

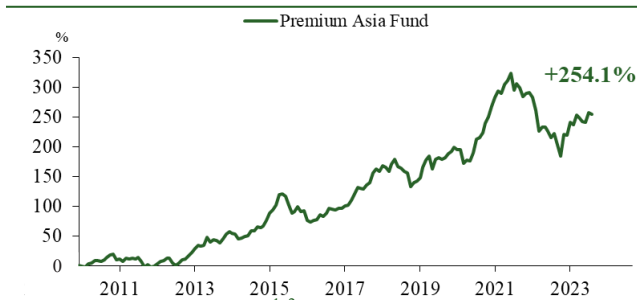
## Investment objective

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 39.0 million <sup>2</sup>

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



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

	Premium Asia Fund
One month	-0.9%
Three months	+3.6%
Six months	+5.1%
One year	+9.8%
Since inception	+254.1%
Annualised return	+9.6%
Annualised volatility	13.5%

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%	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)	+10.7%
2016	+2.0%		

<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 31 August 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 1.1888 Entry price: AUD 1.1918 Exit price: AUD 1.1859  
Distribution: AUD 0.0147 (for the year ended 30 June 2023)

## Manager's commentary

### Market review

Greater China equities failed to sustain its positive momentum in August as macroeconomic data continued to disappoint, with the MSCI China Index down 5.3% (in AUD).<sup>1</sup> In the middle of the month, investor sentiment was further hurt when the People's Bank of China cut its one-year loan prime rate (LPR) – a reference for corporate loans, but left its five-year LPR – a peg for mortgages – unchanged, given the ongoing liquidity concerns in China's property sector. That said, the government rolled out more property-related measures and efforts to reinvigorate the country's capital markets towards the month's end. However, the slew of supportive measures has not led to a significant and sustained market rally and failed to reverse the market decline during the month.

Taiwan's equities market was flat at -0.6% (in AUD).<sup>1</sup> The global demand slowdown has continued to weigh on the export-heavy economy, with its administration revising its 2023 GDP projection to 1.6% from its previous 2.0% estimate.<sup>2</sup> Although domestic consumption remains robust, the exports of goods and services are expected to shrink this year. Nevertheless, the administration is optimistic for the following year, as the domestic capacity expansion of leading semiconductor manufacturers should cope with the growing demand for artificial intelligence (AI) applications, which should support Taiwan's economy.

In Korea, the country index was down 3.9% (in AUD).<sup>1</sup> On the macro front, the global economic slowdown continued to impact exports, although the decline narrowed to a single digit at -8.4% YoY.<sup>3</sup> While semiconductor exports continued to fall, chip exports are expected to improve gradually due to the rising demand for high-performance products. Meanwhile, the country's central bank held interest rates at 3.5% and retained its 2023 GDP growth expectation at 1.4% from its May forecast.<sup>4</sup> We continue to monitor the market, especially given its sensitivity to global trade.

Southeast Asian markets pulled back along with other Asian markets on US interest rate fears and ongoing concerns about China's slowing economy, with the MSCI ASEAN Index down 1.2% (in AUD) in August.<sup>1</sup> We remain constructive about the region, given its better inflation outlook than the West and strong macro fundamentals. We are now more constructive on Thailand with the election uncertainty behind us, and its consumer sector is a potential beneficiary of social spending. We also favor Indonesia, as the ramp-up in government spending into elections would be a tailwind for the market.

### Portfolio review:

In August, the Fund was slightly down by 0.9% (in AUD), while the MSCI AC Asia ex Japan Index recorded losses of 2.6% (in AUD).<sup>1</sup> Year-to-date, the Fund and the index were up 10.7% and 7.1%,<sup>1</sup> respectively.

Our holdings of Chinese equities were among the main detractors to the Fund's performance, given the general market weakness. Among them are industrial and insurance companies, which were dragged partly due to the subdued expectations on "SOE reforms". Similarly, our holdings of select internet and consumer-related players also dragged the Fund's performance. That said, our holdings in the China equity space are of high quality, and their business fundamentals are expected to remain resilient amid potential market volatility, especially given the slew of supportive measures released at the end of the month. In terms of sectors, industrials was the top detractor, which also included a South Korean construction company alongside Chinese names.

On the positive side, some of our bottom-up stock picks supported the Fund's performance. Two of our Chinese holdings, particularly a telecom operator and a leading e-commerce player, were among the top contributors of the Fund, with both of them releasing solid second-quarter results. In addition, some of our holdings of technology-related companies in Taiwan's IT and industrial sectors also yielded positively as they continue to benefit from the expected cyclical recovery ahead, supported by the growing demand for high-performance computing and artificial intelligence (AI)-related hardware demand. Elsewhere, our exposure to Indonesia and India also supported the Fund's performance.

### Key position changes:

We have continued to adjust our portfolio amid market movements. Some notable activities during the month included reducing our position exposure in the technology and consumer sectors. Region-wise, we have also slightly increased our exposure to the Philippines and Indonesia markets. Currently, our cash allocation stands at 6%. Overall, there are no major changes to our portfolio compositions during the month.

### Outlook:

We continue to expect short-to-medium volatility due to ongoing uncertainties in the global economy, including the path of interest rates in the West and the ongoing weakness in global demand. Nonetheless, we continue to view that Asia remains a bright spot for economic and earnings growth this year.

For China, investors will likely wait for more concrete and coordinated policy support measures. For the actions that were just announced, their impacts will take some time to be played out and felt. Meanwhile, some companies in other parts of the region remain resilient against global headwinds, as they are supported by their strong domestic markets, offering selective opportunities for investors. Against this backdrop, we expect unevenness in the markets to remain, and thus, stock selection will remain crucial.

### Sources:

1. Morningstar, 31 August 2023

2. Directorate-General of Budget, Accounting and Statistics, Taiwan, 18 August 2023

3. Ministry of Trade, Industry and Energy, 1 September 2023

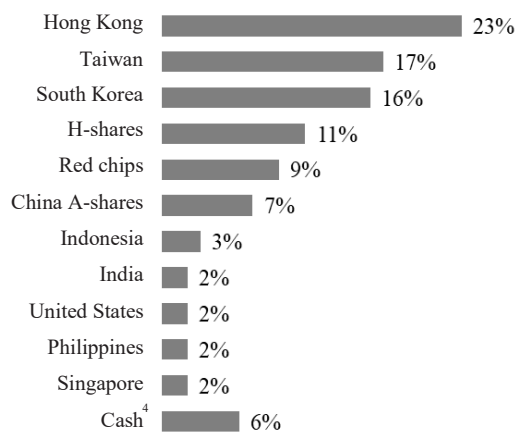
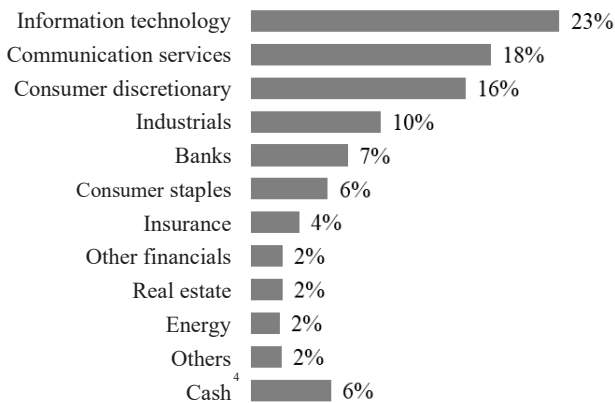
4. Bank of Korea, 24 August 2023

**Top 10 holdings**

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	7.3
Samsung Electronics	Technology hardware & equipment	South Korea	6.4
China Mobile	Telecommunication services	Red chips	4.9
Tencent Holdings	Media & entertainment	Hong Kong	4.7
China Telecom	Telecommunication services	H-shares	4.2
Meituan	Consumer services	Hong Kong	2.7
Alibaba Group Holding	Retailing	Hong Kong	2.4
Unimicron Technology	Technology hardware & equipment	Taiwan	2.4
KB Financial Group	Banks	South Korea	2.3
CNOOC	Energy	Red chips	2.2

These holdings made up 39% of the Fund.

No. of holdings : 101

**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:**

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.

<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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