectory and started the year on a strong note. In January, the MSCI China Index growing 8.0%² (in AUD). The Fund increased 3.1% (in AUD).

In the Fund, the Chinese Internet giants were among the top contributors. For example, the leading online entertainment provider and the biggest e-commerce service platform rode on the intact digitalization trends and performed. The robust recovery progress in China helped the performance of the Fund's consumer staples and financials holdings. Our Taiwanese hardware manufacturer holdings enjoyed robust global demand for advanced chips and price hikes, contributing to this month's fund returns.

Conversely, detraction mainly came from the e-commerce space. Our core e-commerce holdings retreated after months of resilient performance, versus the rebound of merchandized goods e-commerce platform, which we held underweight positions. Also, our lack of electric vehicles original equipment manufacturer (OEM) caused detraction. On top of the relative positions, there was profit taking in some recent winners, such as shipping companies and the consumer discretionary names, including domestic auto and sports brands.

The continued recovery in earnings outlook shall justify the valuation for selective quality companies after the rally. We remain cautiously optimistic and adhere to bottom-up stock picking to identify companies that are on a structural growth trend and offer longer-term growth opportunities.

Source:

1. National Bureau of Statistics, People's Republic of China, , 31 January 2021
2. MSCI, 29 January 2021

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Think Premium

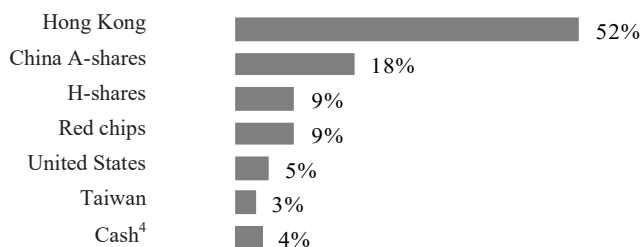
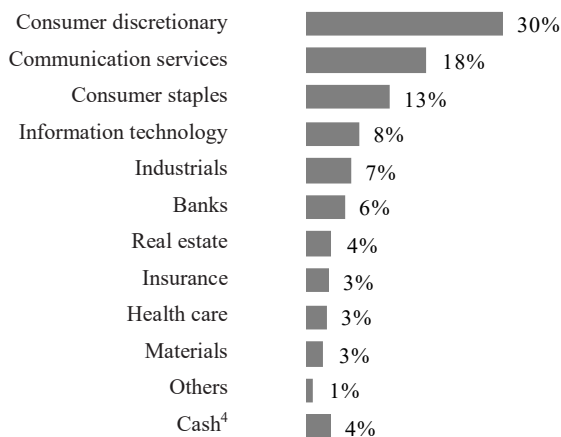
Top 10 holdings

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	15.3
Meituan	Retailing	Hong Kong	6.1
Pinduoduo Inc	Retailing	United States	5.9
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	5.3
China Tourism Group Duty Free	Retailing	China A-shares	4.7
China Merchants Bank Co Ltd	Banks	H-shares	4.6
Innovent Biologics Inc	Pharmaceuticals, biotechnology & life sciences	Hong Kong	3.1
Nissin Foods Co Ltd	Food, beverage & tobacco	Hong Kong	3.0
Wuliangye Yibin Co Ltd	Food, beverage & tobacco	China A-shares	2.7
Jinke Smart Services Group Co	Real estate	Hong Kong	2.2

These holdings made up 53% of the Fund.

No. of holdings : 45

Level of currency hedge : 64.4%

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; Yu Chen Jun; 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

Managing Director & Head of ESG:

Frank Tsui

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).

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