

PREMIUM ASIA FUND (ARSN 134 226 029)

APRIL 2022
2 PAGES

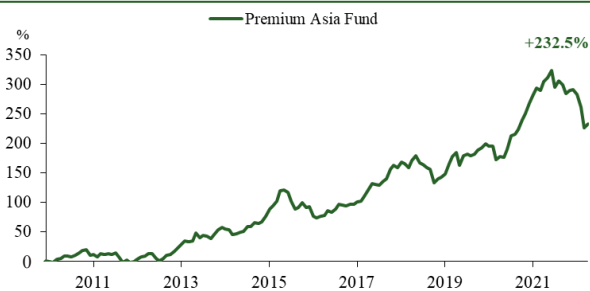
Investment objective

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 36.2 million ²

Performance since inception ^{1, 2}



Performance update ^{1, 2}

	Premium Asia Fund
One month	+1.9%
Three months	-13.2%
Six months	-13.6%
One year	-17.9%
Since inception	+232.5%
Annualised return	+10.2%
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 ^{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)	-14.9%

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 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. Index performance is for reference only.

Unit price: AUD 1.1463 Entry price: AUD 1.1492 Exit price: AUD 1.1435
Distribution: AUD 0.3397 (for the year ended 30 June 2021)

Manager's commentary

Market review

The risk off-sentiment towards Asia equities remained in April as investors continued to be concerned about the pace of rate hikes by the Fed and ongoing Omicron-triggered lockdowns in China.

In China, the resurgence of COVID in certain cities, especially in Shanghai, and the consequent lockdowns have become a major concern among investors. March macro data released in April are already showing some drag from the pandemic, including a slowing down of retail sales and industrial production¹, and we expect April numbers to be more subdued in light of the Omicron situation. While we expect the lockdowns may impact earnings for 2022, there are signs that the situation is getting better, and the actual impact may be short-term. In addition, the Politburo 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. The government also reiterated that while it will uphold its zero-COVID policy, it will strive to minimize its economic and social impact. We believe that concrete action is yet to be seen from policymakers to eventually uplift market sentiment.

Taiwan's equities market slumped in April, with the MSCI Taiwan Index down 9.8%², dragged by fears of a cyclical downturn in the technology sector. Despite these concerns, Taiwan's economy remained resilient, with exports up 18.8%³. Demand for technology products remained solid, driven by the global digitalization trend, with exports for electronic components and information technology products rising 27.5% and 10.2% YoY, respectively. In addition, the government estimates that first quarter GDP rose 3.1% YoY, driven by exports and investment⁴.

Korea's equities market was down, with the MSCI Korea Index performing -6.3% in April⁵, also dragged by the technology sell-off globally. In addition, Bank of Korea unexpectedly raised interest rates to 1.5%⁵, which is the highest since August 2019, in a move to fight inflation. CPI in the country surged 4.8% YoY in April, and the central bank expects inflation to remain high in the 4% range for some time.

Although the Southeast Asia market was in negative territory in April, it continued its outperformance against most of its North Asia peers, with the MSCI ASEAN Index performing -4.2%⁶. Like other markets, there was a risk-off sentiment as investors awaited the FOMC meeting in May to have some clarity on the Fed's direction on its rate hikes and pace of tapering. Nonetheless, Indonesia's equities market remained resilient, netting 3.7% during the month⁶, as the country continued to benefit from the elevated commodity prices. On the flipside, the increasing prices of commodities are headwinds for other markets, such as the Philippines and Thailand, as they are net importers of oil.

Portfolio strategy and outlook

In April, the Fund was up 1.9% (in AUD), while the MSCI Asia ex Japan Index was flat at 0.2% (in AUD).

Our China exposures yielded positively this month. Chinese consumer staples holdings were contributors, led by a fertilizer name that continued to appreciate on the back of elevated commodity prices. Our holdings in selective Chinese infrastructure also contributed on the back of the government's announcement that it will strengthen infrastructure construction, with increased issuance of special local government bond to boost infrastructure spending. Our China internet holdings also yielded positively as sentiment recovered following the country's calling to facilitate the healthy development of the platform economy. In addition, one of our top internet holdings is seeing improving profitability of its core businesses.

On the flip side, our regional technology holdings continued to be dragged by the tech sell-off globally, induced by the combination of end-demand concerns, inflationary pressure, and the tightening cycle. While we remain cautious of the near-term outlook of companies more related to consumer sectors, we are constructive on our holdings, which are high-quality industry leaders. We expect these names to continue to ride on the structural demand from data centers and high-performance computing. Our holdings in Chinese financials also detracted amid the disrupted macroeconomic conditions domestically. However, we continue to be positive about their long-term outlook, especially those that provide wealth management services, as they should ride on the structural trend of retail investors seeking more professionally-managed financial products.

We expect near-term volatility to remain in the market as risks continue to loom on the horizon, including the hawkish stance of central banks globally, the ongoing military conflict between Ukraine and Russia, and geopolitical tensions between the US and China. Despite the challenging investing landscape, we see bottom-up opportunities where performances have diverged in sectors and companies. Overall, we continue to favor high-quality companies with earnings visibility that should benefit from policy tailwinds and those that are defensive or resilient in an inflationary environment.

Source:

1. National Bureau of Statistics of China, April 2022
2. MSCI, 30 April 2022
3. Ministry of Finance, Taiwan, 9 May 2022
4. Directorate-General of Budget, Accounting and Statistics, Taiwan, 28 April 2022
5. Bank of Korea, 14 April 2022

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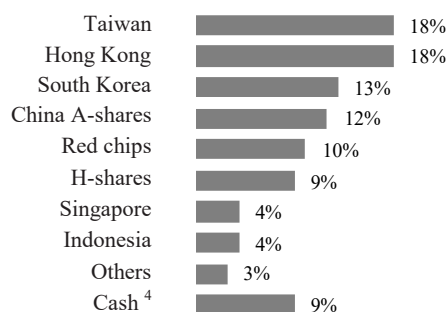
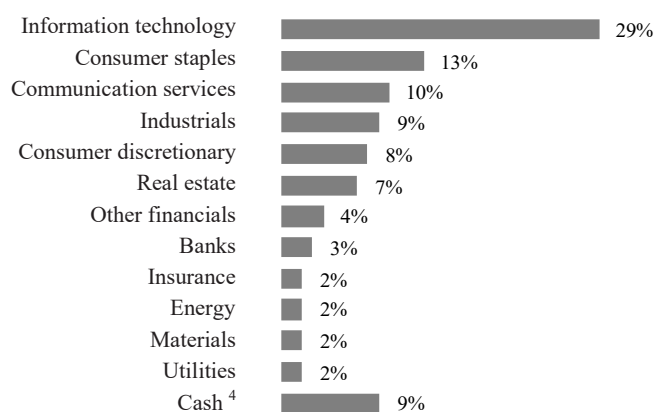
Think Asia
Think Premium

Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	8.0
Samsung Electronics	Technology hardware & equipment	South Korea	5.5
China Mobile	Telecom services	Red chips	3.6
Kweichow Moutai	Food, beverage & tobacco	China A-shares	2.7
Tencent	Media & entertainment	Hong Kong	2.7
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	2.2
Meituan	Retailing	Hong Kong	1.9
CNOOC	Energy	Red chips	1.8

These holdings made up 33% of the Fund.

No. of holdings : 88

Geographical exposure by listing³**Sector exposure³****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

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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