

# PREMIUM ASIA FUND (ARSN 134 226 029)

DECEMBER 2020  
2 PAGES

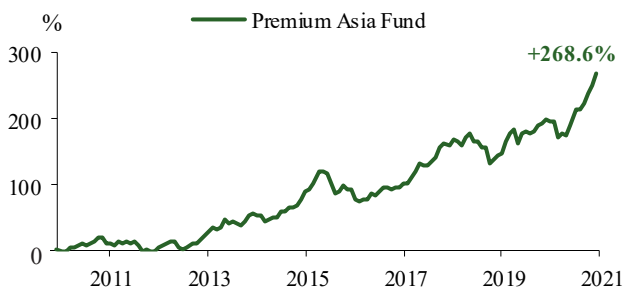
## Investment objective

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 39.4 million <sup>2</sup>

## Performance since inception<sup>1,2</sup>



## Performance update<sup>1,2</sup>

	Premium Asia Fund
One month	+5.3%
Three months	+13.9%
Six months	+27.0%
One year	+23.0%
Since inception	+268.6%
Annualised return	+12.5%
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<sup>1,2</sup>

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)	+23.0%

Unit price: AUD 1.5659 Entry price: AUD 1.5698 Exit price: AUD 1.5620  
Distribution: AUD 0.0696 (for the year ended 30 June 2020)

## Manager's commentary

### Market review

Optimism for Asia ex-Japan equities continued in December and upward earnings revision momentum ended the year on a strong note.

China's official Purchasing Managers' Index held up well in December despite a modest slippage in both manufacturing and services segments. The headline index for factory activities slid to 51.9 from 52.1 in November but remained in the expansionary terrain for 10 months in a row<sup>1</sup>.

The MSCI Taiwan Index rallied another 10.0%<sup>2</sup> this month, on the back of the sustained upbeat export performance and foreign capital inflows. The tech-related order momentum and the demand recovery in the non-tech segments both contributed to the new high of Taiwan export volume, which is up 12.0% year-on-year<sup>3</sup>. The government expects 1Q21 exports to grow steadily due to additional capacity in advanced technology and inventory stocking demand for electronic appliances before the Chinese New Year.

Over to Korea, macro improvements extended to December, with improvements in factory activities and exports ending on a high note. As a meaningful recovery is due, the Bank of Korea projects the economy to grow 3.0% in 2021<sup>4</sup>. Moreover, low interest rates and sufficient market liquidity foster our optimism towards quality Korean equities.

### Portfolio strategy and outlook

The Fund increased 5.3% (in AUD) and the MSCI Asia ex Japan Index was up 2.0% (in AUD)<sup>2</sup>.

Within China, our core consumption related holdings extended the positive momentum to December. In particular, a Chinese e-commerce platform is expected to maintain a robust growth outlook heading into 2021, while the baijiu holdings continued to enjoy robust demand and price hikes. Another key contributor is China's leading duty-free shop operator, which we recently added to the portfolio. The company benefits from favorable government policies and the reshoring consumption trend.

Also, technology hardware demand showed no signs of deceleration. This resulted in another month of strong performance from our top holdings in Taiwan's largest semiconductor foundry and the world's leading Korean flash memory chip maker. As a result, the two companies continue to be the top performers.

The 2021 outlook for equities is benign under accommodative policy, recovering earnings, and nascent vaccine adoption. Asian equities, especially China-related companies, are expected to lead the growth. Profit growth derived from old and new economy sectors is expected to be more balanced this year.

Source:

- National Bureau of Statistics, People's Republic of China, 31 December 2020
- MSCI, 31 December 2020
- Ministry of Finance, Republic of China (Taiwan), 8 January 2021
- The Bank of Korea, 17 December 2020

<sup>1</sup> Past performance is not indicative of future results.

<sup>2</sup> 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 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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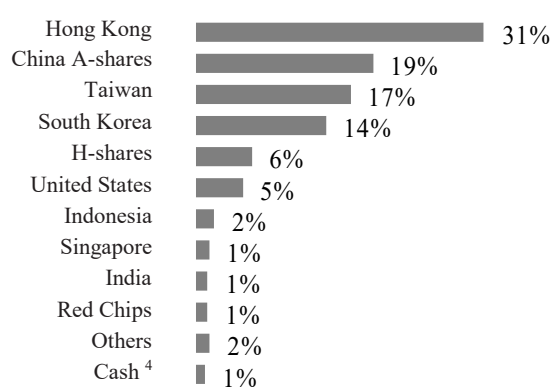
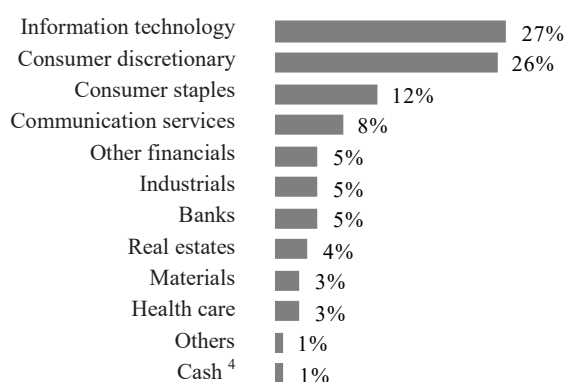
Think Asia  
Think Premium

**Top 10 holdings**

Name	Industry	Listing	%
Samsung Electronics	Technology hardware & equipment	South Korea	7.7%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	6.3%
Tencent	Media & entertainment	Hong Kong	6.2%
China Tourism Group Duty Free Corp	Retailing	China A-shares	5.6%
Pinduoduo	Retailing	United States	3.9%
Kweichow Moutai	Food, beverage & tobacco	China A-shares	3.8%
Jinke Smart Services Group	Real estate	Hong Kong	3.1%
Wuliangye Yibin	Food, beverage & tobacco	China A-shares	2.8%
China Merchants Bank	Banks	H-shares	2.5%
China Xinhua Education Group	Consumer services	Hong Kong	2.5%

These holdings made up 44% of the Fund.

No. of holdings : 76

**Geographical exposure by listing<sup>3</sup>****Sector exposure<sup>3</sup>****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:**

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

<sup>3</sup> 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.

<sup>4</sup> Cash includes receivables and payables (except cash for collaterals and margins).

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