PREMIUM ASIA FUND (ARSN 134 226 029)

NOVEMBER 2021
2 PAGES

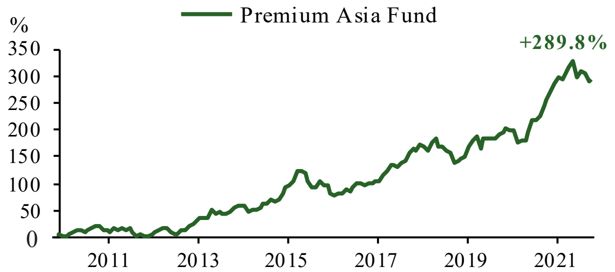
Investment objective

The Premium Asia Fund aims to generate positive returns, consisting of both capital growth and income, over a three to five year period prior to accounting for movements in currency exchange rates. It will seek to achieve this objective by constructing a portfolio of securities which provides exposure to the Asia ex-Japan region. The Fund is denominated in Australian dollars and typically will not hedge its currency exposure.

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:	MAQ0635AU
Inception date:	1 December 2009
Fund size:	AUD 40.4 million [2]

Performance since inception [1, 2]



Performance update [1, 2]

	Premium Asia Fund
One month	+1.2%
Three months	-3.9%
Six months	-5.3%
One year	+11.3%
Since inception	+289.8%
Annualised return	+12.0%
Annualised volatility	12.8%

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

Annual return since inception [1, 2]

2009 (Since inception)	+1.2%	2016	+2.0%
2010	+9.2%	2017	+31.8%
2011	-9.9%	2018	-6.1%
2012	+22.1%	2019	+23.3%
2013	+29.3%	2020	+23.0%
2014	+12.1%	2021 (YTD)	+5.7%
2015	+9.2%		

***Unit price:** AUD 1.3437 **Entry price:** AUD 1.3471 **Exit price:** AUD 1.3403*
***Distribution:** AUD 0.3397 (for the year ended 30 June 2021)*

Manager's commentary

Market review

It was a volatile month for Asian equities, driven by uncertainties from the new Omicron variant, which sent shockwaves across global markets at the end of the month.

In China, sentiment was dented with unexciting third quarter earnings results, with divergence in earnings growth. Upstream companies recorded strong earnings growth on the back of rising commodity prices, while earnings and margins of downstream companies squeezed amid weaker-than-expected demand and inflation. On a positive note, China's manufacturing industry returned to expansion range in November, with the Manufacturing PMI up 50.1%, after being below the 50% level for two months[1]. We are also seeing signs of demand recovery, with total retail sales of consumer goods continuing their rebound in October from the year low in August[2].

Taiwan's equities market remained resilient, with the MSCI Taiwan up 2.2%[3]. Taiwan's economy continues to be in good shape, with domestic retail consumption growth up 6.6% YoY in October, continuing its upwards rebound from September[4]. Exports in November hit another monthly record high, expanding 30.2% YoY, led by mineral products and base metals[5]. Overall, Taiwan's administration upgraded its full-year GDP growth estimate to 6.1% from August's 5.9% projection, mostly driven by exports and investments[6].

South Korea's equities market was down 4.6%[3] following the news of Omicron and Bank of Korea's move to increase interest rates – the country's second interest rate hike this year[7]. CPI remained high in November at 3.7% amid increasing commodity prices[8]. On the positive side, the country's economy continued to be resilient. Exports remained robust, expanding 32.1% YoY in November[9]. Domestically, overall retail sales growth continued its upward momentum since August, increasing 14.4% YoY in October[10].

The ASEAN market tumbled in November, with the MSCI ASEAN Index down 4.8%[2]. Major draggers were Singapore, Thailand and Malaysia markets, as fears lingered on the impact of the new variant on these markets' reopening internationally. In addition, the strengthening of the U.S. dollar may not bode well for emerging market equities. That said, we remain constructive of the market and continue to favor more resilient businesses that ride on structural growth trends, such as companies that are exposed to the digitalization trend.

Portfolio strategy and outlook

In November, the Fund was up 1.2% (in AUD), slightly underperforming the MSCI AC Asia ex Japan Index's 1.8% (in AUD) performance.

Our exposure to Chinese discretionary names was among the Fund's detractors. In particular, a company engaged in duty-free sales dragged on slowing sales growth. That said, we continue to have a positive outlook on the company, as it should benefit from long-term catalysts such as increased domestic visitation, network expansion of downtown duty-free stores and policy relaxation. Our exposure in e-commerce names also detracted. As increased scrutiny over the internet sector continues to moderate the sector's growth outlook, we maintain our cautious view of the sector and remain underweight and selective in this space. That said, longer-term, the internet space continues to play a key role in China's recovery.

Our holdings in Korean names also detracted amid the weakening sentiment in the market. Despite higher macro uncertainty, we continue to see bottom-up opportunities that are underpinned by structural growth trends.

On the positive side, our holdings in regional technology hardware were among the top contributors of the Fund as they continue to ride on the digitalization growth trend globally. For example, our semiconductor holdings across the region contributed to the Fund's performance as they continued to benefit from supply tightness, which we expect to persist in 2022, leaving room for price hikes. A Chinese forerunner in electronic component parts and a major AR/VR headset assembler also contributed on the back of increasing demand for wearables, such as wireless earphones, as well as the growing revenue expected from new AR/VR models that will be released in 2022, driven by various companies' adoption of the metaverse. Our exposure to telecommunications also yielded positively, benefiting from the increasing streaming and broadband penetration in the region.

While we remain overweight in North Asia, we are turning cautiously optimistic towards Southeast Asia. As we have seen improvements in the pandemic situation in the ASEAN, the new variant may have an impact on economic recovery globally. In Southeast Asia, we remain selective in reopening plays and new economy sectors. In Greater China, we are seeing that valuations have gone down to undemanding levels, although policy risks may still linger in the near- to medium-term. We continue to be constructive on quality names and favor those companies that provide earnings visibility.

Source:
1. National Bureau of Statistics, 1 December 2021
2. National Bureau of Statistics, 11 November 2021
3. MSCI, 30 November 2021
4. Ministry of Economic Affairs, Taiwan, 23 November 2021
5. Ministry of Finance, Taiwan, 8 November 2021
6. Directorate-General of Budget, Accounting and Statistics, Taiwan, 26 November 2021
7. Bank of Korea, 25 November 2021
8. Bloomberg, 1 December 2021
9. Ministry of Trade, Industry and Energy, South Korea, 1 December 2021
10. Ministry of Trade, Industry and Energy, South Korea, 29 November 2021

[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 November 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. Index performance is for reference only.*

www.premiumchinafunds.com.au
Tel: (02) 9211 3888 Email: info@premiumchinafunds.com.au

Think Asia
Think Premium

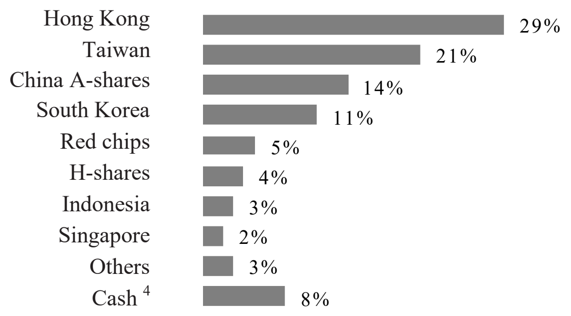
Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	5.5
Samsung Electronics	Technology hardware & equipment	South Korea	4.4
Tencent	Media & entertainment	Hong Kong	3.9
Meituan	Retailing	Hong Kong	3.7
Giant Manufacturing	Consumer durables & apparel	Taiwan	2.5
United Microelectronics Corp	Semiconductors & semiconductor equipment	Taiwan	2.4
Chinasoft International Ltd	Software & services	Hong Kong	2.4
Merida Industry Co	Consumer durables & apparel	Taiwan	2.2
ANTA Sports Products	Consumer durables & apparel	Hong Kong	2.1
Vanguard International Semiconductor	Semiconductors & semiconductor equipment	Taiwan	2.1

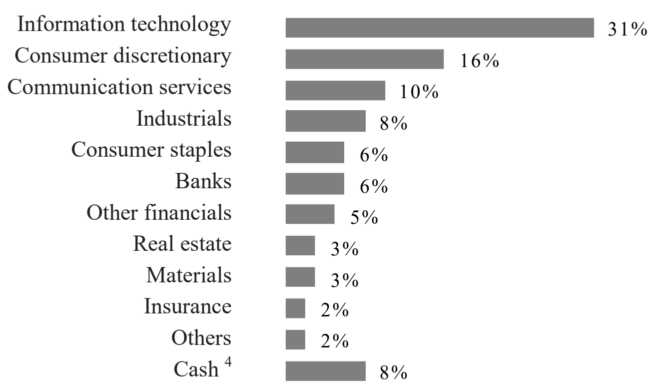
These holdings made up 31% of the Fund.

No. of holdings : 83

Geographical exposure by listing [3]



Sector exposure [3]



Fee structure

Management fee	1.33% p.a. of Net Asset Value
Performance fee	No performance fee
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 staff

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

Link to TMD

https://www.premiumchinafunds.com.au/wp-content/uploads/2021/10/Premium_Asia_Fund_EN_AU_1630674977.pdf

[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).*