

PREMIUM CHINA FUND (ARSN 116 380 771)

FEBRUARY 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 151.8 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium China Fund
One month	-0.6%
Three months	+9.3%
Six months	+17.1%
One year	+31.6%
Since inception	+399.7%
Annualised return	+11.1%
Annualised volatility	17.6%

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)	+2.5%
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 26 February 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 3.3659 Entry price: AUD 3.3743 Exit price: AUD 3.3574
Distribution: AUD 0.0129 (for the year ended 30 June 2019)

Manager's commentary

Market review

Equity markets extended gains into the first half of February. This came after positive progress of vaccine rollouts and an improved macro environment. The market lost momentum later as it faced heightened concerns over changes in the inflation and rate environments.

In our view, February retraced due to such swift changes in expectations and offered some with an excuse to profit-take after a long rally post pandemic.

In China, the domestic economic recovery continued in February. Particularly, consumption recovery during the Lunar New Year was not impacted. The monthly manufacturing Purchasing Managers' Index posted a moderate drop but stayed in the expansionary terrain¹. The Two Sessions in March is the next to watch. The top-level meetings will reiterate the 14th Five-Year Plan and provide policy details.

Portfolio review and outlook

The Fund (in AUD) fell 0.6% and the MSCI China Index (in AUD) fell 1.9%².

The weak market sentiment caused detractions in our exposure to healthcare and information technology. They gave up some gains from the recent rally as the discount rate for future earnings climbed. That said, the fundamentals of these companies remain intact and we continue to hold them.

Over to the positive side, the previously lagging real estate sector became the biggest performance contributor. The sector played catch-up in the second half of February. The good performance was partially supported by the new land-bidding rules that favor leading developers and the index inclusion of the property management companies. Other contributors were selective consumer discretionary names that enjoy a solid outlook while trading at relatively attractive valuations.

Looking forward, our conviction on Chinese equities remains unchanged. We expect fundamentals to stay robust amid the on-going recovery. The change in the inflation environment is being assessed in our bottom-up stock picking process. We remain focused on quality companies with high visibility in earnings growth.

Source:

1. National Bureau of Statistics, People's Republic of China, 28 February 2021
2. MSCI, 26 February 2021

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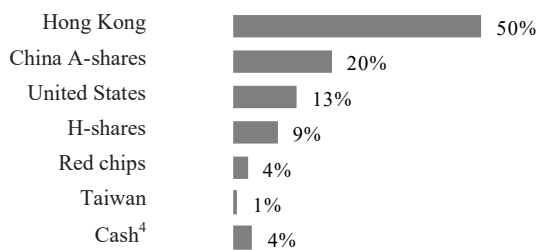
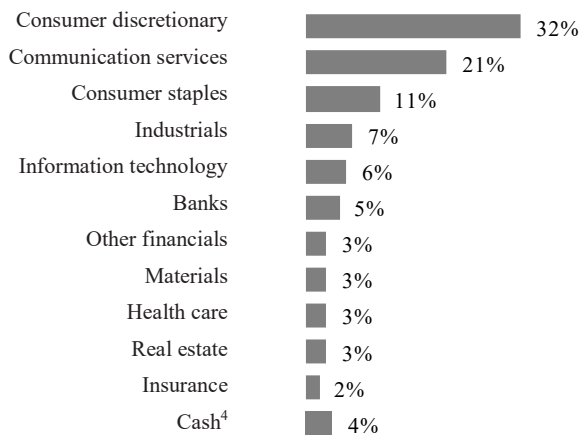
Top 10 holdings

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	13.6
Pinduoduo Inc	Retailing	United States	6.1
Meituan	Retailing	Hong Kong	5.7
China Tourism Group Duty Free	Retailing	China A-shares	5.0
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	4.9
China Merchants Bank Co Ltd	Banks	H-shares	4.6
Innovent Biologics Inc	Pharmaceuticals, biotechnology & life sciences	Hong Kong	2.8
Li Ning Co Ltd	Consumer durables & apparel	Hong Kong	2.6
Chow Tai Fook	Retailing	Hong Kong	2.5
Haidilao International Holding	Consumer services	Hong Kong	2.5

These holdings made up 50% of the Fund.

No. of holdings : 44

Level of currency hedge : 67.0%

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; 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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