

PREMIUM ASIA INCOME FUND (ARSN 151 270 423)

DECEMBER 2020
2 PAGES

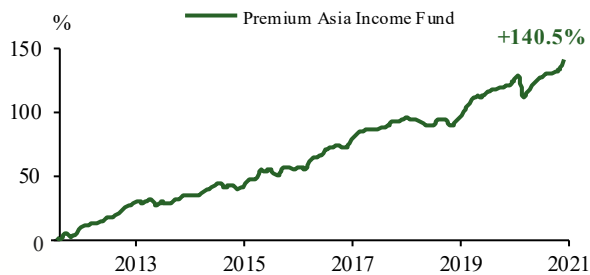
Investment objective

The Premium Asia Income Fund is a managed investment scheme seeking current income and some capital appreciation by investing mostly in a diversified portfolio of high yielding, sub investment grade securities and non-rated securities across a range of markets in Asia and the Middle East (the "Region"). The Fund may invest in sovereign debt and corporate debt issued by companies with main operations in or majority of their income derived from the Region. The Fund is expected to be hedged in Australian dollars within a range of 0% to 100% of the Fund's net asset value.

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:	MAQ0782AU
Inception date:	31 August 2011
Fund size:	AUD 50.1 million ²
Dividend distribution:	Quarterly ¹

Performance since inception* ²



Performance update* ²

	Premium Asia Income Fund
One month	+3.3%
One year	+8.9%
Since inception (including distribution)	+140.5%
Annualised return	+9.9%
Annualised volatility	5.7%
Distribution (since inception)	127.9%

* Past performance is not indicative of future results.

Portfolio characteristics

As at 31 December 2020	
Cash yield	6.81%
Yield to maturity / put ³	7.68%
Time to maturity, years	2.76
Modified duration, years	2.08
Number of bond positions	61

¹ Normally, the Fund expects to make distributions out of its income on a quarterly basis, and out of its net capital gains annually after the end of June; the actual distribution an investor may receive is not guaranteed and dividend history is presented for reference only. 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 2020. ³ Including FX hedge. Investment involves risks. Investors should read the Product Disclosure Statement for details and risk factors in particular those associated with investment in sub-investment grade securities and emerging markets.

Unit Price: AUD 1.1253 Entry Price: AUD 1.1310 Exit Price: AUD 1.1197
Distribution: AUD 0.0171 (for the quarter ended 31 Dec 2020)

Manager's commentary

Portfolio Review:

Asian credits finished the year with a stable and supportive tone in December, with lower-rated credits outperforming the higher-quality ones. The U.S. Treasury return was between flat and slightly negative. In our portfolio, Chinese property names continued to post steady performance, and certain names in Indonesia and the Chinese industrial sector also added to performance. For the year, the majority of the Asian credit performance was predominantly from the massive U.S. Treasury rally. On a credit spread basis, it has only posted moderate performance.

Strategy:

In December, the portfolio's AUD currency hedge was 94.0%. We will continue to monitor the AUD exposure and adjust our currency hedge as we see fit.

Outlook:

Year 2021 could be a year of normalization. We expect a benign global risk backdrop and consistent low yields in developed markets to serve as a catalyst to drive global flow into Asian credits, in particular the high yield market. Asian credit spreads remain wider than at the beginning of the year. These wide credit spreads could serve as a potential driver for spread compression in 2021. That said, the global economy is still fragile and the world's political landscape is still very sensitive to rising populism domestically and geopolitical risks regionally. We will stick to our strategy to focus on strong income generation and liquidity management as we navigate through a time of market uncertainty.

Product composition

	%
Straight bond	83.6
Convertible bond	10.8
Cash	3.1
FX hedges	2.6

www.premiumchinafunds.com.au
Tel: (02) 9211 3888 Email: info@premiumchinafunds.com.au

Think Asia
Think Premium

Annual performance since inception* 2

Year	2011 (August)	2012	2013	2014	2015	2016	2017	2018	2019	2020 (YTD)
Performance	+2.4%	+22.5%	+6.2%	+3.9%	+11.6%	+11.3%	+12.4%	-1.0%	+15.4%	+8.9%

* Past performance is not indicative of future results.

Top 10 holdings

Name	Sector	Country	%
GLP China	Transportation	China/Hong Kong	3.3
New Metro Global	Real estate	China/Hong Kong	3.3
EHI Car Services	Transportation	China/Hong Kong	3.3
Wynn Macao	Consumer services	Macao	3.0
Evergreen Marine	Transportation	Taiwan	2.9
Melco Resorts	Consumer services	China/Hong Kong	2.7
Peak Re	Capital goods	China/Hong Kong	2.6
GLP Pte	Transportation	Singapore	2.6
China Huaneng	Utilities	China/Hong Kong	2.6
China Hongqiao	Materials	China/Hong Kong	2.5

Country allocation

China/Hong Kong	75%
Macao	4%
Singapore	3%
Taiwan	3%
Indonesia	2%
Korea	2%
Cash & FX hedge	11%

Industry exposure

Real Estate	38%
Transportation	13%
Consumer Services	7%
Capital Goods	6%
Retailing	6%
Software & Services	4%
Utilities	4%
Technology Hardware & Equipment	3%
Materials	3%
Health Care Equipment & Services	2%
Energy	2%
Others	2%
Cash & FX hedge	11%

Currency breakdown

AUD	94%
USD	3%
EUR	2%
SGD	1%

Credit ratings

B & Below	30%
BB	29%
NR	16%
BBB	10%
A	5%
AAA	5%
Cash	6%

Dividend history¹

Ex-dividend date	Ex-dividend date NAV (AUD)	Dividend amount / unit (AUD)
31 Dec 2020	1.1253	0.017137
30 Sep 2020	1.0869	0.016552
30 Jun 2020	1.0810	0.068941
31 Mar 2020	1.0836	0.016502
31 Dec 2019	1.1499	0.017511
30 Sep 2019	1.1463	0.017455
30 Jun 2019	1.1361	0.018285
29 Mar 2019	1.1228	0.017099
31 Dec 2018	1.0590	0.016127
28 Sep 2018	1.0868	0.016550
30 Jun 2018	1.0749	0.016369
29 Mar 2018	1.1210	0.022878

Fee structure

Management fee	1.13% p.a. of Net Asset Value
Performance fee	No performance fee
Transaction costs	Buy: +0.50% of unit price for applications Sell: -0.50% of unit price for redemptions
Minimum subscription	Dependent on IDPS provider / AUD 25,000 direct
Dealing frequency	Daily

Value Partners - Senior investment staffs**Co-Chairmen & Co-Chief Investment Officers:**

Cheah Cheng Hye; Louis So

Senior Investment Directors: Norman Ho, CFA; Renee Hung*Fixed income investment team:***Chief Investment Officer, Fixed Income:** Gordon Ip, CFA**Senior Fund Managers:** Elaine Hu; Edwin Kam, CFA

Due to rounding, percentages shown may not add up to 100%.

Disclaimer: This report is issued by Premium China Funds Management ("Premium") for general information purposes only and does not take into account the investment objectives, financial situation or needs of any particular investor. Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 AFSL No. 240975, is a subsidiary of EQT Holdings Limited, a publicly listed company on the Australian Securities Exchange (ASX:EQT), is the Responsible Entity of the Premium Asia Income Fund ("Fund"). The comments contained herein are expressions of belief only and should not be relied upon as authoritative or without the recipient's own independent verification or in substitution for the exercise of judgment by any recipient, and are subject to change without notice. Financial data herein are obtained from sources believed to be reliable. The views expressed are the views of Value Partners Hong Kong Limited ("Value Partners") and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. All materials have been obtained from sources believed to be reliable, but their accuracy is not guaranteed. This material contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

Neither Premium, Value Partners, Equity Trustees, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this report or accepts liability to any person who relies on it.

Think Asia
Think Premium