

# PREMIUM ASIA FUND (ARSN 134 226 029)

JULY 2023  
2 PAGES

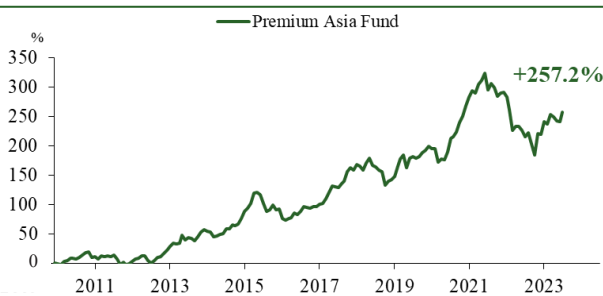
## Investment objective

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 39.0 million <sup>2</sup>

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



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

	Premium Asia Fund
One month	+4.8%
Three months	+2.3%
Six months	+4.5%
One year	+13.4%
Since inception	+257.2%
Annualised return	+9.8%
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%	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)	+11.6%
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 July 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 1.1991 Entry price: AUD 1.2021 Exit price: AUD 1.1961  
Distribution: AUD 0.0147 (for the year ended 30 June 2023)

## Manager's commentary

### Market review

The Greater China equities market was up in July despite the country's uneven economic recovery, supported by the government's encouraging signals to support the economy, with the MSCI China Index up 9.4% (in AUD)<sup>1</sup>. During the month, a Politburo meeting was held, with officials acknowledging the need for making more policy options available, including hints to support the ailing property market. More notably, the "house is for living and not for speculation" – the core message behind the crackdown on the property sector in recent years – was not mentioned. Other key messages include supporting private enterprises, promoting the development of platform companies, and spurring domestic consumption.

Taiwan's equities market was flat in July, with the MSCI Taiwan Index performing -0.45% (in AUD)<sup>1</sup>. Taiwan's economy has recovered from a recession, with the administration estimating that GDP for the second quarter was up 1.5% YoY, mostly driven by private consumption<sup>2</sup>. However, the softening global demand continues to weigh on Taiwan's exports. Within the technology sector, exports for electronic components were down 7.9%<sup>3</sup>. However, exports for information and communication products were up 54.1%. While Taiwan remains cautious of its export outlook, it remains optimistic that emerging industries should lead to the launch of new electronic products, providing support to Taiwan's exports in the second half.

In Korea, the country index was up 5.2% (in AUD)<sup>1</sup>, as the market continues to be a beneficiary of artificial intelligence-related investments globally and the improving sentiment toward the tech sector. On the macro front, the global demand slowdown has continued to affect its exports, which declined 16.5% YoY in the month<sup>4</sup>. While semiconductor exports were down 33.6% as memory chip exports plunged along with falling DRAM and NAND prices, the huge decline was also due to last year's all-time high July exports. As the Korean market is trade-sensitive, we continue to be mindful of potential external risks ahead.

Southeast Asian markets rallied in June on the improved sentiment toward China, with the MSCI ASEAN Index up 5.6% (in AUD) in July<sup>1</sup>. The markets were also supported by stabilizing inflation and strong macro fundamentals in certain markets. Longer-term, the region continues to ride on structural trends, such as the favorable demographics in the region and consumption growth, offering attractive and selective opportunities to investors.

### Portfolio review:

In July, the Fund and the MSCI AC Asia ex Japan Index both performed 4.8% (in AUD). Year-to-date, the Fund recorded gains of 11.6%, while the index was up 10.0%.

The positive contributors during the month were broad-based across geographies and sectors. Our holdings of Chinese equities were among the top contributors to the Fund's performance. In particular, our holdings of internet names were boosted by the supportive policy stance from the central government toward private enterprises and platform companies. Outside of China, a leading Korean construction and project management company was also a top performer, supported by its strong first-half results.

On the flip side, our holdings of two regional technology companies, one in Korea and another in Taiwan, dragged the Fund's performance, as investors took profit following the sector's strong performance in recent months. Nevertheless, we remain constructive about the sector and continue to be optimistic about our select holdings, which should benefit from the growing investments in artificial intelligence (AI).

### Key position changes:

We made modest changes in our portfolio. Some noticeable activities included trimming some exposure from a jewellery retailer in Hong Kong and an Indonesian energy company. Meanwhile, we slightly increased our exposure to an Indian mobile tower installation company. Overall, there is little change to our geographical and sector distribution during the month.

### Outlook:

Uncertainties in the global economy continue to impact markets, including the path of interest rates and the liquidity condition in the US, as well as the ongoing slump in demand globally. Nevertheless, we continue to view that Asia remains a bright spot for economic and earnings growth this year.

While there are some short-term bumps in China's economic recovery momentum, we expect its recovery trajectory to be on track this year. The market will closely watch whether supportive policies will be further implemented and if they will positively impact the economy. Meanwhile, some companies in other parts of the region remain resilient against global headwinds, as they are supported by their strong domestic markets. Against this backdrop, we expect short-term volatility and the unevenness in markets to remain, and thus, stock selection will remain crucial.

### Sources:

- Morningstar, 31 July 2023
- Directorate-General of Budget, Accounting and Statistics, 28 July 2023
- Ministry of Finance (Taiwan), 8 August 2023
- Ministry of Trade, Industry, and Energy, Korea, 1 August 2023

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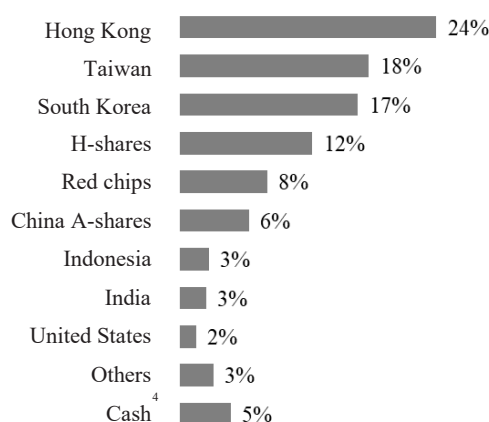
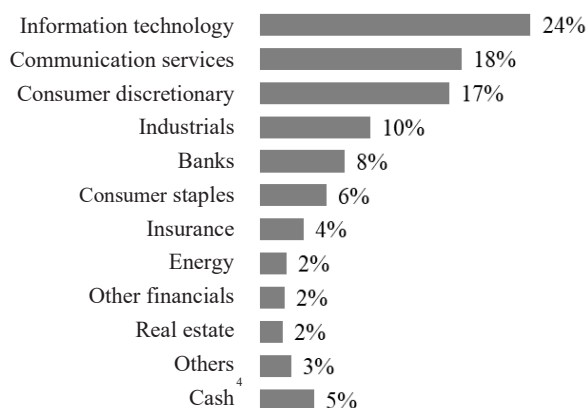
Think Asia  
Think Premium

**Top 10 holdings**

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	7.3
Samsung Electronics	Technology hardware & equipment	South Korea	6.8
Tencent Holdings	Media & entertainment	Hong Kong	5.0
China Mobile	Telecommunication services	Red chips	4.6
China Telecom	Telecommunication services	H-shares	4.3
Meituan	Consumer services	Hong Kong	3.0
Alibaba Group Holding	Retailing	Hong Kong	2.5
Unimicron Technology	Technology hardware & equipment	Taiwan	2.3
Samsung Engineering	Capital goods	South Korea	2.3
KB Financial Group	Banks	South Korea	2.1

These holdings made up 40% of the Fund.

No. of holdings : 98

**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](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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