

PREMIUM ASIA FUND (ARSN 134 226 029)

OCTOBER 2021
2 PAGES

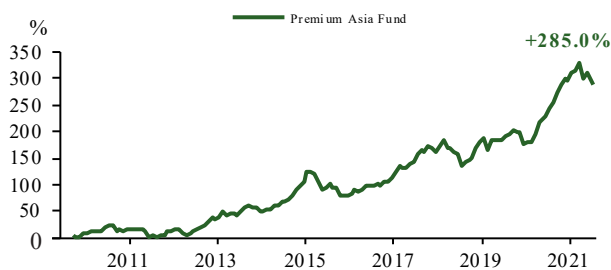
Investment objective

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 39.7 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium Asia Fund
One month	-3.6%
Three months	-2.5%
Six months	-4.9%
One year	+13.2%
Since inception	+285.0%
Annualised return	+12.0%
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)	+4.5%
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 29 October 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 1.3274 Entry price: AUD 1.3307 Exit price: AUD 1.3240
Distribution: AUD 0.3397 (for the year ended 30 June 2021)

Manager's commentary

Market review

Investors continue to be concerned over risks looming in Asia, including the moderating growth and inflationary fears globally.

In Greater China, the equities market gradually stabilized, with investors slowly digesting regulatory risks. Concerns over the property sector slightly eased, as investors expect systemic and contagion risks can be contained. There was also easing sentiment in the internet sector, as President Xi Jinping stressed the importance of the digital economy to China's future development. On the other hand, economic data continued to soften. COVID-19 disruptions and the power shortage have further moderated GDP and PMI numbers, while third quarter earnings results have also pointed to moderated growth. That said, policies have been adjusted to support economic recovery. For example, coal production has been ramped up to ease the power shortage and inflation, while the PBOC has boosted open market operations in recent weeks, injecting more funds into the banking sector.

In Taiwan, the MSCI Taiwan Index was slightly up by 0.6%¹. Exports in October hit another monthly record high, expanding 24.6% YoY². Exports of non-technology sectors were robust, led by mineral products and base metals, which rose 127.1% and 65.2%, respectively. The export increase in base metals, in particular, was the largest in history, driven by high prices of steel and infrastructure needs in various economies. Export momentum also continued for tech-related sectors. Locally, consumption in Taiwan also recovered. In September, the administration recorded that retail trade was up 1.3% YoY, after being down for three consecutive months due to pandemic disruptions³. In particular, retail trade was positive in the e-commerce and motor vehicles categories.

South Korea equities were down 2.3%⁴. Investor sentiment was weakened by rising inflation as the country's CPI hit 3.2%⁴, raising fears of another interest rate hike this year. On the positive side, South Korea's economy is expected to continue its recovery, with the central bank maintaining its growth projection of 4% for the whole year of 2021. Exports remained robust, expanding 24% YoY⁵. Despite slight decreases in DRAM prices, exports of semiconductors gained 28.8%, thanks to strong mobile demand driven by new smartphone models. We continue to see selective opportunities in the tech hardware space, including semis and electric components, on the back of sustained demand globally.

Southeast Asian markets rallied in October, with the MSCI ASEAN Index up 4.4%¹. Investor sentiment was positive as the COVID situation in the region continued to improve, with accelerating vaccination rates, moderating daily infections and more relaxed social distancing and reopening measures. Some countries, particularly Singapore and Thailand, have also taken steps to reopen international borders. In addition, central banks have kept policies accommodative, with interest rates expected to remain low to support economic recovery. We continue to monitor opportunities in the region and favor companies that should benefit from structural growth trends.

Portfolio strategy and outlook

In October, the Fund was down 3.6% (in AUD), underperforming the MSCI AC ex Japan Index's -2.5% (in AUD)¹ performance.

The Fund's exposure to regional technology hardware, including names in South Korea and Taiwan, detracted the portfolio's performance amid the near-term uncertainty in global demand. However, we remain optimistic over the sector longer term as we are constructive on the demand setup for sustained strength given the secular growth of digital transformation. Our underweight in Chinese e-commerce names relative to the benchmark also detracted as the sector rallied from easing sentiment.

While we remain cautious of Chinese e-commerce names, we continue to see long-term opportunities and are selective in the sector. One of our holdings in the space, for example, was among the top contributors of the Fund as it benefited from the less-than-expected amount of antitrust fine it received from regulators, also ending the months-long probe on the company, which offered relief to investors. Meanwhile, our holdings in Chinese names with business exposure to cleaner energy, including solar and wind power, contributed as they are poised to benefit from China's carbon neutrality goals.

While we continue to be underweight in Southeast Asia, we are turning cautiously optimistic towards the region, as we are seeing improvements in the pandemic situation. In Greater China, we are also cautiously optimistic as valuations have become attractive, though policy risks continue to linger in the near- to medium-term. The FOMC meeting in the US and the sixth plenary session of the CPC Central Committee in November could offer more clarity on policy direction. Overall in Asia, stock picking remains crucial, and we maintain our focus on quality names with earnings visibility, including those that should benefit from structural growth trends, including tech leaders, consumer-related names, healthcare, and industrial companies.

Source:

1. MSCI, 31 October 2021
2. Ministry of Finance Taiwan, 8 November 2021
3. Ministry of Economic Affairs, Taiwan, 25 October 2021
4. Bank of Korea, 12 October 2021
5. Ministry of Trade, Industry and Energy, South Korea, 1 November 2021

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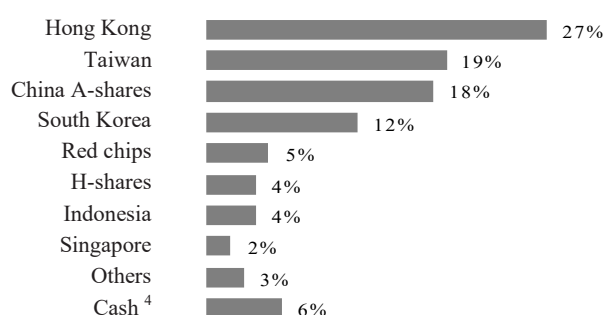
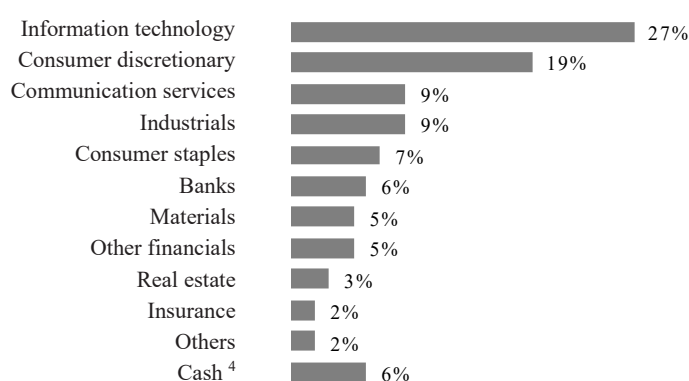
Think Asia
Think Premium

Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	5.3
Samsung Electronics	Technology hardware & equipment	South Korea	4.4
Tencent Holdings Ltd	Media & entertainment	Hong Kong	3.9
China Tourism Group Duty Free Corp	Retailing	China A-shares	3.9
Meituan	Retailing	Hong Kong	3.5
Giant Manufacturing	Consumer durables & apparel	Taiwan	2.5
Chinasoft International	Software & services	Hong Kong	2.3
United Microelectronics Corp	Semiconductors & semiconductor equipment	Taiwan	2.1
China Mengniu Dairy Co Ltd	Food, beverage & tobacco	Red Chips	2.1
Merida Industry Co	Consumer durables & apparel	Taiwan	2.0

These holdings made up 32% of the Fund.

No. of holdings : 84

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

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).

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