

PREMIUM ASIA PROPERTY FUND (ARSN 129 428 682)

MARCH 2021

2 PAGES

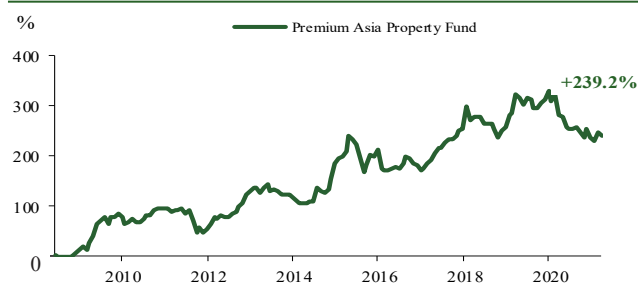
Investment objective

The Premium Asia Property Fund is a managed investment scheme which invests primarily in securities of property or property-related companies with exposure to any, some, or all, of the following countries: Hong Kong, Mainland China, Taiwan, Macau, Malaysia, Philippines, Singapore, Republic of Korea, Thailand and Indonesia. The Fund aims to provide investors with positive returns over 10.0% p.a. over a three to five year period.

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:	MAQ0574AU
Inception date:	4 June 2008
Fund size:	AUD 3.7 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

Premium Asia Property Fund	
One month	-2.5%
Three months	+0.7%
Six months	-2.4%
One year	-11.2%
Since inception	+239.2%
Annualised return	+10.0%
Annualised volatility	17.3%

Volatility is a measure of theoretical risk. In general, the lower the number, the less risky the investment.

Annual return since inception ^{1,2}

2008 (Since inception)	+12.5%	2015	+9.3%
2009	+58.1%	2016	-12.7%
2010	+8.8%	2017	+30.2%
2011	-20.8%	2018	+1.4%
2012	+50.7%	2019	+19.3%
2013	-6.2%	2020	-21.5%
2014	+31.9%	2021 (YTD)	+0.7%

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 31 March 2021. Investment involves risks. Investors should read the Product Disclosure Statement for details and risk factors in particular those associated with investment in emerging markets.

Unit price: AUD 0.9445 Entry price: AUD 0.9468 Exit price: AUD 0.9421
Distribution: AUD 0.0991 (for the year ended 30 June 2020)

Manager's commentary

Market review

In March, changing inflation expectations and policy tightening concerns continued to cause cautious market sentiment, dragging down China equities.

Globally, consistent positive signs indicate a global economic recovery. Inflation and rate expectations were refreshed, while a run-up in bond yields triggered investor repositioning. As a result, the market gave up some gains year-to-date, and investor concerns over the gradual phase-out of easing policies and tighter regulation put pressure on Internet and consumer discretionary stocks.

In China, the recovery path remains solid, with investors being wary of policy normalization. Policymakers have made it clear that monetary policies would remain flexible and precise; a consistent message which has been delivered since December 2020. The Two Sessions (the annual meetings of China's top legislature and top political advisory body) held in March reiterated the importance of balancing a sustained growth recovery. Fiscal policy will tilt more toward basic livelihood, innovation, urbanization, energy conservation, and environmental protection; echoing the 14th Five Year Plan. These key reforms lay a multi-year structural transition in selected companies; for instance, technology and domestic consumption upgrades.

Both the physical property market and china property stocks performed better than expected in March. In 1Q21, data from the National Bureau of Statistics (NBS) showed sustained strength, with sales at an all-time high (up 88.5% year-on-year), an increase in gross floor area sold (up 63.8% year-on-year), and a rise in real estate investment (up 25.6% year-on-year)¹. Housing demand also remains robust, despite a tightening of policy in regards to developer financing. Meanwhile, urbanization continues to support price appreciation in Tier 1 and 2 cities in China. Ultimately, the Chinese government is aiming to have a healthy real estate market, avoid systematic risk, and keep property prices stable.

Portfolio strategy and outlook

In the past 13 years, despite the volatilities in the real estate sector, we have achieved a roughly 10% annualized return; in-line with what we targeted when we started the Fund. In contrast to most people's predictions, China's property market has shown significant resilience and strength in the face of unfavorable government policies. This strong housing demand is a result of continued urbanization and a growing demand to upgrade. Furthermore, the market consolidation theme in which we believe, has helped us to pick the winners, and it is these leaders which continue to gain market share. With all of this in mind, we continue to see value opportunities in the Asian property space.

Source:

1. National Bureau of Statistics (NBS), 31 March 2021

Geographical exposure by listing³

Cash ⁴		100%
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Sector exposure³

Cash ⁴		100%
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Fee structure

Management fee	2.10% p.a. of Net Asset Value
Performance fee	20% of outperformance over a hurdle of 10% p.a. (High-on-high principle)
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

Value Partners - Senior investment staffs

Co-Chairmen & Co-Chief Investment Officers:
Cheah Cheng Hye; Louis So

Senior Investment Directors:
Norman Ho, CFA; Renee Hung

Investment Directors:
Chung Man Wing; Yu Chen Jun; Michelle Yu, CFA; Yu Xiao Bo

Senior Fund Managers:
Lillian Cao; Anthony Chan, CFA; Kelly Chung, CFA; Doris Ho;
Glenda Hsia; Amy Lee, CFA, CAIA; Luo Jing, CFA; Frank Tsui

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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