

PREMIUM ASIA FUND (ARSN 134 226 029)

DECEMBER 2021
2 PAGES

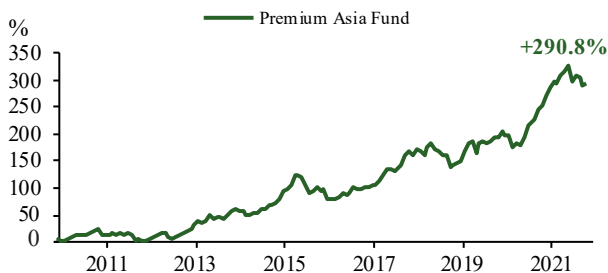
Investment objective

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 41.5 million ²

Performance since inception ^{1, 2}



Performance update ^{1, 2}

	Premium Asia Fund
One month	+0.3%
Three months	-2.2%
Six months	-7.8%
One year	+6.0%
Since inception	+290.8%
Annualised return	+11.9%
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	+6.0%
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 December 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 1.3473 Entry price: AUD 1.3507 Exit price: AUD 1.3439
Distribution: AUD 0.3397 (for the year ended 30 June 2021)

Manager's commentary

Market review

Sentiment towards Asian equities was mixed in December. While investors continue to be concerned over the new Omicron variant, demand globally continued to be resilient, benefitting some markets in the region, especially Taiwan and Korea.

In China, the market remained subdued, with certain cities having increasing local infections during the month, likely impacting domestic activity. On the positive side, there have been signs of targeted easing policies to support economic recovery. The PBOC, for example, had another 50 bp RRR cut during the month and also cut the rates on its one-year loan prime rate. Financial regulators have also encouraged banks to provide loans for M&A in the property market, which should further ease sentiment towards the sector. Acknowledging the headwinds of demand contraction and supply shocks, China's top leaders also signaled a pro-growth stance during the annual Central Economic Work Conference that the country will implement a combination of proactive fiscal policy and prudent monetary policy to achieve steady and quality economic progress in 2022.

Taiwan equities had another strong month, with the MSCI Taiwan Index up 5.2% in December¹. As COVID-19 lockdown measures eased, government subsidies and anniversary sales drove retail consumption up 6.2% in November². Externally, exports in December expanded 23.4% YoY³. Exports of mineral products rose 131.5% YoY amid surging commodity prices. Technology-related sectors also continued export momentum, with the export of electronic components and information technology products increasing 27.5% and 22.4%, respectively.

South Korea's equities market rebounded in December, with the MSCI Korea Index up 6.3%. Externally, exports were up 18.3% YoY in December to US\$60.7 billion⁴. This brings the full-year export figure to reach an all-time high of US\$644.5 billion, a 25.8% increase over the previous year, led by semiconductors and petrochemicals, which were up 29% and 54.8%, respectively. Meanwhile, inflation during the month remained high at 3.7% YoY, bringing the full-year inflation to 2.5%. Risks that we continue to monitor in the market are the path of the central bank's rate hike cycle, as well as the presidential election that will take place in March.

Despite the risks of Omicron, the ASEAN markets were up in December, with the MSCI Asean Index rising 2.3% during the month¹. The markets in the region are expected to catch up as they reopen, and inflation continues to lag the west, with most central banks expected to be patient with interest rate hikes. However, we continue to monitor how the pandemic is impacting the market, as the new variant may pose risks in reopening. We continue to favor resilient companies that ride on structural growth trends, including those that are exposed to the digitalization trend.

Portfolio strategy and outlook

In December, the Fund was up 0.3% (in AUD), slightly outperforming the MSCI AC Asia ex Japan Index's -1.1% (in AUD) performance.

Our holdings in regional technology hardware were among the top contributors of the Fund as they continue to ride on the digitalization wave globally. For instance, our key exposure in a South Korean technology hardware company was among the top contributors, as memory prices were bottoming out, which supports future earnings growth. Our holdings of Taiwan semiconductor companies also yielded positively, benefitting from supply tightness, which we expect to persist in 2022. This should help prop up their average selling prices and drive profit growth. Other hardware manufacturers are also riding on the 5G wave globally and we continue to see ample investment opportunities in the technology hardware sector as 5G applications mature. Our holdings in consumer-related names also yielded positively during the month. In particular, our exposure to Taiwan-based bicycle manufacturers continued to benefit from the rising e-bike trend globally.

On the other hand, a few of our China consumer discretionary stocks were impacted by the softer consumption demand. That said, the consumption contraction headwind should be short-term as pro-growth policies are expected to roll out in 2022, leaving the long-term consumption upgrade trend intact. Our selective exposure in China internet space also dragged the Fund's performance in December. As increased scrutiny over the internet sector continues to moderate the sector's growth outlook, we maintain our cautious view of the sector. Focusing on fundamentals, we remain underweight and selective in this space. Among these, companies with core competitiveness in providing online services should continue to see growth opportunities.

We continue to remain overweight in North Asia, although we are turning cautiously optimistic towards South Asia. As the new Omicron variant continues to cause uncertainty to global recovery, we continue to favor more resilient quality businesses benefitting from long-term growth trends. In South Asia, we remain selective and prefer businesses in the new economy-related sectors. In Greater China, policy risks may continue to linger in the near-to medium term, although we are seeing valuations retreat to undemanding levels. We expect more pro-growth policies to roll out and continue to be constructive on quality names that provide earnings visibility.

Source:

1. MSCI, 31 December 2021

2. Ministry of Economic Affairs, Taiwan, 23 December 2021

3. Ministry of Finance, Taiwan, 7 January 2022

4. Ministry of Trade, Industry and Energy, South Korea, 1 January 2022

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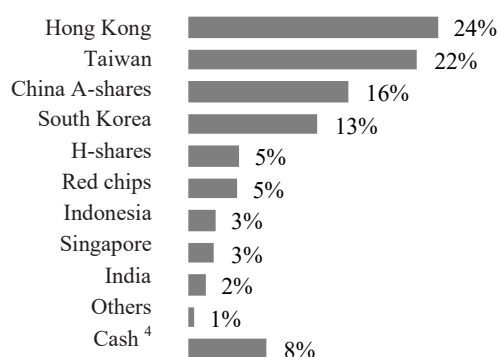
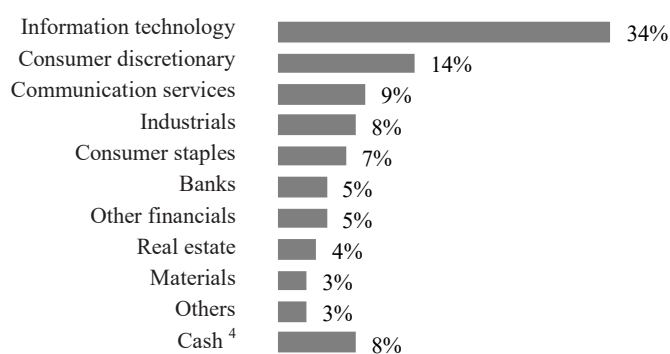
Think Asia
Think Premium

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	3.7
United Microelectronics Corp	Semiconductors & semiconductor equipment	Taiwan	3.3
Giant Manufacturing	Consumer durables & apparel	Taiwan	2.7
Goertek Inc	Technology hardware & equipment	China A-Shares	2.4
Merida Industry Co	Consumer durables & apparel	Taiwan	2.3
Meituan	Retailing	Hong Kong	2.2
Vanguard International Semiconductor Corp	Semiconductors & semiconductor equipment	Taiwan	2.0
HKBN	Telecom services	Hong Kong	1.9

These holdings made up 31% of the Fund.

No. of holdings : 83

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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