

PREMIUM ASIA FUND (ARSN 134 226 029)

JULY 2021
2 PAGES

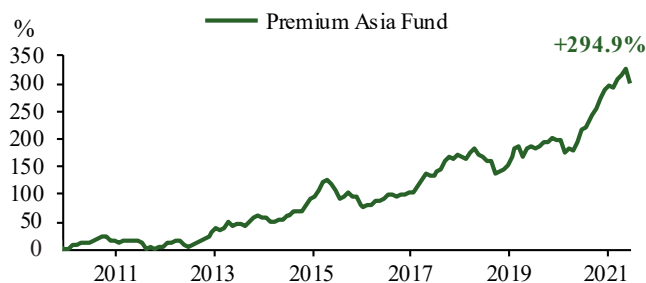
Investment objective

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 37.9 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium Asia Fund
One month	-6.9%
Three months	-2.5%
Six months	+3.0%
One year	+26.2%
Since inception	+294.9%
Annualised return	+12.5%
Annualised volatility	12.9%

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)	+7.1%
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 30 July 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 1.3613 Entry price: AUD 1.3647 Exit price: AUD 1.3579
Distribution: AUD 0.3397 (for the year ended 30 June 2021)

Manager's commentary

Market review

Asia equities were down across major markets last month, especially in China, where sentiment was dampened by the regulatory clampdown in the internet and education sectors.

In China, markets were rattled over concerns about further tightening in the internet and education sectors, particularly in the after school tutoring (AST) space. ASTs, for example, will be required to be non-profits and will no longer be allowed to raise capital through IPOs. This follows after a series of regulatory changes targeted at other sectors, causing a ripple effect that drove a broad market correction. While we view that short term volatility will remain, we believe that this should pave the way for China to achieve quality and sustainable growth.

Taiwan's equities market was also down, with the MSCI Taiwan Index performing -2.2%¹, despite solid fundamentals. Overall exports in July expanded 34.7% YoY². Taiwan's administration also upgraded its second quarter GDP growth estimate to 7.5% YoY from the June forecast of 6.9%, driven by exports and investment³. The pandemic situation is also getting stabilized, with the vaccination rate accelerating.

South Korea's equities market saw a correction during the month, as investor sentiment was dampened by the spread of the Delta variant. Export-related businesses, however, were not affected and continued to be strong. Total exports grew 29.6% year-on-year to US\$55.4 billion in July, hitting a new record high monthly export value⁴.

Southeast Asia markets continued to provide negative returns. The Delta variant has led to a surge in daily infections in most countries. Strict social distancing rules were reimposed. While we are underweight the region, we continue to monitor the situation and look for recovery plays.

Portfolio strategy and outlook

In July, the Fund and the MSCI AC Asia ex Japan Index were down 6.9% (in AUD) and 5.5% (in AUD)¹, respectively.

Our holdings in Chinese internet-related names were among the top detractors of the fund amid policy headwinds. We expect the sector to remain jittery as China continues to step up its scrutiny of these companies. In light of the policy overhang, we have reassessed the valuations of our holdings due to the potential impacts and have trimmed our positions in the internet space, reflecting our cautious stance.

Our holdings in other sectors in China, including consumer and industrials, particularly shipping companies, also detracted amid the weakened sentiment. However, we continue to have a positive outlook on these sectors. In the consumer space, we view that fundamentals remain intact and companies continue to benefit from China's premiumization story. Meanwhile, shipping companies continue to benefit from the rising freight rates resulting from tight supply and strong demand globally.

On the positive side, our holdings in Taiwanese semiconductor and leading bike manufacturers have helped with the performance of the fund. Semiconductor companies continue to benefit from the semiconductor super-cycle globally. Meanwhile, our exposure to Taiwanese bike manufacturers, which we further added positions last month, are benefiting from the rising trend of e-bike usage, especially in Europe and the US.

North Asia continues to showcase a strong economic recovery backdrop compared to South Asia, which is still grappling with pandemic challenges. We view that the policy overhang in China will continue to drive volatility in the short term. However, we believe that this should pave the way for China to achieve quality and sustainable economic growth, which should provide long-term opportunities. Against a backdrop of policy reforms in China, as well as expectations of growth moderating globally, we believe it is crucial to be selective in our bottom-up approach and favor companies that could stand out in a lackluster environment.

Source:

1.MSCI, 31 July 2021

2.Ministry of Finance (Taiwan), 9 August, 2021

3.Director-General of Budget, Accounting and Statistics (Taiwan), 30 July 2021

4.Ministry of Trade, Industry and Energy, 2 August, 2021

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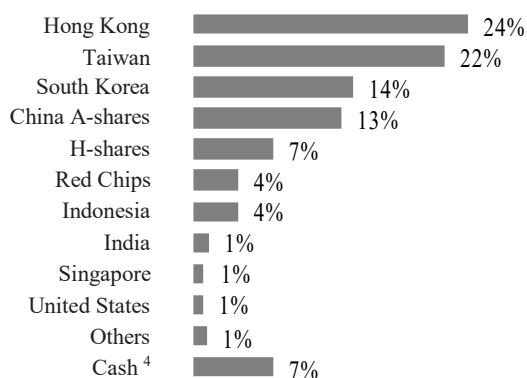
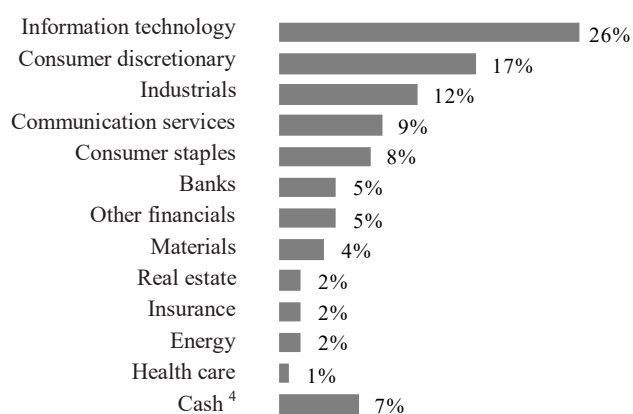
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Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	5.5
Samsung Electronics	Technology hardware & equipment	South Korea	5.2
Tencent	Media & entertainment	Hong Kong	5.0
China Tourism Group Duty Free Corp	Retailing	China A-shares	3.7
ASE Technology Holding	Semiconductors & semiconductor equipment	Taiwan	3.3
China Merchants Bank	Banks	H-shares	3.0
Kweichow Moutai	Food, beverage & tobacco	China A-shares	2.5
Giant Manufacturing	Consumer durables & apparel	Taiwan	2.4
Chinasoft International	Software & services	Hong Kong	2.4
United Microelectronics Corp	Semiconductors & semiconductor equipment	Taiwan	2.3

These holdings made up 35% of the Fund.

No. of holdings : 77

Geographical exposure by listing³**Sector exposure**³**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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