

PREMIUM ASIA FUND (ARSN 134 226 029)

JUNE 2023
2 PAGES

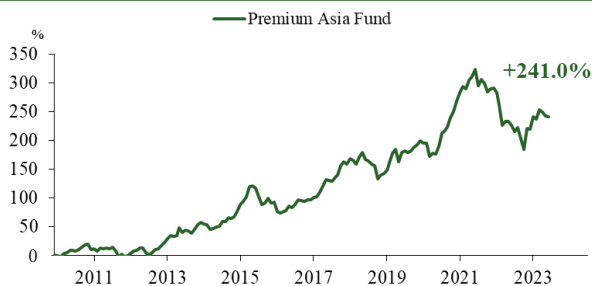
Investment objective

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 36.4 million ²

Performance since inception ^{1, 2}



Performance update ^{1, 2}

	Premium Asia Fund
One month	-0.2%
Three months	-3.5%
Six months	+6.6%
One year	+4.4%
Since inception	+241.0%
Annualised return	+9.5%
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)	+6.6%
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 30 June 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 1.1447 **Entry price:** AUD 1.1475 **Exit price:** AUD 1.1418
Distribution: AUD 0.0147 (for the year ended 30 June 2023)

Manager's commentary

Market review

The Greater China market opened higher at the beginning of June on expectations of a policy stimulus, but the optimism gradually faded as macroeconomic indicators continued to disappoint, giving up some of the earlier gains in the month. In June, the MSCI China Index was up 1.1% (in AUD).¹ On a positive note, the government gave signals that economic growth remains a key priority. In particular, the one- and five-year loan prime rates (LPRs), which are the reference rates for corporate loans and mortgages, respectively, were cut by 10 bps.

The rally in Taiwan's equities market from the previous month moderated in June, with the MSCI Taiwan Index down 1.1% (in AUD).¹ On the macro front, exports continued to register negative growth due to the global economic slowdown, with total exports down 23.4% YoY in June.² The technology sector continued to slump, with exports for electronic components down 21.3% and exports for information technology products decreasing by 6.2%. We remain cautious of how external uncertainties affect the local market.

Investor sentiment was subdued towards the Korean equities market in June, given the renewed concerns over the outlook for interest rates globally, with the country index down 2.2% (in AUD).¹ On the macro front, the country's export decline moderated, dropping by 6.0% YoY in the month.³ While semiconductor exports continued to fall due to the falling product prices of memory chips, they recorded the highest monthly exports for this year. We continue to be mindful of potential risks ahead, especially since the market is trade-sensitive.

In June, the MSCI ASEAN Index was down 2.8% (in AUD),¹ dragged by the weak data in China and expectations of further interest rate increases from the top central banks, including the US Fed, the ECB, and the BOE. Nevertheless, we remain constructive about the market, as central banks in the ASEAN are expected to be more accommodative in the second half. Longer-term, the region also continues to ride on structural trends, such as the favorable demographics in Indonesia and the Philippines, offering attractive and selective opportunities to investors.

Portfolio review:

In June, the Fund was flat at -0.2% (in AUD), in line with the MSCI AC Asia ex Japan Index's -0.1% (in AUD) performance. Year-to-date, the Fund was up 6.6%, outperforming the index's 5.0% performance.

During the month, our exposure to various Chinese SOEs across different sectors dragged the Fund's performance as expectations of SOE reforms weakened. In particular, our off-benchmark position in a telecommunications operator was the top detractor to the Fund's performance. That said, we remain positive about the company's growth prospects, supported by the continued adoption of 5G in the country. Our exposure to financials, including those in China and South Korea, also dragged the Fund's performance. The optimism toward Korean financial stocks, in particular, is losing steam, given expectations of diminishing interest profit growth as the country's rate hike cycle appears to have come to an end.

On the positive side, our exposure to a leading skincare brand in Korea was among the top contributors to the Fund's performance, driven by its successful IPO. Our select internet holdings in China also performed well, as they are expected to maintain revenue growth ahead despite the short-term bumpiness of the economy. Our holdings of technology names in Taiwan also yielded positively, given the sustained optimism toward the electronic sector, while our exposure to India also supported the Fund's performance as the country continued to be supported by favorable economic prospects.

Key position changes:

We only made modest position changes in June. Some noticeable activities include exiting our positions in a manufacturer of animal feed products in China and the leading Korean skincare brand. On the other hand, we added our exposure to a Philippine food and beverage company and slightly increased our exposure to India and Taiwan. Overall, there is little change to our geographical and sector distribution during the month.

Outlook:

Uncertainties in the global economy continue to linger, including the path of interest rates and the liquidity condition in the US. Moreover, despite the stellar performance of US tech stocks recently, recession risks remain, especially given the recent slump in the ISM manufacturing PMI in the US. We continue to view that Asia remains a bright spot for economic and earnings growth in 2023.

In China, we expect that its recovery trajectory is still on track this year, albeit with some bumpiness in its economic recovery momentum in the near term. Valuations remain attractive, providing good opportunities for long-term investors. Meanwhile, corporates in other parts of the region continue to show improving fundamentals, with some being more resilient against global headwinds as they are more focused on domestic markets. Given the short-term volatility in the markets, stock selection will remain crucial.

Sources:

1. MSCI, 30 June 2023
2. Ministry of Finance (Taiwan), 7 July 2023
3. Ministry of Trade, Industry, and Energy, 1 July 2023
4. National Securities Depository Limited, 30 June 2023

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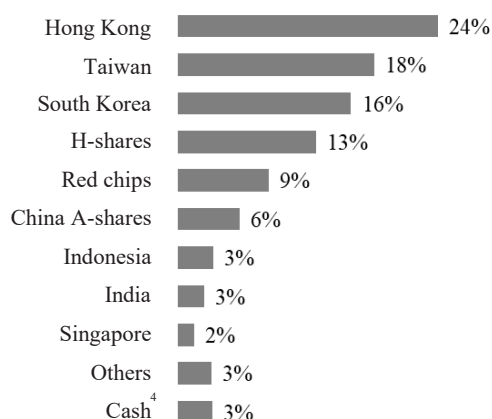
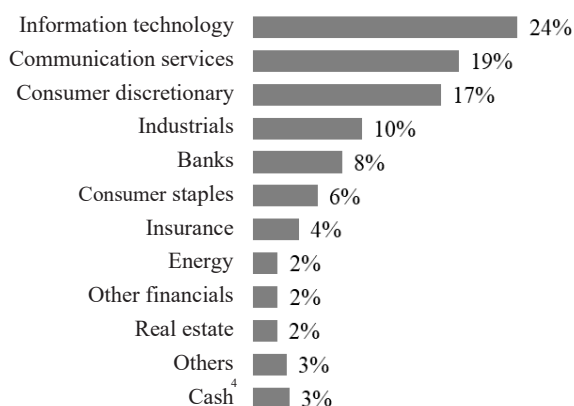
Think Asia
Think Premium

Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	8.2
Samsung Electronics	Technology hardware & equipment	South Korea	6.8
Tencent Holdings	Media & entertainment	Hong Kong	5.0
China Mobile	Telecommunication services	Red Chips	4.9
China Telecom	Telecommunication services	H-shares	4.4
Meituan	Consumer services	Hong Kong	2.7
Unimicron Technology	Technology hardware & equipment	Taiwan	2.4
China Construction Bank	Banks	H-shares	2.4
Alibaba Group Holding	Retailing	Hong Kong	2.3
KB Financial Group	Banks	South Korea	2.1

These holdings made up 41% of the Fund.

No. of holdings : 96

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; Luo Jing, CFA; Yu Chen Jun;

Michelle Yu, CFA

Senior Fund Manager:

Frank Tsui

Link to TMD

Premium Asia Fund's Target Market Determination is available here:
<https://www.premiumasiafunds.com.au/wp-content/uploads/2022/10/Premium-Asia-Fund-EN-AU-1666845670.pdf>

A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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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