

PREMIUM ASIA FUND (ARSN 134 226 029)

JULY 2022
2 PAGES

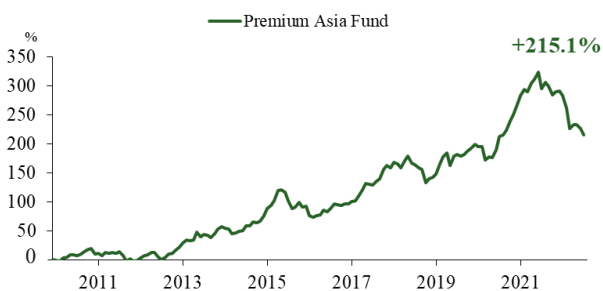
Investment objective

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 33.5 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium Asia Fund
One month	-3.5%
Three months	-5.3%
Six months	-17.8%
One year	-20.2%
Since inception	+215.1%
Annualised return	+9.5%
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)	-19.4%

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 July 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 1.0712 Entry price: AUD 1.0739 Exit price: AUD 1.0686
Distribution: AUD 0.0154 (for the year ended 30 June 2022)

Manager's commentary

Market review

Asian markets delivered mixed performances in July. The Hong Kong and China markets reversed their monthly gains from a month ago, while other markets – following a solid rebound of the US market – mostly bounced back.

Investor sentiment remained fragile towards Greater China equities, with the MSCI China Index down 9.5% in July (in USD)¹. Preliminary GDP data showed that growth in the second quarter was down 2.6% QoQ², while the manufacturing PMI went down to 49³, indicating that more stimuli are needed to support growth. Meanwhile, renewed concerns arose in the property sector, as some homebuyers have collectively suspended their mortgage repayments to banks on unfinished projects. On a positive note, the government has quickly responded to the mortgage boycott, with reports saying that a multi-billion real estate bailout fund may be established by utilizing the relending facility of the central bank. In addition, the government continued to roll out existing policies to boost consumption sales, such as in autos and home appliances.

In Taiwan, investor sentiment improved, with the MSCI Taiwan Index up 3.0% (in USD)¹, driven by better-than-feared earnings results of leading technology companies. Exports remained strong, expanding 14.2% YoY during the month. Despite concerns over the weakening global tech cycle, demand for Taiwan's tech products remained solid, driven by the ongoing digitalization trend globally. Exports for electronic components rose 15.6%, while the growth of exports for information technology products rose 13.3%⁴.

Similar to Taiwan, South Korea's equities market was in positive territory in July, with the MSCI Korea Index returning 5.8% (in USD)¹. During the month, exports were up 9.4%, with chip exports gaining 2.1% to \$11.2 billion, which is a historic high for the month of July despite high inflation and the slowdown of consumer demand for technology devices⁵. Meanwhile, the central bank estimates that GDP in the second quarter grew by 0.7% compared to the previous quarter, beating market expectations.

Southeast Asia equities bounced back in July, with the MSCI ASEAN Index up 2.6% (in USD)¹. Leading the region is Indonesia, which posted a 5.4% GDP growth YoY, driven by strong commodity prices and the recovery of its economy⁶. While we are optimistic about the region's overall reopening, we remain cautious as the commodity cycle may have peaked, which could affect the outperformance of net-exporting economies. We continue to prefer high-quality names in the region and monitor other downside risks, including high inflation and the slowing down of global demand.

Portfolio strategy and outlook

In July, the MSCI All-Asia ex-Japan Index was down 2.6% (in AUD) during the month¹, while our Fund was down 3.5% (in AUD).

During the month, our China exposures dragged the Fund's performance, as they have been broadly sold off amid soft macro numbers and spillover effect from dampened property market sentiment. News about the mortgage boycott has led to concerns about the spillover risks. Although our China property exposure was limited, our consumer, internet and financial holdings took a hit as economic recovery may be protracted. While recovery is likely to remain bumpy, we believe the diverging performance among companies and sectors presents good bottom-up stock picking opportunities.

On the positive side, the information technology sector has contributed positively during the month and supported our portfolio. This was mainly led by our holdings in the regional technology leaders, which were bolstered by the easing concerns about the demand in the US. In addition, the leading semiconductor foundry in Taiwan also released an upbeat set of quarterly results during the month, which defied doubts about its business outlook.

Going forward, we expect the market to remain choppy amid various changing factors and events. Apart from geopolitical tensions, inflation and other economic indicators in the US, which are related to the pace and magnitude of rate hikes and the end-demand in the US, should continue to affect the market. In Asia, we also note the rising price pressures, coupled with a weakening tech and export cycle, are key downside risks to watch. That said, we continue to believe the China market offers better risk-reward, particularly its strong toolkit to offer countercyclical, pro-growth policies.

Sources:

1. MSCI, 31 July 2022
2. National Bureau of Statistics of China, 15 July 2022
3. China Logistics Information Center, 31 July 2022
4. Directorate-General of Budget, Accounting and Statistics, Taiwan, 8 August 2022
5. Ministry of Trade, Industry and Energy, South Korea, 1 August 2022
6. Statistics Indonesia (Badan Pusat Statistik), 5 August 2022

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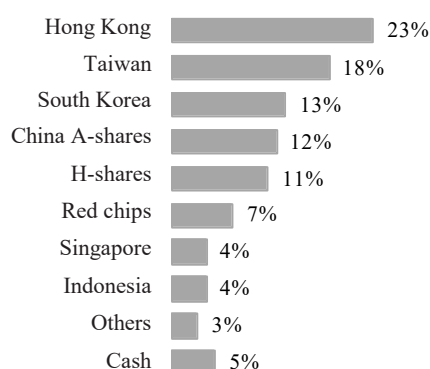
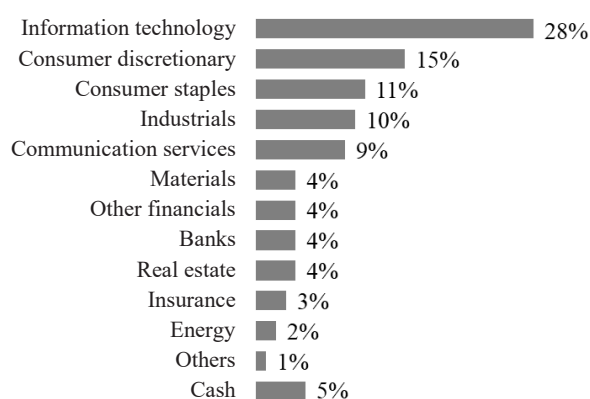
Think Asia
Think Premium

Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	7.8
Samsung Electronics	Technology hardware & equipment	South Korea	5.6
Kweichow Moutai	Food, beverage & tobacco	China A-shares	3.0
Zijin Mining Group	Materials	H-shares	2.6
China Mobile	Telecom services	Red chips	2.5
AIA Group	Insurance	Hong Kong	2.5
Tencent	Media & entertainment	Hong Kong	2.4
Meituan	Retailing	Hong Kong	2.4
Chow Tai Fook Jewellery Group	Retailing	Hong Kong	2.2
Sporton International Inc	Commercial services & supplies	Taiwan	2.0

These holdings made up 33% of the Fund.

No. of holdings : 87

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:

Kelly Chung, CFA; Chung Man Wing; Yu Chen Jun; Michelle Yu, CFA

Senior Fund Managers:

Lillian Cao; Anthony Chan, CFA; Doris Ho; 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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