

# PREMIUM ASIA FUND (ARSN 134 226 029)

JUNE 2022  
2 PAGES

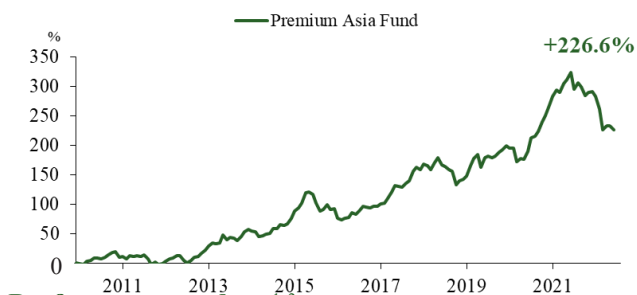
## Investment objective

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 34.8 million <sup>2</sup>          |

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



## Performance update

|                       | Premium Asia Fund |
|-----------------------|-------------------|
| One month             | -1.8%             |
| Three months          | +0.0%             |
| Six months            | -16.4%            |
| One year              | -23.0%            |
| Since inception       | +226.6%           |
| Annualised return     | +9.9%             |
| 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<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) | -16.4% |

<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 30 June 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 1.1104 Entry price: AUD 1.1132 Exit price: AUD 1.1077  
Distribution: AUD 0.0154 (for the year ended 30 June 2022)

## Manager's commentary

### Market review

Asian markets were down in June 2022, despite a stellar performance of the China market, which was supported by improving economic activities and investor sentiment.

Greater China equities fared better relative to their Asian peers, with the MSCI China Index up 6.6% in June<sup>1</sup>. The easing lockdowns and pandemic measures, as well as the government's continued rollout of supportive policies, have paved the way for economic resumption, as reflected by improving macroeconomic data. China's manufacturing purchasing managers index (PMI) was up 50.2% in June, returning to the expansionary territory after three consecutive months of contraction<sup>2</sup>. We expect more supportive policies to be rolled out, which should help stabilize the economy. However, we remain cautious and monitor how China's evolving zero-Covid strategy may impact businesses and the economy.

Investor confidence toward Taiwan equities turned sour amid fears of the weakening global tech cycle, with the MSCI Taiwan Index down 14.2%. Taiwan's central bank also increased interest rates by 12.5 basis points to 1.5% during the month – the second rate hike this year – to curb inflationary pressures<sup>3</sup>. Nevertheless, Taiwan's economy remains resilient, with exports during the month expanding 15.2% YoY<sup>4</sup>. Moreover, despite the weakening end-demand outlook in technology, demand for Taiwan's technology products remained solid, driven by the ongoing digitalization transformation of various economies. Exports for electronic components rose 19% during the month.

South Korea's equities market plunged during the month, with the MSCI Korea Index down 17.1%<sup>5</sup>. Like Taiwan, the market was affected by the tech selloff amid supply order cuts, hurting the technology hardware and semiconductor sectors. Inflation also remains high in the country. CPI rose 6.0% in June YoY, which is above the central bank's 2% target for the 15th consecutive month<sup>6</sup>. Investors now expect more rate hikes to fight inflation. Since August last year, Bank of Korea has already had five 25-basis-point interest rate hikes to 1.75%<sup>6</sup>.

Southeast Asia equities market continued to be in negative territory, with the MSCI ASEAN Index down 13.9%. Inflation has started to hurt some economies in the region, with high CPIs recorded in Thailand, the Philippines, and Singapore. Profit-taking also remained in Indonesia, with investors surprised by Bank Indonesia's decision to keep interest rates unchanged in late May despite high inflation. We continue looking for bottom-up opportunities, such as Singapore banks, which are the largest rate hike beneficiaries in the region.

### Portfolio strategy and outlook

The fund was down 1.8% (in AUD) in June 2022, while the benchmark MSCI AC Asia ex-Japan Index performed -0.4% (in AUD).

From a sector perspective, the information technology sector was the largest dragger, followed by the industrials and materials sectors. Our technology hardware exposures in leading Asian technology companies were hit by recession fears in the US, which may affect end demand. However, we continue to view that their robust technology leading positions – particularly in the advanced semiconductor foundry business – would not be affected by short-term volatility. Meanwhile, our holdings in industrials and materials corrected as global economic concerns kicked in and commodity prices retreated.

On the other hand, our holdings in Chinese consumer and financials names yielded positively, reflecting the market's enthusiasm towards China on the back of the government's continuous fiscal stimulus, policy relaxation, and partial reopening that bolstered economic activities. Our holdings in quality leaders within these sectors continue to benefit from the consumption upgrade trend and increasing need for wealth management services. A Chinese real estate developer also contributed as property sales in China showed signs of recovery.

Looking forward, while we are positive about the China market on its counter-cyclical, pro-growth policies, we expect market volatility to persist given the unwavering concerns about rate hikes, quantitative tightening, and recession fears in the US, as well as their ripple effects to the Asian markets. In particular, for the Asian markets, we note rising price pressures, coupled with a weakening tech and export cycle, may exert further downward pressure. Despite potential volatility, we continue to stick with our bottom-up stock selection approach and invest in quality names and inflation beneficiaries which should position us well amid these macro uncertainties while capturing the recovery within the region.

Source:

1. MSCI, 30 June 2022
2. National Bureau of Statistics, China, 5 July 2022
3. Central Bank of the Republic of China (Taiwan), 16 June 2022
4. Ministry of Finance, Taiwan, 8 July 2022
5. Bloomberg, 30 June 2022
6. Bank of Korea, 26 May 2022

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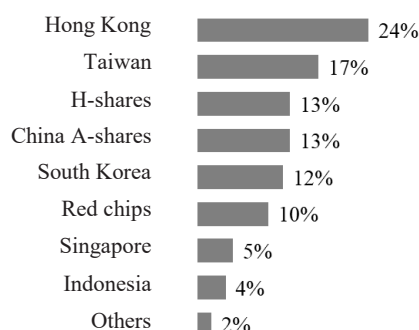
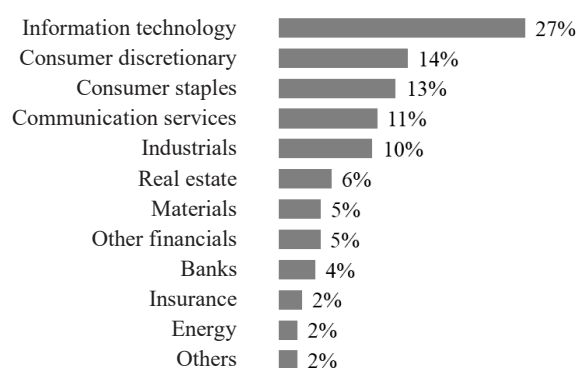
Think Asia  
Think Premium

**Top 10 holdings**

| Name                               | Industry                                 | Listing        | %   |
|------------------------------------|--|----------------|-----|
| Taiwan Semiconductor Manufacturing | Semiconductors & semiconductor equipment | Taiwan         | 7.6 |
| Samsung Electronics                | Technology hardware & equipment          | South Korea    | 5.0 |
| China Mobile                       | Telecom services                         | Red chips      | 3.7 |
| Kweichow Moutai                    | Food, beverage & tobacco                 | China A-shares | 3.2 |
| Tencent                            | Media & entertainment                    | Hong Kong      | 2.7 |
| China Resources Land               | Real estate                              | Red chips      | 2.7 |
| Zijin Mining Group                 | Materials                                | H-shares       | 2.6 |
| Meituan                            | Retailing                                | Hong Kong      | 2.5 |
| East Money Information             | Diversified financials                   | China A-shares | 2.2 |
| China Telecom Corp                 | Telecom services                         | H-shares       | 2.1 |

These holdings made up 34% of the Fund.

No. of holdings : 90

**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<br>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;

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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