

PREMIUM CHINA FUND (ARSN 116 380 771)

JUNE 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 127.8 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium China Fund
One month	+2.8%
Three months	+9.2%
Six months	+8.5%
One year	+37.7%
Since inception	+429.2%
Annualised return	+11.2%
Annualised volatility	17.7%

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)	+8.5%
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 30 June 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 2.9489 Entry price: AUD 2.9563 Exit price: AUD 2.9415
Distribution: AUD 0.6153 (for the year ended 30 June 2021)

Manager's commentary

Market review

In June, sentiment towards China equities was positive, amid concerns about tightening monetary conditions.

The Fed's stance towards tapering induced a correction in global markets last month. During an FOMC meeting in June, it raised its expectations for inflation this year and expects that interest rate hikes could come as soon as 2023, after saying in March it may not increase rates until 2024.

In China, PMI slightly lowered at 50.9 in June from 51 in May¹. The Main Raw Material Purchase Price Index was down to 61.2% from 72.8% during the same period. On the other hand, the non-manufacturing business activity index was 1.7 percentage points down to 51.5% from the previous month. This is the lowest reading in four months, reflecting the temporary impact of resurging COVID infections in certain regions.

The People's Bank of China kept its stance unchanged as maintaining economic stability continues to be a key item on its agenda. It said it will properly manage the timing, intensity and effectiveness of policy to keep liquidity adequate at a reasonable level and keep the growth of money supply in line with GDP growth.

Portfolio review and outlook

In June, the Fund was up 2.8% (in AUD), while the MSCI China Index increased 2.7% (in AUD)².

Our holdings in consumer and industrial names were among the top performance contributors of the month. Consumer names such as sportswear continue to ride on China's economic recovery and consumption upgrade. Meanwhile, Chinese shipping companies continue to benefit from the global shortage of shipping containers.

On the flipside, our exposure in financials slightly detracted on the back of moderating growth data. But we remain optimistic about our holdings in the sector. We expect them to benefit from the growing demand for wealth management services from retail investors in the country.

In our view, the potential earlier-than-expected tightening driven by the change in inflation expectation could pose a risk on equity sentiment. Growth moderation may also entail a lackluster environment for the rest of the year. However, we see growth prospects remain robust in selective companies that are riding on the structural growth cycle. Therefore, it is crucial to be selective in our bottom-up stock picking approach and choose quality names that will be rewarded in the current environment.

Source:

- National Bureau of Statistics of China, 1 July 2021
- MSCI, 30 June 2021

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Think Premium

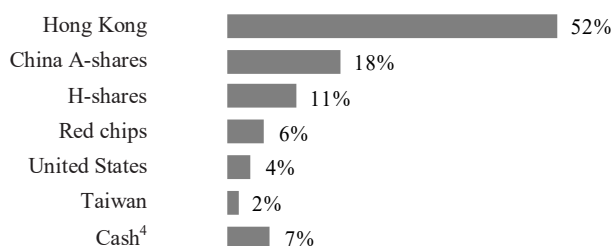
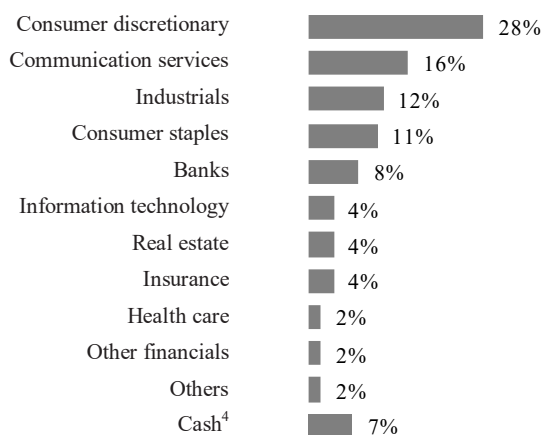
Top 10 holdings

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	14.8
Li Ning Co Ltd	Consumer durables & apparel	Hong Kong	7.2
China Merchants Bank Co Ltd	Banks	H-shares	5.8
China Tourism Group Duty Free Corp Ltd	Retailing	China A-shares	5.4
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	4.9
COSCO SHIPPING Holdings Co Ltd	Transportation	H-shares	4.4
Pinduoduo Inc	Retailing	United States	3.8
AIA Group Ltd	Insurance	Hong Kong	3.6
Meituan	Retailing	Hong Kong	3.4
Orient Overseas International Ltd	Transportation	Hong Kong	3.0

These holdings made up 56% of the Fund.

No. of holdings : 34

Level of currency hedge : 66.9%

Geographical exposure by listing ³**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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