

PREMIUM ASIA FUND (ARSN 134 226 029)

MAY 2021
2 PAGES

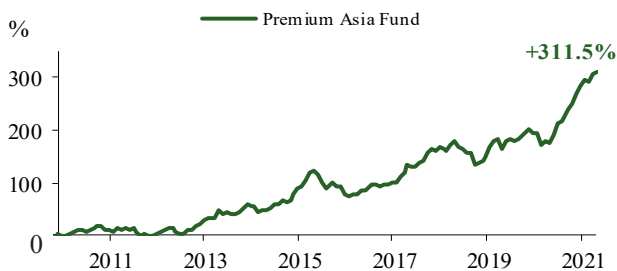
Investment objective

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 46.3 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium Asia Fund
One month	+1.6%
Three months	+4.4%
Six months	+17.5%
One year	+49.3%
Since inception	+311.5%
Annualised return	+13.1%
Annualised volatility	12.8%

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%	2016	+2.0%
2010	+9.2%	2017	+31.8%
2011	-9.9%	2018	-6.1%
2012	+22.1%	2019	+23.3%
2013	+29.3%	2020	+23.0%
2014	+12.1%	2021 (YTD)	+11.6%
2015	+9.2%		

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 May 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. Index performance is for reference only.

Unit price: AUD 1.7482 Entry price: AUD 1.7526 Exit price: AUD 1.7438
Distribution: AUD 0.0696 (for the year ended 30 June 2020)

Manager's commentary

Market review

May was a month of mixed signals from encouraging 1Q results, resurging COVID cases and tapering concerns.

In China, concerns about inflation and potential tightening monetary conditions continue. PPI in May reached 60.6, which is 5.7% higher than in April, driven mostly by the surge in commodity prices¹. The central bank also registered that Total Social Financing (TSF) dropped to RMB 1.85 trillion in April from RMB 3.3 trillion in March². On the upside, first quarter earnings results remain robust.

In Taiwan, investor sentiment was dampened amid a new wave of the pandemic. The government is now planning to implement control measures, including the rollout of an extra \$15.2 billion relief package. Nevertheless, the pandemic did not impact Taiwan's export-related activities. Exports were up 38.6% YoY, led by materials (up 74.7% YoY), followed by metals (54.2%)³. Other categories also posted double-digit YoY growth. The government also reiterated its optimistic view on global economy reopening and the ongoing digitalization trend. It now projects 2Q21 export scale to exceed US\$100.0 billion, up more than 26.0% YoY.

In Korea, the country's central bank projects the economy to grow by 4% this year⁴, on the back of strong exports and improving domestic consumption. Exports expanded 45.6% to US\$50.7 billion in May⁵. The country also announced that retail sales saw a 13.7% improvement in April from the same month last year⁶.

Portfolio strategy and outlook

In May, the Fund and the MSCI AC Asia ex Japan Index rose 1.6% (in AUD) and 1.0%⁷ (in AUD), respectively.

Chinese financials were among the top performance contributors in the fund last month. The country's financial sector remains solid, as banks have reported improving nonperforming loans and profitability, while those providing wealth management services continue to see growing demand from retail investors. Consumer names were also among the top contributors. Chinese names, such as those engaged in duty free, sportswear, and Chinese white liquor, have continued to benefit from the country's economic recovery and consumption upgrade. Our core holding of a Taiwanese textile manufacturer was also among the top performers, benefiting from strong post-pandemic apparel demand recovery, especially in the US.

On the other hand, detraction came from some of our exposure in Taiwan technology names, as the resurgence of COVID has triggered profit-taking of hardware manufacturers. That said, we remain optimistic on the sector, on the back of the still intact semiconductor super-cycle.

We continue to be overweight in North Asia, particularly China, as the market continues to provide better risk-reward opportunities relative to other parts of Asia, which are still facing risks of rising COVID infections. We expect the pickup in vaccine supply in ASEAN to unlock economic recovery in the coming months. We prefer companies that have visibility in their earnings along the bumpy recovery path.

Source:

- National Bureau of Statistics, 01 June 2021
- The People's Bank of China, 13 May 2021
- Ministry of Finance, Taiwan, 08 June 2021
- Bank of Korea, 27 May 2021
- Ministry of Trade, Industry and Energy, 01 June 2021
- Ministry of Trade, Industry and Energy, 27 May 2021
- MSCI, 31 May 2021

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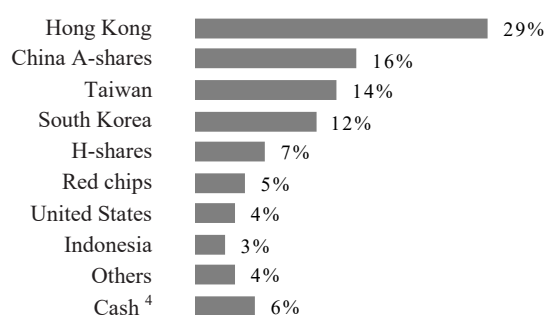
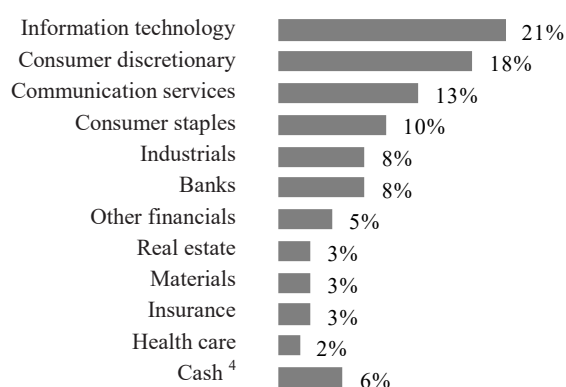
Think Asia
Think Premium

Top 10 holdings

Name	Industry	Listing	%
Tencent	Media & entertainment	Hong Kong	7.2
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	5.7
China Tourism Group Duty Free Corp	Retailing	China A-shares	4.7
Samsung Electronics	Technology hardware & equipment	South Korea	4.7
Kweichow Moutai	Food, beverage & tobacco	China A-shares	3.7
China Merchants Bank	Banks	H-shares	3.4
Galaxy Entertainment Group	Consumer services	Hong Kong	2.9
ASE Technology Holding	Semiconductors & semiconductor equipment	Taiwan	2.4
China Mengniu Dairy	Food, beverage & tobacco	Red chips	2.2
Makalot Industrial	Consumer durables & apparel	Taiwan	2.2

These holdings made up 39% of the Fund.

No. of holdings : 88

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:

Chung Man Wing; Yu Chen Jun; Michelle Yu, CFA

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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