PREMIUM ASIA FUND (ARSN 134 226 029)

SEPTEMBER 2021
2 PAGES

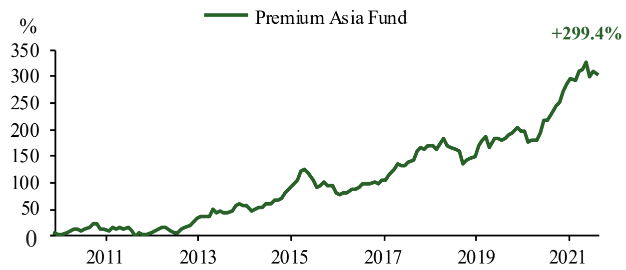
Investment objective

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 40.4 million [2]

Performance since inception [1, 2]



Performance update [1, 2]

	Premium Asia Fund
One month	-1.5%
Three months	-5.8%
Six months	+2.4%
One year	+23.5%
Since inception	+299.4%
Annualised return	+12.4%
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)	+8.4%
2015	+9.2%		

***Unit price:** AUD 1.3770 **Entry price:** AUD 1.3804 **Exit price:** AUD 1.3736*
***Distribution:** AUD 0.3397 (for the year ended 30 June 2021)*

Manager's commentary

Market review

Asian equities were down in September, driven by policy headwinds in China and fears of moderating economic growth globally.

Policy headwinds continue to loom in the China equities market, this time in the property space. The sector has been more regulated since last year by the "three red lines policy" to control the amount of debt developers have. Although most listed property names have complied with the policy, it hit Evergrande, causing concerns that it may pose systematic risks to the country given its size. However, we expect systematic and contagion risks can be contained as the size of developer liabilities is manageable. While a massive bailout does not seem to be the current approach, policymakers may help alleviate Evergrande's problems by potentially restructuring its debt and purchasing discounted assets. Meanwhile, the more recent power supply crunch in China has also led to concerns of domestic economic growth to further moderate.

In Taiwan, the MSCI Taiwan Index was down 4.2%[1]. Fundamentals, however, remained robust. Exports in September again hit a monthly record high of 29.2% YoY, with another record monthly exports in electronic components[2]. Exports of non-technology sectors also continued to be strong. The administration acknowledged that uncertainties continue to loom the horizon, including the spread of the Delta variant globally and the power crunch in China. Nevertheless, it is cautiously optimistic about the export outlook for the rest of the year.

In Korea, the country index was down 6.6% during the month[1]. Investors remain concerned about the rising cases of Delta infections in the country, with strict social distancing measures disrupting domestic economic activity. That said, we are seeing an improvement in the country's vaccination rate. Exports also remained strong in September, rising 16.7% to $55.8 billion[3]. Chip exports advanced 28.2%, on the back of increased mobile demand and high prices for memory chips. Although we continue to be cautious of the market, we see selective opportunities in the tech hardware space, including semiconductors and electric components, on the back of sustained global demand.

After a strong run in August, the Southeast Asia equities market was slightly down in September, with the MSCI ASEAN Index performing -1.8%[1]. Sentiment turned cautious as the lockdowns in recent months may impact third-quarter earnings results. That said, we are seeing an improvement in the region's pandemic situation. Most countries have also started to take concrete steps to reopen, including Malaysia, which is restarting domestic and international travel, and Singapore, which has expanded quarantine-free travel to 11 countries. We continue to monitor the progress of the pandemic and are on the lookout for reopening plays.

Portfolio strategy and outlook

In September, the Fund was down 1.5% (in AUD), outperforming the MSCI AC Asia ex Japan Index's -3.0% (in AUD) performance.

Our holdings in Chinese consumer staples and healthcare names were among the top contributors of the fund. A Chinese white liquor producer contributed as it expects to see quality growth opportunities from its plans to focus on direct sales. On the healthcare front, a leading biotechnology company is set to benefit from the long-term structural growth of China's healthcare sector on the back of its continued development of innovative drugs. Our underweight in Chinese internet names also helped with the Fund's outperformance. The Fund also does not hold Evergrande.

On the flipside, our exposure in regional information technology, industrial and consumer discretionary names detracted. Our holdings in semiconductor names, for example, detracted amid concerns on weaker end-user demand for smartphones, wearables and other products. We maintain the exposure as the persistence of the imbalance demand-supply shall continue to support margins and the robust demand offers great earnings visibility within the technology hardware space. Similarly, our holdings of industrial and consumer discretionary names, including a Chinese power tools and equipment manufacturer and Taiwanese bike manufacturers detracted amid weakening consumption outlook globally.

Although we are underweight in Southeast Asia, we are closely monitoring opportunities in selective reopening plays and new economy sectors, as the markets are starting to show some improvement in their pandemic situation. In the Greater China markets, we expect that market sentiment will take time to recover amid policy overhang in the past few months. Overall, we continue to be selective in our bottom-up approach to investing and favor quality names that have visibility in their earnings and strong balance sheets.

Source:
1. *MSCI, 30 September 2021*
2. *Ministry of Finance (Taiwan), 8 October 2021*
3. *Ministry of Trade, Industry and Energy, South Korea, 1 October 2021*

[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 September 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.*

www.premiumchinafunds.com.au
Tel: (02) 9211 3888 Email: info@premiumchinafunds.com.au

Think Asia
Think Premium

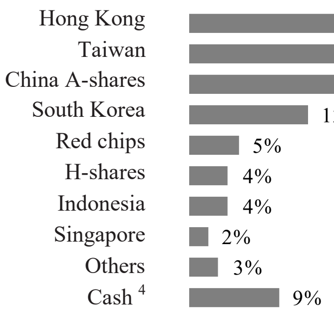
Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	5.3
Samsung Electronics	Technology hardware & equipment	South Korea	4.8
China Tourism Group Duty Free Corp	Retailing	China A-shares	3.8
Tencent	Media & entertainment	Hong Kong	3.3
ASE Technology Holding	Semiconductors & semiconductor equipment	Taiwan	2.8
Giant Manufacturing	Consumer durables & apparel	Taiwan	2.5
Meituan	Retailing	Hong Kong	2.4
United Microelectronics Corp	Semiconductors & semiconductor equipment	Taiwan	2.4
Chinasoft International	Software & services	Hong Kong	2.3
China Mengniu Dairy	Food, beverage & tobacco	Red chips	2.2

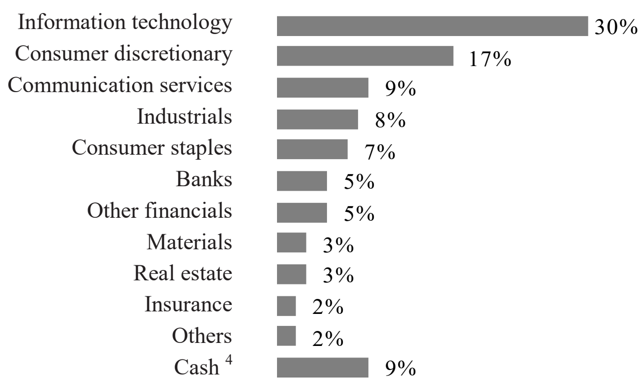
These holdings made up 32% of the Fund.

No. of holdings : 78

Geographical exposure by listing [3]



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

Link to TMD

https://www.premiumchinafunds.com.au/wp-content/uploads/2021/10/Premium_Asia_Fund_EN_AU_1630674977.pdf

[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).*