

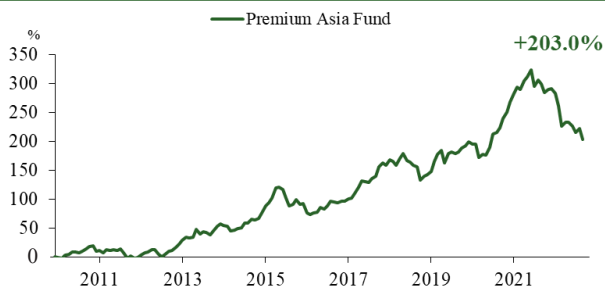
Investment objective

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 32.4 million ²

Performance since inception ^{1, 2}



Performance update ^{1, 2}

	Premium Asia Fund
One month	-6.1%
Three months	-7.2%
Six months	-7.2%
One year	-24.2%
Since inception	+203.0%
Annualised return	+9.0%
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)	-22.5%

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 30 September 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 1.0301 Entry price: AUD 1.0327 Exit price: AUD 1.0275
Distribution: AUD 0.0154 (for the year ended 30 June 2022)

Manager's commentary

Market review

Asia equities tumbled in the third quarter as the hawkish stance of the Fed and ongoing worries about a recession have turned investors cautious about risk assets.

Jitters remained in the Greater China equities market, with the MSCI China Index down 14.6% (in USD), as macroeconomic conditions continued to be soft in September.¹ The Caixin manufacturing purchasing managers' index (PMI) continued to fall during the month, reflecting the muted consumer sentiment faced by private enterprises.² Meanwhile, property sales also remained weak, with sales of the top 100 developers down 26.5% YoY.³ On the positive side, although policies in China were muted ahead of the 20th Party Congress, the government still announced some supportive measures on the property market. For example, the People's Bank of China and the CBIRC have allowed authorities in selected cities to lower or even remove the floor for mortgage rates for first-time homebuyers. In addition, tax authorities have also offered tax incentives for residential property upgraders.

Taiwan equities also had a challenging month amid ongoing concerns over the slowing global demand for tech products, with the MSCI Taiwan Index down 15.8% (in USD).¹ Taiwan's export growth contracted in September, decreasing 5.3% YoY. The drop was led by exports of optical equipment (-36.2%) due to the reduction in panel production capacity and the continuous decline in prices, followed by base metals (-26.6%), given the lackluster demand for steel. Exports for information technology products continued to slow down by 4.4%,⁴ given the sluggish demand for consumer electronics.

Like Taiwan, Korea's equities market continued to slump amid worries over the tech downcycle, with the MSCI Korea Index plunging 18.3% (in USD) in September.¹ Technology-related exports remained soft – chip and wireless communication devices exports were down 5.7% and 7% YoY, respectively.² Inflation also remained high in the month at 5.6%,⁶ with market expectations of another rate hike at the next central bank meeting following the US Fed rate hike move. The country's local currency is also expected to weaken further against the dollar, which may pose a headwind to corporate earnings given the market's high import exposure.

The US Fed's aggressive stance weighed on Southeast Asia equities, with the MSCI ASEAN Index down 6.5% (in USD).¹ The weakest performer was the Philippine equities market, with the country index plunging nearly 18% (in USD) as the peso hit historic lows and inflation remained stubbornly high. On the flip side, Indonesia continued to be resilient, with its equities market flat at -0.7% and domestic demand expected to remain strong.⁶ While we remain positive about Indonesia, we continue to monitor its inflation situation, particularly how fuel prices may affect consumption. Elsewhere, we continue to favor beneficiaries of higher rates, such as banks in Singapore.

Portfolio strategy and outlook

In September, the Fund and the MSCI AC Asia ex-Japan Index were down 6.1% (in AUD) and 7.0% (in AUD), respectively.¹

The share price declines in September were broad-based across different sectors and markets. During the month, the key detractors to our fund's performance include a semiconductor foundry in Taiwan and a leading technology company in Korea – both hit by concerns about weakened end demand. Our exposure to financial companies in China also dragged, as investor sentiment was partly impacted by the government's circular encouraging fee reductions in the finance sector to support business activities.

On the other hand, some of the portfolio holdings have delivered resilient share price performance. These include two major telecom operators in China, offering some sound defense to the portfolio as they saw continued business growth. Our financial exposure in Indonesia also yielded positively, supported by the country's resilient macro backdrop.

We expect market volatility to remain elevated near-term as investor sentiment remains jumpy on different macro data points and economic events. In China, the market could remain relatively muted as investors await the important party congress meetings in the middle of October. Despite the heightened uncertainties in the short term, we remain optimistic about China's long-term market outlook and believe it offers good long-term risk-reward opportunities at current valuation levels.

In the other parts of Asia, we continue to adopt a selective approach toward different market characteristics. While we closely monitor macro developments, including export trends, currency movements, and geopolitical events (such as key regional elections), we stick with our bottom-up stock selection approach.

Sources:

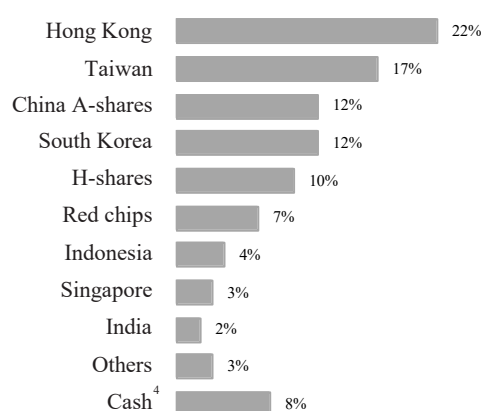
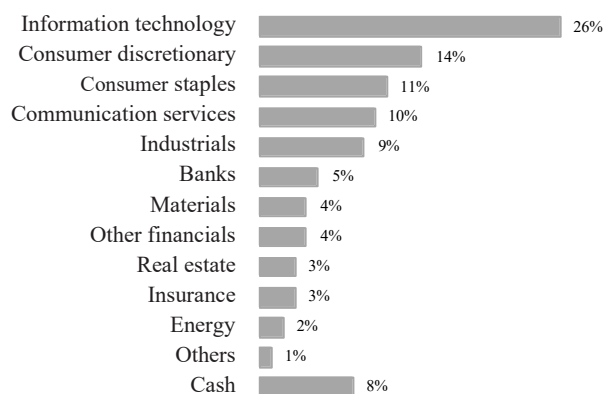
1. MSCI, 30 September 2022
2. Caixin Global, 30 September 2022
3. CRIC, 30 September, 2022
4. Ministry of Finance, Taiwan, 7 September 2022
5. Ministry of Trade, Industry and Energy, 4 October 2022
6. Bloomberg, 30 September 2022

Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	6.8
Samsung Electronics	Technology hardware & equipment	South Korea	4.7
Kweichow Moutai	Food, beverage & tobacco	China A-shares	3.2
China Mobile	Telecom services	Red chips	2.8
Meituan	Retailing	Hong Kong	2.5
Zijin Mining Group	Materials	H-shares	2.4
Chow Tai Fook Jewellery Group	Retailing	Hong Kong	2.4
Tencent	Media & entertainment	Hong Kong	2.4
AIA Group	Insurance	Hong Kong	2.3
Guangdong Haid Group	Food, beverage & tobacco	China A-shares	1.9

These holdings made up 31% of the Fund.

No. of holdings : 86

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; 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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