

PREMIUM CHINA FUND (ARSN 116 380 771)

MAY 2021
2 PAGES

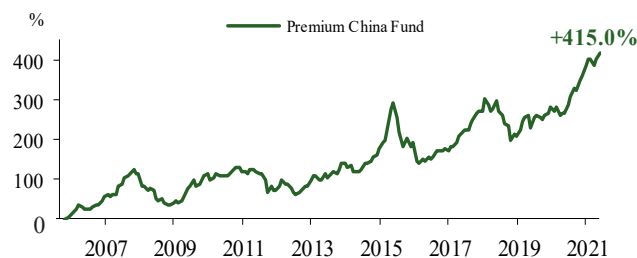
Investment objective

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 152.7 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium China Fund
One month	+2.5%
Three months	+3.1%
Six months	+12.6%
One year	+41.8%
Since inception	+415.0%
Annualised return	+11.1%
Annualised volatility	17.8%

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)	+5.6%
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 31 May 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 3.4686 Entry price: AUD 3.4773 Exit price: AUD 3.4600
Distribution: AUD 0.0129 (for the year ended 30 June 2019)

Manager's commentary

Market review

In May, sentiment towards Chinese equities was mixed. While economic recovery is expected to continue, investors continue to be concerned about inflation and potential tightening monetary conditions.

Latest OECD estimates show that growth in China will be 8.5% this year, which compares with 5.8% for the global economy¹. Tapering worries continue to mount. China's PPI in May reached 60.6, which is 5.7% higher than in April, mostly driven by the surge in commodity prices². In addition, the country's central bank last month registered that Total Social Financing (TSF) dropped to RMB 1.85 trillion in April from RMB 3.3 trillion in March³.

The government announced that it will be stepping up its efforts to curb the rise in commodity prices, and we will continue to monitor developments in the market. We believe that tightening monetary conditions should not be a huge concern, as policies remain supportive of a more balanced recovery.

In addition, first quarter earnings also remain robust, and earnings growth is broad-based. While value sectors have gained pace, some growth sectors, such as semiconductors and technology hardware, are also seeing upward earnings revisions.

Portfolio review and outlook

In May, the Fund was up 2.5% (in AUD), while the MSCI China Index was flat at 0.06%⁴ (in AUD).

In the fund, our exposure in financials was the top performance contributor of the month. Banks reported improving nonperforming loan ratios and net profits during the first quarter, while firms providing wealth management services continue to see growing demand from retail investors. Our exposure in consumer names, such as sportswear, jewelry, and Chinese white liquor, also contributed on the back of China's economic recovery and consumption upgrade.

On the flipside, a slight detraction came from internet-related names, as China continues to step up its scrutiny of the sector, particularly in e-commerce. The e-commerce space is expected to be more competitive and we have turned more cautious amid anti-trust and monopoly laws.

In our view, the continued economic recovery and solid earnings should provide a favorable backdrop for the China equity markets. We expect the global recovery path will continue to be bumpy, however, and it is crucial that we remain nimble to select quality stocks that are going to benefit from the current macro backdrop.

Source:

1. OECD Outlook, May 2021
2. National Bureau of Statistics, 01 June 2021
3. The People's Bank of China, 13 May 2021
4. MSCI, 31 May 2021

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Think Premium

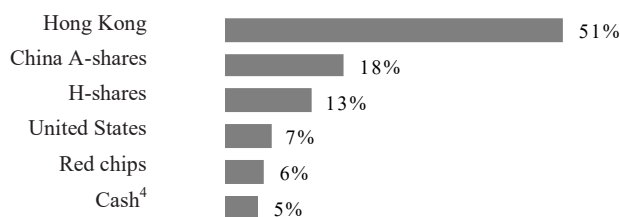
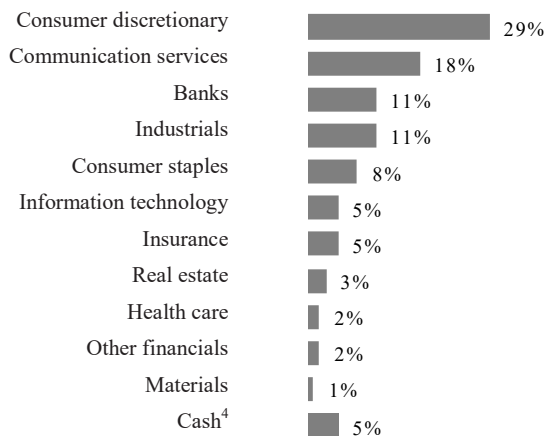
Top 10 holdings

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	13.7
China Merchants Bank Co Ltd	Banks	H-shares	6.2
China Tourism Group Duty Free Corp Ltd	Retailing	China A-shares	5.4
Li Ning Co Ltd	Consumer durables & apparel	Hong Kong	5.4
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	4.4
Pinduoduo Inc	Retailing	United States	3.7
COSCO SHIPPING Holdings Co Ltd	Transportation	H-shares	3.6
Galaxy Entertainment Group Ltd	Consumer services	Hong Kong	3.2
Alibaba Group Holding Ltd	Retailing	Hong Kong	3.0
AIA Group Ltd	Insurance	Hong Kong	2.8

These holdings made up 51% of the Fund.

No. of holdings : 43

Level of currency hedge : 66.9%

Geographical exposure by listing³**Sector exposure**³**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

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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