

# PREMIUM ASIA FUND (ARSN 134 226 029)

MARCH 2022  
2 PAGES

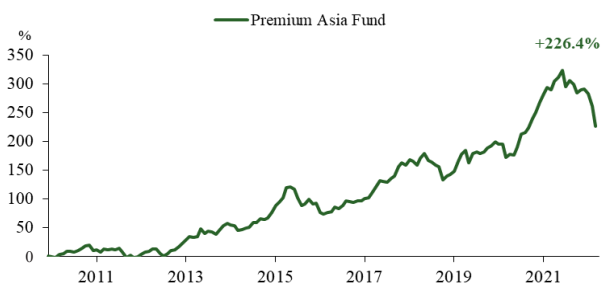
## Investment objective

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 35.2 million <sup>2</sup>

## Performance since inception <sup>1,2</sup>



## Performance update <sup>1,2</sup>

	Premium Asia Fund
One month	-9.7%
Three months	-16.5%
Six months	-18.3%
One year	-16.4%
Since inception	+226.4%
Annualised return	+10.1%
Annualised volatility	13.2%

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

## Annual return since inception <sup>1,2</sup>

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)	-16.5%

<sup>1</sup> Past performance is not indicative of future results.

<sup>2</sup> 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 March 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.

Unit price: AUD 1.1254 Entry price: AUD 1.1282 Exit price: AUD 1.1226  
Distribution: AUD 0.3397 (for the year ended 30 June 2021)

## Manager's commentary

### Market review

Geopolitical uncertainties, stagflation, and the spike of COVID cases in China have continued to weigh on Asian equities in March.

In China, the spike in COVID infections has made investors concerned about how the lockdowns may affect supply chains and further weaken consumption in the near term. The targeted lockdown measures have proven to be effective in most cities. If control measures are managed properly, China's production activities are expected to recover quickly from the initial disruption and regain positive momentum. In addition, during the National People's Congress in March, the government further articulated its more pro-growth stance, setting its target GDP growth to be around 5.5% for 2022<sup>1</sup>, which may be challenging given the pandemic disruption. It is expected that the government will employ a combination of proactive fiscal and monetary policies. With CPI remaining low, China has more room for rate cuts, contrary to most developed markets in the west. In the wake of market weakness, we expect a further step up in easing is almost a must scenario from policymakers.

Investor sentiment was also subdued in Taiwan, with the MSCI Taiwan index down 2.2%<sup>2</sup>. After leaving interest rates unchanged for seven consecutive quarters, the central bank decided to increase rates by 25 basis points to 1.375% in March amid rising inflation<sup>3</sup>. The bank noted that CPI posted an average annual growth rate of 2.6% during the first two months of the year and expects it to hover above 2% towards the third quarter. Nevertheless, Taiwan's economy remains resilient. Externally, exports during the month expanded 21.4%, driven by the demand of both technology and non-tech products<sup>4</sup>.

In Korea, the country's equities market was flat, with the MSCI Korea Index performing -0.1%<sup>2</sup>. Investor concerns remain, including the pace of interest rate hikes by the country's central bank and fears of a cyclical downturn in the tech sector. However, we view that the new president-elect Yoon Suk-yeol should provide a positive backdrop for the equities market, given his policy direction that focuses on deregulation and corporate-led economic growth. These include abolishing capital gains on stocks and loosening the housing sector to boost supply. If executed properly, the policies should provide a positive backdrop for the market.

The Southeast Asia market continued to outperform its regional peers, with the MSCI ASEAN Index performing 0.3% in March<sup>2</sup>. The performance is mainly driven by Indonesia's market, up 3.3%. Overall, we remain constructive toward the ASEAN market, as countries in the region have inflation under control and have continued their reopening efforts. We continue to like Indonesia, which remains a key beneficiary of high commodity prices across palm oil, coal, and nickel. The strong commodity complex has resulted in a healthy balance of payment position, providing support to the Rupiah. We are relatively cautious about the Philippines and Thailand, given they are net importers of oil, and oil prices remain elevated. Thailand's reopening/tourism story is also facing headwinds due to the developing Covid situation in China.

### Portfolio strategy and outlook

In March, the Fund and the MSCI Asia ex Japan Index were down 9.7% (in AUD) and 6.0% (in AUD), respectively.

Our regional technology hardware exposures were dragged amid end demand weakness, including smartphone and PC shipments, leading to fears of inventory correction in the semiconductor space. While we remain cautious of their near-term outlook, our holdings should continue to benefit longer-term on the back of their technology lead and improving product mix. We continue to favor high-quality leaders in the industry should benefit from the continued digitalization trend. Other detractors came from our China exposure as the nation was affected by sporadic lockdowns, posing further headwinds to economic growth. Our holdings in consumer-related names, in particular, were among the major detractors amid the weaker demand outlook. That said, we remain constructive on our consumption upgrade holdings as they continue to deliver decent long-term earnings growth.

On the flipside, our holdings of various utilities, energy and food-related companies across the region yielded positively as they continue from rising commodity and food prices. Similarly, our exposure to Indonesia also contributed. Being a net-exporter, the country remains to be a beneficiary of elevated commodity prices.

Overall, we view that volatility will remain in the near term as geopolitical risks have created many uncertainties. However, the current investment landscape has also created bottom-up opportunities, with divergent performances in sectors and companies. This is especially apparent in China, which we continue to be overweight. While remaining cautious in assessing the impacts of COVID resurgence, we also view that the government's pro-growth stance should eventually uplift market sentiment, although it will take time for monetary and fiscal actions to be reflected in the economy.

Source:

- National People's Congress, 5 March 2022
- MSCI, 31 March 2022
- Central Bank of the Republic of China (Taiwan), 17 March 2022
- Ministry of Finance, Taiwan, 8 April 2022

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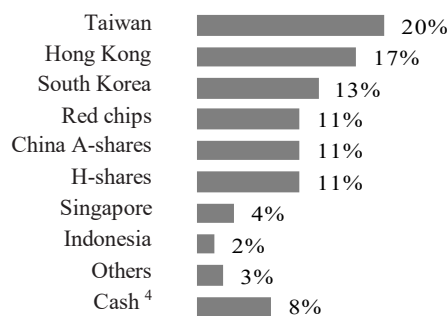
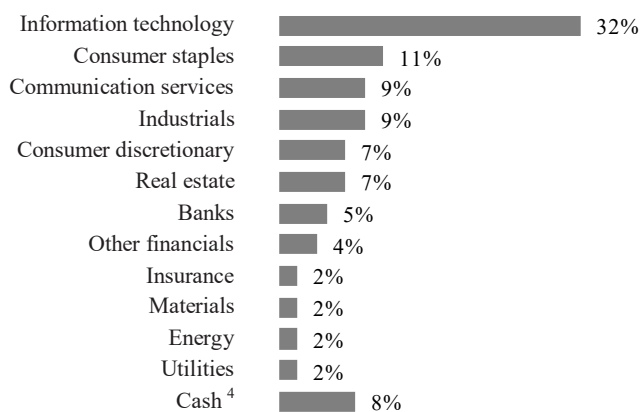
Think Asia  
Think Premium

**Top 10 holdings**

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	8.9
Samsung Electronics	Technology hardware & equipment	South Korea	5.8
China Mobile	Telecom services	Red chips	3.7
Tencent	Media & entertainment	Hong Kong	2.6
China Resources Land	Real estate	Red chips	2.4
China Telecom Corp	Telecom services	H-shares	2.2
Inner Mongolia Yili Industrial Group	Food, beverage & tobacco	China A shares	2.1
China Merchants Bank	Banks	H-shares	2.1
China Mengniu Dairy	Food, beverage & tobacco	Red chips	2.0
Techtronic Industries	Capital goods	Hong Kong	2.0

These holdings made up 34% of the Fund.

No. of holdings : 86

**Geographical exposure by listing<sup>3</sup>****Sector exposure<sup>3</sup>****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.premiumasiafunds.com.au/wp-content/uploads/2021/10/Premium\\_Asia\\_Fund\\_EN\\_AU\\_1630674977.pdf](https://www.premiumasiafunds.com.au/wp-content/uploads/2021/10/Premium_Asia_Fund_EN_AU_1630674977.pdf)

<sup>3</sup> 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.

<sup>4</sup> Cash includes receivables and payables (except cash for collaterals and margins).

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