PREMIUM CHINA FUND (ARSN 116 380 771)

APRIL 2022
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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 76.7 million [2]

Performance since inception [1, 2]

Performance update [1, 2]

	Premium China Fund
One month	+2.8%
Three months	-18.4%
Six months	-21.3%
One year	-30.6%
Since inception	+248.7%
Annualised return	+7.9%
Annualised volatility	18.3%

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	-12.1%
2013	+21.9%	2022 (YTD)	-18.6%

Unit price: *AUD 1.9432* ***Entry price:*** *AUD 1.9481* ***Exit price:*** *AUD 1.9383*
Distribution: *AUD 0.6153 (for the year ended 30 June 2021)*

Manager's commentary

Market review

The risk-off sentiment remained toward Greater China equities in April amid ongoing concerns over China's Omicron situation.

The resurgence of Covid in certain parts of China, especially in Shanghai, and the consequent lockdowns have become a major concern among investors. The situation may affect supply chains and further moderate economic and corporate revenue growth in the near-to-medium term. March macro data released last month show some drag from the pandemic, including a slowing down of total retail sales and industrial production[1], and we expect April numbers to be more subdued in light of China's Zero Covid policy. Towards the end of the month, although the situation in Shanghai had slightly improved, investor sentiment still turned sour when Beijing had partial lockdowns in selected districts. While we expect the lockdowns may impact earnings estimates consensus for 2022, there are signs that the situation is getting better, and the actual impact may be temporary or short-term. We continue to monitor the frequency of lockdowns and their effects on the economy and our holdings.

During the month, PBOC made moves to modestly ease monetary policy, including the 25bp RRR cut[2] and the creation of new re-lending facilities to support certain sectors. However, these did not lift investor sentiment as the market views that more stimulus is needed to achieve its growth target for 2022. That said, the Politburo in end-April vowed to speed up supportive measures, including implementing tax-cut policies and monetary policy tools. It also pledged to strengthen infrastructure construction and support the housing market. For example, the central government plans to support local governments in fine-tuning local policies based on local conditions and optimizing pre-sales escrow supervision. China also called to facilitate the healthy development of the tech companies, lifting sentiment for the internet sector. The government also reiterated that its zero-Covid policy will be upheld, and will strive to minimize its economic and social impact. While we view that these should support the economy, we believe that more concrete action is yet to be seen from policymakers to eventually uplift market sentiment.

Portfolio review and outlook

In April, the Fund and the MSCI China Index were up 2.8% (in AUD) and 1.7% (in AUD), respectively. As the US dollar strengthened, currency hedging contributed to about 1.3% of the Fund's performance.

Our internet holdings yielded positively in the month, as sentiment recovered following China's calling to facilitate the healthy development of the platform economy. We see that our top holding of an e-commerce platform is seeing improving profitability in its core businesses. Meanwhile, despite overall weakening demand, consumer staples were also contributors, led by a dairy company, as the company is well-positioned to take advantage of the premiumization trend in China as it continues to improve on its product mix. Our exposure to energy also contributed on the back of the elevated commodity and energy prices.

On the flip side, our financial holdings detracted amid the disrupted macroeconomic conditions domestically. However, we continue to be positive about their long-term growth outlook, particularly those that provide wealth management services. They should ride on the structural trend of retail investors demanding more professionally-managed financial products. Meanwhile, our exposure to real estate slightly detracted as property sales remained subdued amid lockdowns. However, we view that the fine-tuning of policies should eventually uplift market sentiment, especially for our holdings, which are state-owned developers with strong balance sheets and property management names.

We expect near-term volatility to remain in the market. Besides pandemic-related concerns, other downside risks continue to loom on the market, including the hawkish stance of the Fed and other central banks globally, the ongoing military conflict between Ukraine and Russia, and geopolitical risks between the US and China. Bottom-up opportunities continue to arise where performances have diverged in sectors and companies. We remain cautious in assessing our holdings' vulnerability to various uncertainties and how their fundamentals change amid the current risk-off sentiment. While the government adheres to its dynamic zero-Covid policy, more supportive measures are vowed to achieve its GDP growth. We believe that the government's pro-growth stance should eventually uplift market sentiment, although it will take time for these to trickle down the economy.

Source:
1. *MSCI, 30 April 2022*
2. *People's Bank of China, 15 April 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 29 April 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.*

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Think Asia
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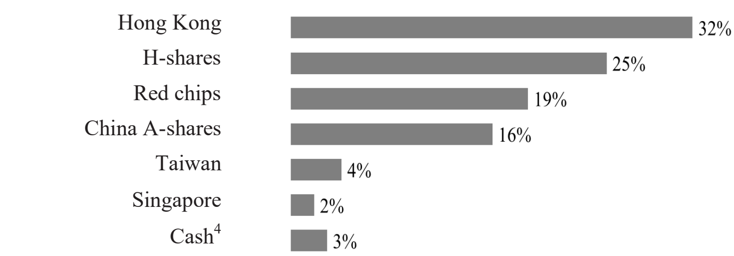
Top 10 holdings

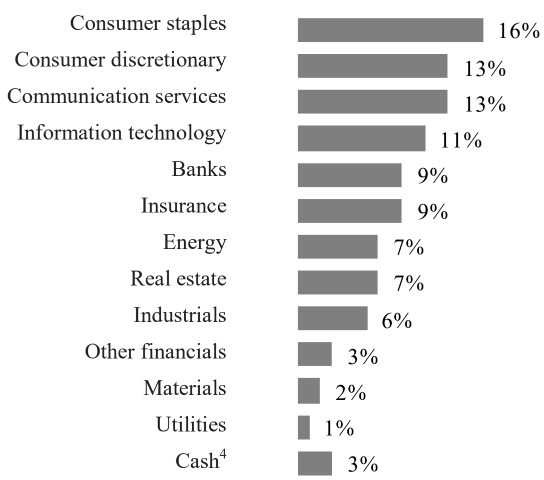
Name	Industry	Listing	%
CNOOC Ltd	Energy	Hong Kong	5.4
AIA Group Ltd	Insurance	Hong Kong	4.9
China Telecom Corp Ltd	Telecom services	Hong Kong	4.5
Tencent Holdings Ltd	Media & entertainment	Hong Kong	4.5
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China	4.0
China Construction Bank Corp	Banks	Hong Kong	4.0
China Mengniu Dairy Co Ltd	Food, beverage & tobacco	Hong Kong	3.9
China Mobile Ltd	Telecom services	Hong Kong	3.5
China Resources Land Ltd	Real estate	Hong Kong	3.4
Meituan	Retailing	Hong Kong	3.4

These holdings made up 42% of the Fund.
No. of holdings : 49
Level of currency hedge : 51.3%

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

Link to TMD

https://www.premiumasiafunds.com.au/wp-content/uploads/2021/10/Premium_China_Fund_EN_AU_1630674978.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).*