

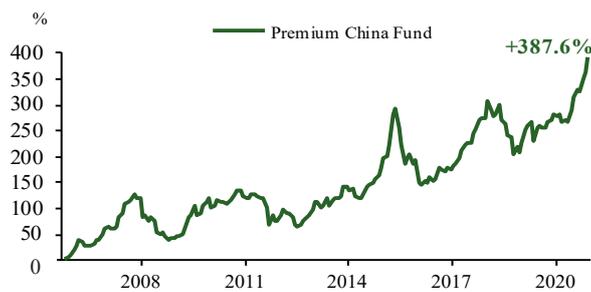
Investment objective

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
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:	MAQ0441AU
Inception date:	28 October 2005
Fund size:	AUD 149.9 million ²

Performance since inception^{1,2}



Performance update^{1,2}

Premium China Fund	
One month	+6.6%
Three months	+15.8%
Six months	+26.9%
One year	+28.6%
Since inception	+387.6%
Annualised return	+11.0%
Annualised volatility	17.9%

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

Annual return since inception^{1,2}

2005 (Since inception)	+7.0%	2013	+21.9%
2006	+48.0%	2014	+15.5%
2007	+36.1%	2015	+4.9%
2008	-33.6%	2016	-6.2%
2009	+50.2%	2017	+37.0%
2010	+2.3%	2018	-17.9%
2011	-21.2%	2019	+24.0%
2012	+13.1%	2020 (YTD)	+28.6%

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 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.

Unit price: AUD 3.2842 Entry price: AUD 3.2924 Exit price: AUD 3.2760
Distribution: AUD 0.0129 (for the year ended 30 June 2019)

Manager's commentary

Market review

The performance uptick in China equities is unshaken given the assuring macro setup.

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 remains in the expansionary terrain for 10 months in a row¹.

Towards the end of December, the People's Bank of China hinted a gradual and flexible counter-cyclical tightening in view of the continued credit growth and macro improvements. The central bank emphasized a necessary level of support in the system. Moreover, the upward earnings revision among Chinese companies has reached an historical high, supporting the market sentiment into 2021.

Portfolio review and outlook

The Fund grew 6.6% (in AUD) due to strong performance and currency hedging gain. In comparison, the MSCI China Index lost 1.9%² (in AUD), due to the AUD appreciation against the U.S. dollar in December.

Our consumer-related holdings continued to thrive along China's path to normalization and contributed positively in December. Our core exposure to e-commerce platforms is expected to maintain its robust growth outlook heading into 2021. Meanwhile, our core position in the baijiu names continue to enjoy robust demand and price hikes. This month, we also added a leading duty-free operator in China to the portfolio, which contributed significantly during the month. The company benefits from favorable government policies and the trend of consumption reshoring to the mainland. Another key contributor to performance, a top holding in China's leading biotech company rallied as the price cut overhang was removed and its potential to tap into the overseas market surfaced.

In 2021, Chinese companies are expected to lead growth in Asia. With its recovery ahead of the curve, China's economic growth will be more robust and balanced between the old and the new economy. After the strong rally in 2020, we continue to prefer a bottom-up stock picking approach and be selective.

Source:

- National Bureau of Statistics, People's Republic of China, 31 December 2020
- MSCI, 31 December 2020

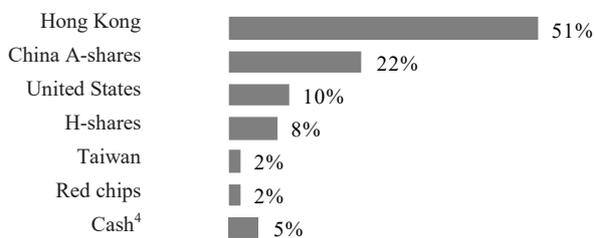
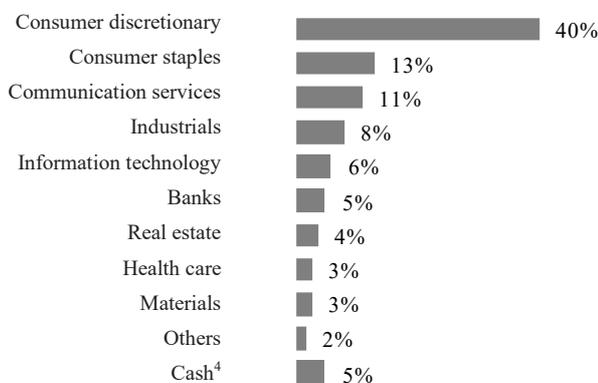
Top 10 holdings

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	10.8
Pinduoduo Inc	Retailing	United States	8.6
China Tourism Group Duty Free	Retailing	China A-shares	5.6
Meituan	Retailing	Hong Kong	5.1
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	5.1
China Merchants Bank Co Ltd	Banks	H-shares	3.9
Jinke Smart Services Group Co	Real estate	Hong Kong	3.2
Wuliangye Yibin Co Ltd	Food, beverage & tobacco	China A-shares	3.1
Nissin Foods Co Ltd	Food, beverage & tobacco	Hong Kong	3.0
Innovent Biologics Inc	Pharmaceuticals, biotechnology & life sciences	Hong Kong	2.9

These holdings made up 51% of the Fund.

No. of holdings : 44

Level of currency hedge : 58.3%

Geographical exposure by listing³**Sector exposure³****Fee structure**

Management fee	2.30% 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	Dependent on IDPS provider / AUD 25,000 direct
Dealing frequency	Daily

Senior investment staffs**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

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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