

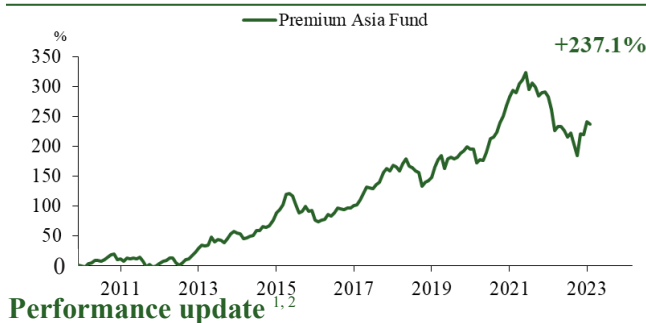
Investment objective

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 36.2 million ²

Performance since inception ^{1, 2}



	Premium Asia Fund
One month	-1.4%
Three months	+4.9%
Six months	+4.5%
One year	-6.8%
Since inception	+237.1%
Annualised return	+9.6%
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 ^{1, 2}

2009 (Since inception)	+1.2%	2017	+31.8%
2010	+9.2%	2018	-6.1%
2011	-9.9%	2019	+23.3%
2012	+22.1%	2020	+23.0%
2013	+29.3%	2021	+6.0%
2014	+12.1%	2022	-18.1%
2015	+9.2%	2023 (YTD)	+5.3%
2016	+2.0%		

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 28 February 2023. 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 1.1461 Entry price: AUD 1.1490 Exit price: AUD 1.1432
Distribution: AUD 0.0154 (for the year ended 30 June 2022)

Manager's commentary

Market review

The Greater China equities market corrected in February, with the MSCI China Index down 10.4% (in USD).¹ That did not come as a surprise and reaffirms our view that investor focus is shifting from the "reopening trade" to the "recovery trade", where investors are now assessing the recovery strength of the economy and businesses' earnings. On the positive side, macroeconomic data in China indicate that recovery is on track, with the latest official manufacturing and non-manufacturing PMI readings showing continued macro improvement.

Taiwan's equities market was subdued, with the MSCI Taiwan Index down 1.1% (in USD).¹ The global economic slowdown continued to weigh on Taiwan's economy, particularly its exports. In February, total exports were down 17.1% YoY, registering negative growth for six consecutive months.² While the long-term drivers offered by higher-performance computing, data centers, and digital transformation remain intact, exports will likely be weighed by the global demand slowdown in the short to medium term.

Korea's equities market dragged during the month, with the MSCI Korea Index down 7.0% (in USD).¹ Like Taiwan, the global economic slowdown continues to be a headwind for the market, with total exports down 7.5% YoY in February.³ On a positive note, inflation in Korea has decelerated more than expected, easing concerns about further rate hikes. We continue to monitor the market, especially how external demand will affect company earnings.

The ASEAN market slumped in February due to the stronger dollar, with the MSCI ASEAN market down 5.8% (in USD).¹ In addition, growth is expected to moderate as reopening tailwinds start to dissipate. That said, macro fundamentals remain healthy in most markets. Some areas of the market are also beneficiaries of China's reopening, especially tourism-heavy economies, such as Thailand. We continue to be constructive in Indonesia, where fundamentals continue to be strong, and the Philippines, where economic momentum is solid and valuations are undemanding.

Portfolio strategy and outlook

Asia equities dragged in February amid the stronger US dollar and renewed fears that the US might tighten more than expected. In February, the Fund and the MSCI AC Asia ex Japan Index performed -1.4% (in AUD) and -2.6% (in AUD), respectively. Our exposure to Chinese e-commerce and consumer names and a regional technology company were among the key draggers of the Fund's performance during the month. We believe their share price corrections merely reflected the changed investor sentiment and were not driven by any significant fundamental deterioration.

On the other hand, some of our portfolio holdings yielded positively despite the market correction. They include our exposure to Chinese telecommunications names and a Taiwanese company providing testing and certification services. In particular, the Chinese telecom operators were boosted by expectations of further SOE reforms to bolster their shareholders' returns and faster adoption of cloud infrastructure services.

The market correction – particularly in China – may last in the near term as investors digest the key messages and news from the "Two Sessions" in China. Nevertheless, we remain positive on China's stock market outlook, given the highly visible economic recovery and solid corporate earnings rebound. China's recent announcement of a GDP growth target of "around 5%" in 2023 may upset some investors looking for more aggressive stimulus. However, the growth target continues to make China stand out amongst the major global economies this year with a strong recovery.

Elsewhere in Asia, we continue to see a bumpy recovery and believe it is crucial to remain selective. Generally speaking, while our fund holdings remain well diversified, we continue to believe Chinese equities still offer good long-term risk-reward opportunities at current valuation levels.

Sources:

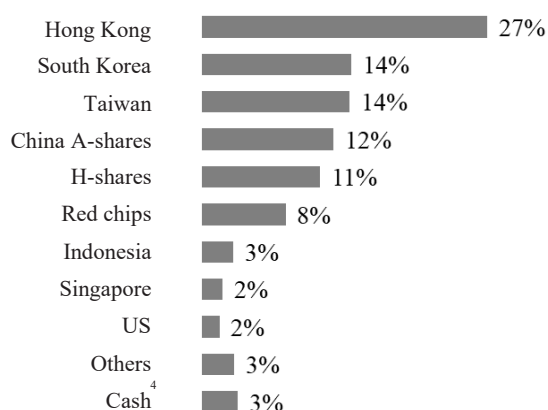
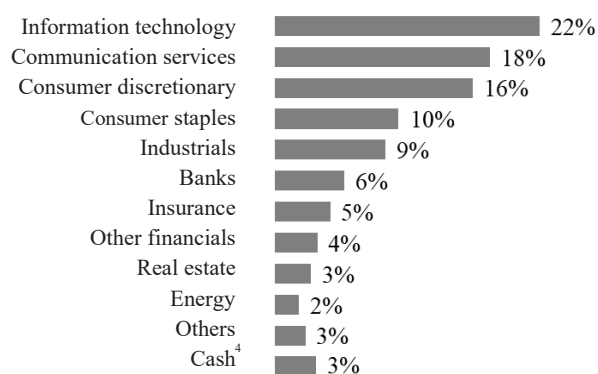
1. MSCI, 28 February 2023
2. Ministry of Finance (Taiwan), 7 March 2023
3. Ministry of Trade, Industry and Energy, 2 March 2023

Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	7.3
Tencent Holdings	Media & entertainment	Hong Kong	5.1
Samsung Electronics	Technology hardware & equipment	South Korea	4.7
China Mobile	Telecommunication services	Red chips	4.6
China Telecom	Telecommunication services	H-shares	4.5
Kweichow Moutai	Food, beverage & tobacco	China A-shares	2.7
AIA Group	Insurance	Hong Kong	2.5
Alibaba Group Holding Ltd	Retailing	Hong Kong	2.4
KB Financial Group	Banks	South Korea	2.2
Meituan	Retailing	Hong Kong	1.9

These holdings made up 38% of the Fund.

No. of holdings : 92

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:

Lillian Cao; Kelly Chung, CFA; Chung Man Wing; Luo Jing, CFA;

Yu Chen Jun; Michelle Yu, CFA

Senior Fund Manager:

Frank Tsui

Link to TMD

https://www.premiumasiafunds.com.au/wp-content/uploads/2022/10/Premium_Asia_Fund_EN_AU_1666845670.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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