PREMIUM ASIA FUND (ARSN 134 226 029)

JANUARY 2022
2 PAGES

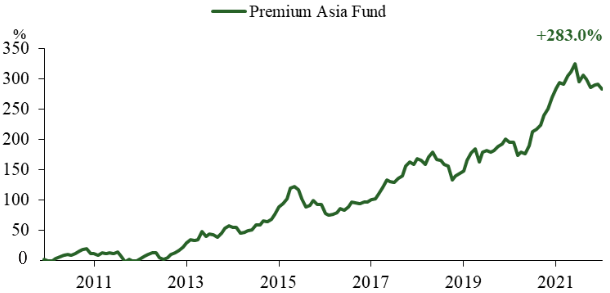
Investment objective

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 40.6 million [2]

Performance since inception [1, 2]



Performance update [1, 2]

	Premium Asia Fund
One month	-2.0%
Three months	-0.5%
Six months	-3.0%
One year	-0.1%
Since inception	+283.0%
Annualised return	+11.7%
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	+6.0%
2015	+9.2%	2022 (YTD)	-2.0%

***Unit price:** AUD 1.3205 **Entry price:** AUD 1.3238 **Exit price:** AUD 1.3172*
***Distribution:** AUD 0.3397 (for the year ended 30 June 2021)*

Manager's commentary

Market review

Lackluster sentiment dragged Asia equities in January amid the faster-than-expected tightening of the US Fed.

In China, fears about growth moderating domestically continued to linger on the back of weakening property home sales, which many see may drag the country's economy. That said, following its shift to a pro-growth stance in December, the government has started monetary easing, which should help lift investor confidence. Following the RRR cut in December, the interest rate for the medium-term lending facility, as well as the one- and five-year Chinese loan market quoted rates, have been cut. The government has also extended some tax cuts for the tech and healthcare sectors while planning to provide more support for high-end manufacturers and SMEs and accelerate renewable power investment.

In Taiwan, investor sentiment was subdued, with the MSCI Taiwan Index down 2.0%[1]. From a fundamental point of view, however, Taiwan's economy remains solid. Domestically, retail consumption was up 3.7% in December[2]. Externally, exports in January expanded 16.7% YoY[3]. Taiwan's administration remains optimistic that exports during the first quarter will maintain a double-digit growth trend backed by Taiwan's leadership in semiconductor production and the accelerated capacity expansion by key manufacturers. That said, it acknowledges several risks to the export outlook, including the new Omicron variant, supply chain bottlenecks and the ongoing trade tensions between the US and China.

South Korea's equities market underperformed its regional peers, with the MSCI Korea Index plunging 10.1%[1] in January. Various uncertainties continue to loom the market, including the pace of interest rate hikes by the Bank of Korea, fears of a cyclical downturn in the technology sector, as well as the increasing domestic Omicron infections in the country. Currently, we remain cautious and defensive in this market, especially until the upcoming elections in March.

Southeast Asia markets fared better compared to their peers, with the MSCI ASEAN Index slightly down by 0.7%[1]. We remain constructive of the market as inflation in the region is more manageable compared to the west. Most markets are also looking past the Omicron variant as most have continued on their reopening as the variant has proved to be milder compared to previous variants. In terms of sectors, financials have been the key performing sector as asset quality issues are being alleviated, credit growth is rebounding, and it is a beneficiary of rate hikes.

Portfolio strategy and outlook

In January, the Fund was down 2.0% (in AUD), while the MSCI AC Asia ex Japan Index was flat at 0% (in AUD).

Our holdings in regional technology hardware names dragged the Fund's performance. During the month, there was a sell-off in technology stocks globally as investors got concerned about oversupply and slowing demand. That said, we continue to hold a positive outlook on our holdings, particularly those that continue to benefit from the global structural trend of digitalization and electrification, which should offer earnings visibility. Our exposure to a basket of China A-share names, which include industrials, financials and consumer-related names also retreated amid weaker sentiment due to moderating growth outlook and higher overseas market volatility. Despite the short-term setback, we view that growth continues to be sustainable, supported by accommodative policies, and the pullback in the market has also made their valuations more attractive.

On the flip side, our exposure to dividend-yielding names, including Chinese telecommunications and real estate, yielded positively. The Chinese telecommunications company is riding on the continued roll-out of 5G in the country, which should further lift revenues in the next few years. Meanwhile, our bottom-up picks in China real estate benefitted from the more eased policy stance by the government, such as the reduction of the 5-year LPR. Our view remains the same that high-quality names will benefit from industry consolidation as sales and liquidity conditions are expected to be polarized between the healthy and high-geared developers.

Against the current macro backdrop, we expect volatility to carry into 2022, driven by various factors, including the pace of tapering by the Fed and regulatory uncertainty in China. That said, we expect bottom-up opportunities to persist among diverging sector outlook and valuation levels. In China, its more pro-growth policy stance should support a better environment for equities, while economic activities in South Asia are expected to catch up as they reopen.

Source:

1. MSCI, 31 January 2022
2. Ministry of Economic Affairs, Taiwan, 24 January 2022
3. Ministry of Finance, Taiwan, 11 February 2022

[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 January 2022. 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.*

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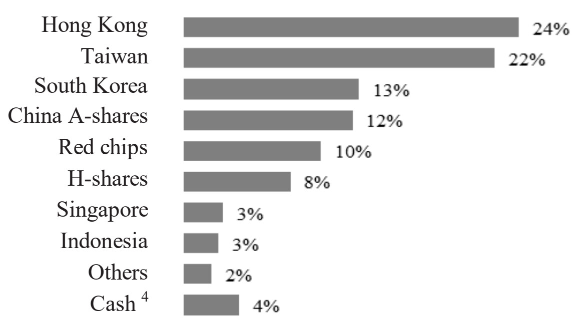
Think Asia
Think Premium

Top 10 holdings

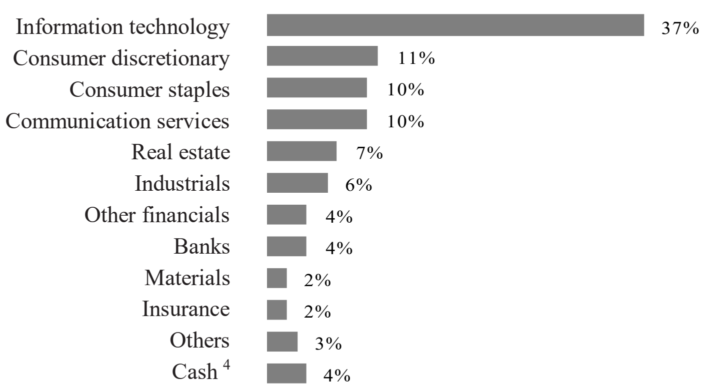
Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	9.0
Samsung Electronics	Technology hardware & equipment	South Korea	5.7
Tencent	Media & entertainment	Hong Kong	4.0
Goertek Inc	Technology hardware & equipment	China A-Shares	2.8
China Resources Land	Real estate	Red Chips	2.3
United Microelectronics	Semiconductors & semiconductor equipment	Taiwan	2.2
Meituan	Retailing	Hong Kong	2.2
Kweichow Moutai	Food, beverage & tobacco	China A-Shares	2.2
China Mobile	Telecom services	Red Chips	2.1
Merida Industry	Consumer durables & apparel	Taiwan	2.1

These holdings made up 35% of the Fund.
No. of holdings : 85

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).*