Premium Asia Funds Management

PREMIUM ASIA FUND (ARSN 134 226 029)

MAY 2022
2 PAGES

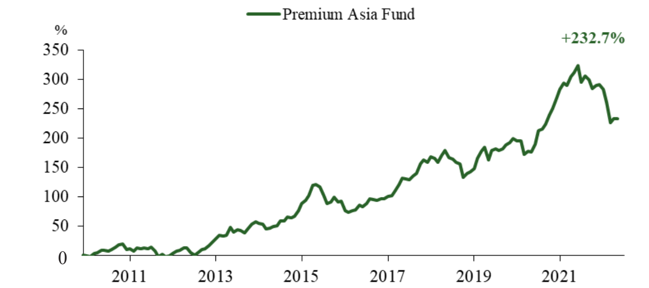
Investment objective

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 36.1 million [2]

Performance since inception [1, 2]



Performance update [1, 2]

	Premium Asia Fund
One month	+0.1%
Three months	-8.0%
Six months	-14.7%
One year	-19.2%
Since inception	+232.7%
Annualised return	+10.1%
Annualised volatility	13.1%

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%

***Unit price:** AUD 1.1469 **Entry price:** AUD 1.1497 **Exit price:** AUD 1.1440*
***Distribution:** AUD 0.3397 (for the year ended 30 June 2021)*

Manager's commentary

Market review

May was characterized by heightened market volatility and mixed performance across Asia. Losses were recorded in the ASEAN markets but were offset by some gains in North Asia.

The weakness in the Greater China market lasted until the middle of May but rebounded strongly on the back of supportive policies that lifted investor sentiment. During the month, the MSCI China Index was up 1.2%[1]. Policymakers have made moves to fine-tune regulations, especially in the heavily beaten property and internet sectors. In addition, the government will provide additional stimulus to the economy, announcing that it will adopt a package of 33 measures to stabilize the economy. For example, it will boost investment in transport infrastructure, promote the healthy development of the platform economy, and stimulate car and home appliance purchases. The market was also greeted by favorable news of Shanghai's improving COVID and lockdown situation. Overall, we view that the additional pro-growth policies should help the domestic economy be on track for its recovery.

Investor confidence also improved towards Taiwanese equities, with the MSCI Taiwan Index up 3.6%[1]. External demand remained resilient, with exports expanding 12.5% YoY[2]. Taiwan's administration expects export momentum to continue into the second half of the year, especially for technology, as network applications and high-performance computing will continue the strong demand for chips. In addition, we view that China gradually lifting its pandemic measures should also be positive for Taiwan's export outlook.

Korea's equities market was in positive territory, with the MSCI Korea Index up 1.8%[1]. The country saw external solid demand, with exports up 21.3% YoY in May[3]. Growth was seen across all Korea's major export items – a first in nine months since August last year – led by semiconductors, petrochemicals, automobiles, and steel. Despite end-demand weakness in technology, outbound shipments of semiconductors were up 15% on the back of investments in cloud and AI technologies. We expect export momentum to continue, especially following the improving COVID and lockdown situation in China. We continue to monitor downside risks in the market, particularly its higher inflation and tighter monetary policy expectations.

The risk-off sentiment towards the Southeast Asia market remained, with the MSCI ASEAN Index down 1.7% in May[1]. Markets were cautious due to increasing concerns over a recession or growth slowdown. This has led to profit-taking, particularly in Indonesia, which had done well. However, we continue to see opportunities in the ASEAN market, such as banks in Singapore, which we view as the largest rate hike beneficiaries in the region. We remain positive on Indonesia, as it continues to benefit from high commodity prices, keeping the country's currency resilient.

Portfolio strategy and outlook

In May, the Fund was up 0.1% (in AUD), while the MSCI Asia ex Japan Index was down 0.5% (in AUD).

Our holdings of major semiconductor companies in Asia yielded positively on the back of improved investor sentiment from over-supply concerns. In particular, our position in a leading regional semiconductor player delivered a positive share price return, supported by its leading industry position, strong order book, and ability to raise prices further. Other key contributors included an oil company, which continued to benefit from the elevated oil price, and our holding of a Chinese internet company, which was backed by the government's supportive stance toward the platform economy, as well as its better-than-expected first-quarter results.

On the flip side, our exposure to consumer-related names detracted amid concerns over macro weakness and consumer demand, especially in China where it intensified during the lockdowns in Shanghai. Our holdings in Chinese real estate also detracted as property demand remained low during the month, leading to renewed concerns about the financial strengths of some property developers, particularly privately-owned ones and their property management affiliates. That said, we expect ongoing policy support to cushion further downside and drive sales recovery in the second half.

Overall, we expect macro concerns and geopolitical events to continue to affect Asian markets. Further complicating the macro backdrop is the quantitative tightening in the US, which is somewhat countered by the monetary loosening in China. However, we view that the current investing landscape has created bottom-up opportunities, with diverged performances among sectors and companies. We continue to prefer 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. *MSCI, 31 May 2022*
2. *Ministry of Finance, Taiwan, 8 June 2022*
3. *Ministry of Trade, Industry and Energy, 2 June 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 May 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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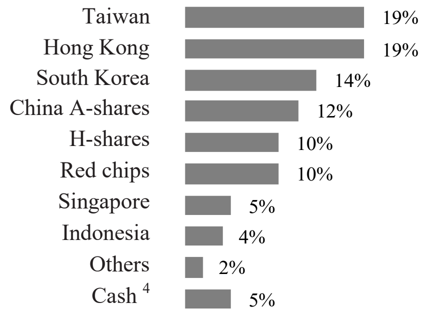
Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	8.4
Samsung Electronics	Technology hardware & equipment	South Korea	5.6
China Mobile	Telecom services	Red chips	3.5
Kweichow Moutai	Food, beverage & tobacco	China A-shares	2.6
Tencent	Media & entertainment	Hong Kong	2.6
China Resources Land	Real estate	Red chips	2.4
Meituan	Retailing	Hong Kong	2.3
China Telecom Corp	Telecom services	H-shares	2.1
CNOOC	Energy	Red chips	2.0
WH Group	Food, beverage & tobacco	Hong Kong	1.9

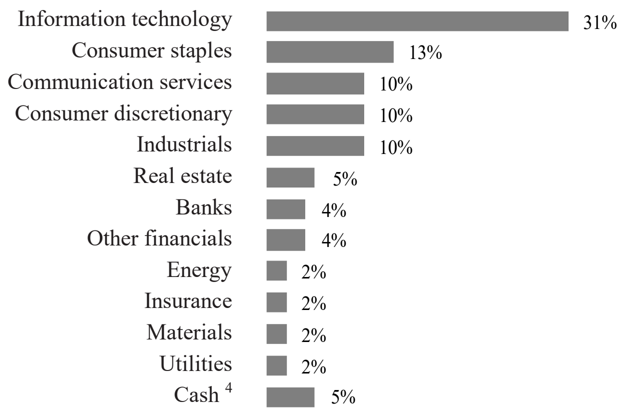
These holdings made up 33% of the Fund.

No. of holdings : 88

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:
Kelly Chung, CFA; Chung Man Wing; Yu Chen Jun; Michelle Yu, CFA
Senior Fund Managers:
Lillian Cao; Anthony Chan, 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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