

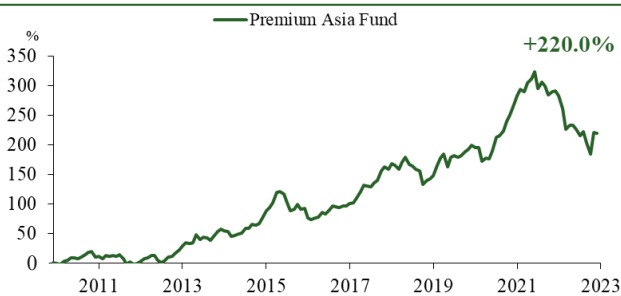
## Investment objective

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 34.3 million <sup>2</sup>

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



## Performance update <sup>1, 2</sup>

	Premium Asia Fund
One month	-0.4%
Three months	+5.6%
Six months	-2.0%
One year	-18.1%
Since inception	+220.0%
Annualised return	+9.3%
Annualised volatility	13.6%

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)	-18.1%

<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 December 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 1.0880 Entry price: AUD 1.0907 Exit price: AUD 1.0853  
Distribution: AUD 0.0154 (for the year ended 30 June 2022)

## Manager's commentary

### Market review

Asia markets were mixed in December, with China yielding positively on the back of its accelerated reopening and other markets dragging amid concerns over how the global economic slowdown may hurt their economies.

In China, investor sentiment continued to improve, with the MSCI China Index up 5.2% (in USD) in December.<sup>1</sup> More recently, the speed of the country's reopening accelerated after the Central Economic Working Conference (CEWC) in December, with China scrapping quarantine requirements for inbound travelers from January. Overall, we believe the outlook is positive for China in the long term, supported by pent-up consumer demand and further expected policy stimulus from the government. More measures to bolster consumption will likely come following the release of the strategic outline for 2022-2035 last month to stimulate domestic consumption.

Taiwan equities dragged amid the global demand slowdown, with the MSCI Taiwan Index down 5.5% (in USD) in the month.<sup>1</sup> Exports have moderated and were down 8.6% in the fourth quarter YoY.<sup>2</sup> Authorities also released Taiwan's preliminary 2022 GDP estimate, which is 3.1%, slightly lower than the 3.8% projection made in August.<sup>3</sup> For 2023, it expects GDP to grow at a more moderate pace at 2.75%. Meanwhile, the central bank continued its rate hike cycle and raised interest rates by 12.5 bps – the fourth rate hike in 2022 – to combat inflation.<sup>4</sup> Besides the global demand slowdown, we continue to monitor how other risks, such as the ongoing US-China technology-related tensions, will affect the market.

In Korea, the country's equities market was down 5.2% (in USD).<sup>1</sup> Similar to Taiwan, exports continued to decline in the country, down by 9.5% YoY in December.<sup>5</sup> Bank of Korea also expects that GDP growth for 2023 will be 1.7%, considerably lower than its August forecast of 2.1%.<sup>6</sup> Meanwhile, although the country was aggressive with its rate hike path in 2022, we see the central bank taking milder steps toward controlling inflation and interest rate normalization and expect to see the end of the rate hike cycle soon. Nevertheless, we continue to monitor how the weak external demand due to recession risks, including the uncertainty in the memory chip cycle, will affect companies in the country.

Southeast Asia equities were flat in December, with the MSCI ASEAN Index performing -0.4% (in USD).<sup>1</sup> While inflation remains high in the region, most countries have healthy current account surpluses. Supporting their economies. In addition, the region's reopening has become beneficial, especially for markets like Thailand, which was up 3.8% during the month.<sup>1</sup> Within the ASEAN market, we continue to favor banks in Singapore, which benefit from higher interest rates. Commodity companies in Indonesia also remain favorable, as they are part of a broader structural growth story.

### Portfolio strategy and outlook

In December, the Fund and the MSCI Asia ex Japan Index performed -0.4% (in AUD) and -1.4% (in AUD), respectively.

Our portfolio holdings in Hong Kong and China have continued to do well. The top performers coming from these markets during the month include various names from the internet, consumer, and finance sectors. They are expected to benefit from the improved market and macro conditions.

However, the solid share price performances of these Chinese companies were offset by a less stunning performance elsewhere, notably in Taiwan and Korea. In particular, some of our technology holdings in these markets have declined amid rising concerns over the global consumer electronic downturn. Despite the near-term challenges, we continue to see solid long-term business competitiveness on the back of their strong strategic positioning, sound business profiles, and solid balance sheets. Moreover, as they are trading at trough or close-to-trough valuations, we see limited further downside in these companies and remain faithful that they are well-positioned toward long-term technology business growth.

Looking forward, we see a rather mixed outlook in Asia in 2023. While the China market is poised to see a strong recovery, the looming recession in the US and further rate hikes from the FED may create further volatility in the stock market. In particular, some better-performing markets in Asia last year could come under pressure this year, while others may selectively benefit from China's reopening.

Overall, we continue to see a bumpy recovery in the Asian markets ahead, but we remain optimistic about China's long-term market outlook. We stick with our bottom-up stock selection approach and, at the same time, pay close attention to macro developments, including export trends, currency movements, and geopolitical events.

### Sources:

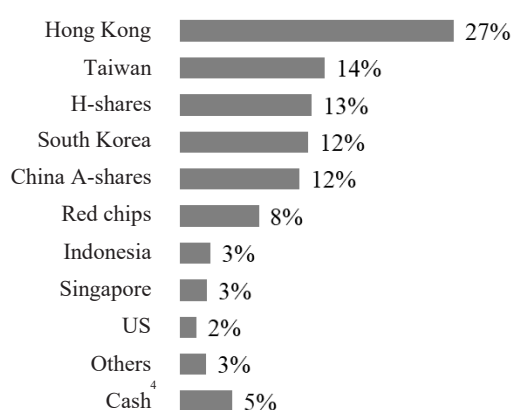
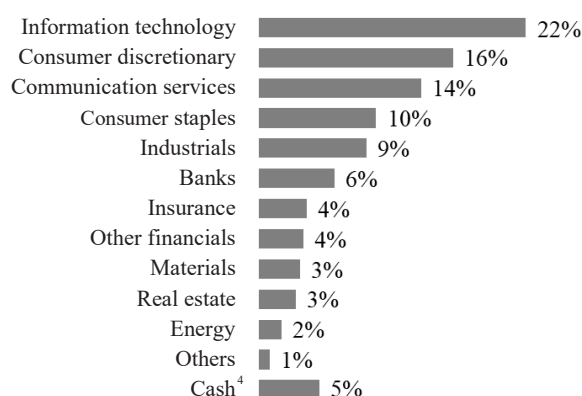
1. MSCI, 31 December 2022
2. Ministry of Finance, Taiwan, 7 January 2023
3. Directorate-General of Budget, Accounting and Statistics, Taiwan, 29 November 2022
4. Central Bank of Taiwan, 15 December 2022
5. Ministry of Trade, Industry and Energy, 3 January 2023
6. Bank of Korea, 24 November 2022

**Top 10 holdings**

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	6.7
Samsung Electronics	Technology hardware & equipment	South Korea	5.4
China Mobile	Telecommunication services	Red chips	4.3
Tencent Holdings	Media & entertainment	Hong Kong	4.0
China Telecom	Telecommunication services	H-shares	3.7
AIA Group	Insurance	Hong Kong	2.7
Kweichow Moutai	Food, beverage & tobacco	China A-shares	2.7
Alibaba Group Holding Ltd	Retailing	Hong Kong	2.5
Meituan	Retailing	Hong Kong	2.4
KB Financial Group	Banks	South Korea	2.3

These holdings made up 37% of the Fund.

No. of holdings : 88

**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 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](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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