

PREMIUM CHINA FUND (ARSN 116 380 771)

JANUARY 2010
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Investment objective

The Premium China Fund is a managed investment scheme which invests primarily in companies listed in Hong Kong, companies listed in Mainland China, companies listed in Taiwan and companies listed on other stock exchanges but with significant assets, investments, production activities, trading or other business interests in the Greater China region, or which derive a significant part of their revenue from the Greater China region.

Fund facts

Investment type:	Registered managed investment scheme
Jurisdiction:	Australia
Manager:	Sensible Asset Management Limited
Sub-investment Manager:	Value Partners Limited
Responsible entity:	Macquarie Investment Management Ltd
Custodian:	JP Morgan
Auditor:	Pricewaterhouse Coopers
Launch date:	28 October 2005
Fund size:	AUD 382.99 million

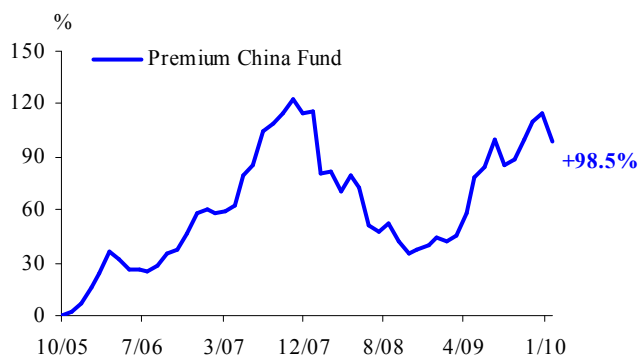
Annual return since launch[#]

2005 (Since Inception)	+7.0%	2008	-35.0%
2006	+48.0%	2009	+53.8%
2007	+36.1%	2010 (Year-to-date)	-7.8%

Unit price: AUD 1.6153

Distribution: AUD 0.113073 (for the year ended 30 June 2009)

Performance since launch



Performance update[#]

	Premium China Fund	MSCI China Free Index*
One month	-7.8%	-7.5%
Three months	-1.0%	-1.3%
Six months	-0.9%	-9.4%
Year-to-date	-7.8%	-7.5%
One year	+37.1%	+18.6%
Since launch	+98.5%	+92.4%
Annualized return	+17.1%	+16.3%
Annualized volatility	19.7%	25.8%

Volatility is a measure of theoretical risk. In general, the lower the number, the less risky the investment.

Manager's commentary

Mounting concerns about monetary tightening policies which could be widely adopted by the region's central banks gripped the Asian markets. To curb inflation risks which might be accelerated by strong economic growth and credit expansion, the Beijing government has implemented tightening measures including a reserve requirement ratio hike and lending guidance. Possible continuous fundraising from major Chinese banks to boost their capital adequacy ratio also weighed on the markets. Index heavy-weight stocks in China banking, property, insurance and energy shares suffered amid of the temporary market jolt.

The latest data coming out from China have shown the economy has been expanding at a continued strength. Buoyed by 9.59 trillion Yuan new loans, China's GDP expanded 10.7% in the 4th quarter of 2009 year-on-year, the fastest pace since 2007, bringing a full-year growth to 8.7%. Industrial production climbed 18.5% year-on-year in December and retail sales growth accelerated. This put pressure on consumer prices which rose 1.9% monthly in December.

Instead of an outright shift of policy, the central government took the right move to slow down its stimulus pace. Indeed, the government has reiterated its long-term upward trajectory remains intact despite the recent global crisis. Coincidentally, the International Monetary Fund raised its economic growth forecast for China to 10% in 2010, from 9% previously.

Looking forward, we believe the Chinese government will continue to strike a balance among promotion of steady and fast growth, readjustment of economic structure and proper management of inflation risks. Vice Premier Li Keqiang reaffirmed the nation's "proactive fiscal policy" and "moderately loose" monetary policy, as well as to place domestic consumption as a vital role to shift away the country's reliance on exports and investments as major growth-drivers. Implementing structural changes on different industries have also become another top priority for the central government to rein in overcapacity in steel and cement amid a surge in bank lending. In a nutshell, China will stay course with flexibility.

[#]Source: Macquarie Investment Management Limited and Bloomberg, in AUD, NAV to NAV. Performance data is net of all fees.

*MSCI China Free Index converted into AUD.

Unless specified, all information contained on this report is quoted as at 29 January 2010.

Investment involves risks. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the Product Disclosure Statement for details and risk factors in particular those associated with investment in emerging markets.

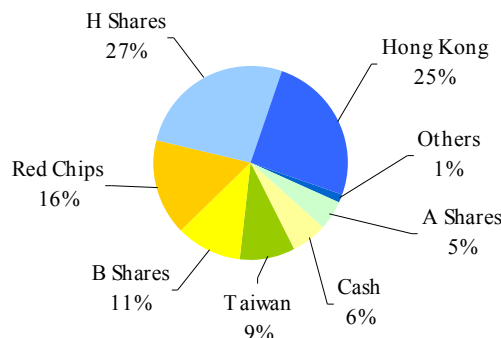
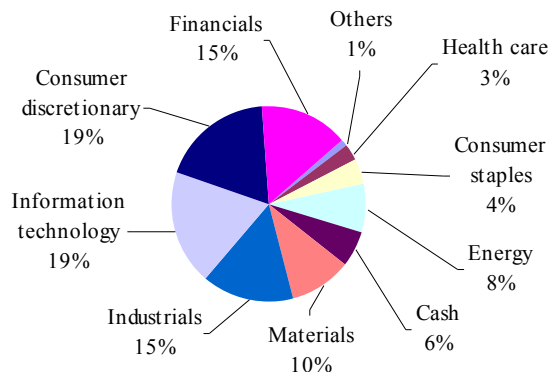
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Top 10 security holdings

Name	Industry [^]	%
CNOOC	Energy	3.6
Dongfeng Motor Group	Automobiles & components	3.3
Kingboard Chemical	Technology, hardware & equip	3.3
Compal Electronics	Technology, hardware & equip	2.9
PetroChina	Energy	2.3
China Construction Bank	Banks	2.2
Hon Hai Precision Industry	Technology, hardware & equip	2.1
China Vanke	Real estate	2.1
Yantai Changyu Pioneer Wine	Food, beverage & tobacco	2.0
Belle International	Retailing	2.0

These holdings made up 26% of the Fund.

Geographical exposure by listing**Sector exposure [^]****Portfolio characteristics**

As at 29 January 2010	2010 ⁺
Price/earnings ratio	14.2 times
Price/book ratio	2.4 times
Dividend yield	2.6 %
Number of securities	85

⁺The above profile is based on market consensus forecast as derived from I/B/E/S and Bloomberg. Note that the manager's internal estimates may differ significantly from I/B/E/S and Bloomberg estimates.

[^]Classification is based on Global Industry Classification Standard (GICS).

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Fee Structure

Management fee	2.00% p.a. of Net Asset Value
Performance fee	15% of outperformance of the fund over MSCI China Free (High-on-high principle)
Transaction costs	Buy: +0.25% of unit price for applications Sell: -0.25% of unit price for Redemptions
Minimum subscription	Dependant on IDPS provider / AUD \$25k direct
Dealing frequency	Daily

A selection of awards & ratings**Sub-Investment Manager
Investment Team**

Chairman & Chief Investment Officer: Cheah Cheng Hye
Deputy Chief Investment Officers:
 Renee Hung Yeuk Yan, BSc; Louis So Chun Ki, MCom.
Senior Fund Managers:
 Chau Yee Man, CFA & CPA; Fawaz Habel; Norman Ho Man Kei, CFA

**Think Asia
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