

PREMIUM ASIA FUND (ARSN 134 226 029)

AUGUST 2020
2 PAGES

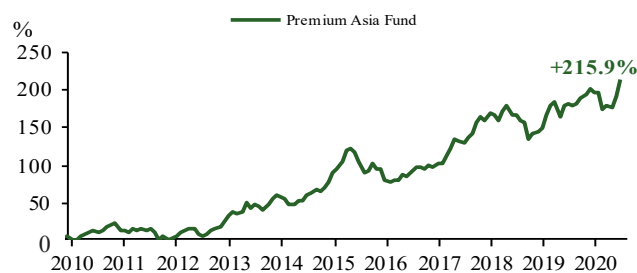
Investment objective

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 33.3 million ²

Performance since inception^{1,2}



Performance update^{1,2}

	Premium Asia Fund
One month	+0.9%
Three months	+14.6%
Six months	+7.0%
One year	+13.5%
Since inception	+215.9%
Annualised return	+11.3%
Annualised volatility	13.0%

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%	2015	+9.2%
2010	+9.2%	2016	+2.0%
2011	-9.9%	2017	+31.8%
2012	+22.1%	2018	-6.1%
2013	+29.3%	2019	+23.3%
2014	+12.1%	2020 (YTD)	+5.4%

Unit price: AUD 1.3422 Entry price: AUD 1.3456 Exit price: AUD 1.3389
Distribution: AUD 0.0696 (for the year ended 30 June 2020)

Manager's commentary

Market review

In August, the economic recovery carried on. While the second quarter earnings season is drawing to a close, Asian corporate earnings revision remains resilient.

China's manufacturing Purchasing Managers' Index remained in an expansionary territory of above 50¹. Meanwhile, the uptick in sentiment for the services sector quickened the expansion, supporting the non-manufacturing sectors. With its recovery ahead of the curve, China is expected to continue to attract capital inflows as liquidity is abundant.

In Taiwan, the officials revised downward the economic forecast to a 1.6%² yearly growth, down 0.1 percentage point from the previous estimate. Moreover, the authorities expect the exports of electronic components and information technology to remain stable. In August, technology hardware exports reached its new high, up around 20% year-on-year³.

Over to South Korea, the factory activities reflected only a modest deterioration in August, gradually improving from the previous months. The Purchasing Managers' Index rose to 48.5⁴ in August, the highest reading since February. Moreover, a resurgence in domestic COVID-19 cases, posting triple-digit daily counts around the end of August, could disturb the recovery path. The Bank of Korea revised down its 2020 growth forecast to a 1.3%⁵ contraction.

Portfolio strategy and outlook

In August, the MSCI Asia (ex-Japan) Index increased 0.4%⁶ (in AUD) while the Fund grew 0.9% (in AUD).

The consumer-related companies led the fund performance. The online spending preference during the pandemic accelerated the digitization, forming a tailwind for the e-commerce sector in China and Hong Kong. Thus, our core e-commerce holdings became major beneficiaries and rallied on earnings results. The Chinese baijiu makers and a leading instant noodle manufacturer also delivered strong earnings, following a continuous direction of consumption upgrade.

On the flip side, the escalated U.S.-China tensions weighed on our technology hardware exposure in Taiwan, making them the key detractors from fund performance. We expect this diplomatic uncertainty to be a near-term overhang for the sector, but remain confident that the geopolitical factors do not derail the structural growth for 5G and technology-related products.

The strong market performance since March has driven equity valuation higher, and the U.S.-China trade talk could induce volatility in the medium term. Meanwhile, the ample liquidity in the system shall continue to lend support to equity markets. We suggest that our emphasis on a bottom-up stock-picking approach would be more rewarding in an uneven recovery path.

Source:

1. National Bureau of Statistics of China, 31 August 2020
2. Directorate General of Budget, Accounting and Statistics, 14 August 2020
3. Ministry of Finance, Republic of China (Taiwan), 7 September 2020
4. IHS Markit, 1 September 2020
5. The Bank of Korea, 27 August 2020
6. MSCI, 31 August 2020

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 August 2020. 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.

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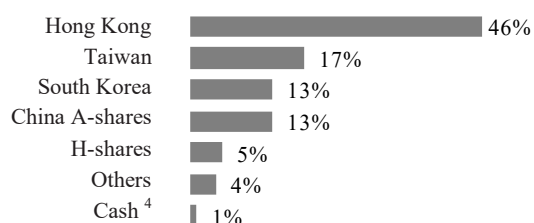
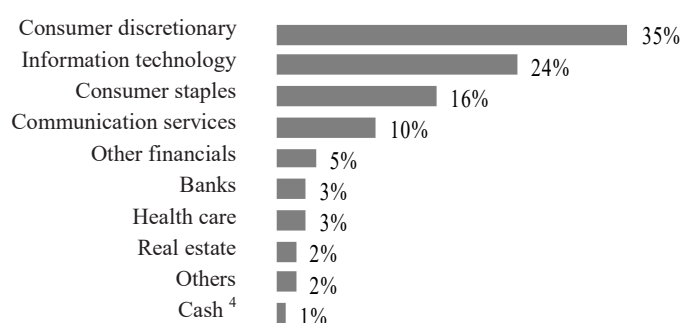
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Top 10 holdings

Name	Industry	Listing	%
Alibaba Group	Retailing	Hong Kong	8.5%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	7.7%
Tencent	Media & entertainment	Hong Kong	7.4%
Samsung Electronics	Technology hardware & equipment	South Korea	6.2%
Kweichow Moutai	Food, beverage & tobacco	China A-shares	4.8%
Wuliangye Yibin	Food, beverage & tobacco	China A-shares	4.2%
Hong Kong Television Network	Retailing	Hong Kong	3.6%
China Xinhua Education Group	Consumer services	Hong Kong	3.1%
JD.com	Retailing	Hong Kong	2.8%
ITEQ	Technology hardware & equipment	Taiwan	2.7%

These holdings made up 51% of the Fund.

No. of holdings : 65

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; Michelle Yu, CFA; Yu Xiao Bo

Senior Fund Managers:

Anthony Chan, CFA; Kelly Chung, CFA; Doris Ho; Glenda Hsia; Amy Lee, CFA, CAIA; Luo Jing, CFA; Frank Tsui; Yu Chen Jun

³ Exposure refers to net exposure (long exposure minus short exposure). With immediate effect, 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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