

PREMIUM ASIA FUND

AUGUST 2021
2 PAGES

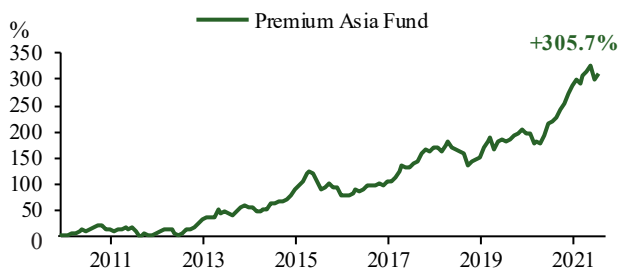
Investment objective

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 40.0 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium Asia Fund
One month	+2.7%
Three months	-1.4%
Six months	+2.9%
One year	+28.4%
Since inception	+305.7%
Annualised return	+12.7%
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 ^{1,2}

2009 (Since inception)	+1.2%	2016	+2.0%
2010	+9.2%	2017	+31.8%
2011	-9.9%	2018	-6.1%
2012	+22.1%	2019	+23.3%
2013	+29.3%	2020	+23.0%
2014	+12.1%	2021 (YTD)	+10.1%
2015	+9.2%		

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 2021. 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.

Unit price: AUD 1.3986 Entry price: AUD 1.4021 Exit price: AUD 1.3951
Distribution: AUD 0.3397 (for the year ended 30 June 2021)

Manager's commentary

Market review

Asia equities were up in August, driven by improving sentiment in most markets as the Fed maintained its accommodative stance.

In China, the regulatory clampdown is expected to drive market concerns in the near term as it could take months for policy overhang to settle. While we expect short-term volatility to continue, the earnings seasons that started last month can help drive sentiment recovery. So far, second quarter earnings were robust and company fundamentals remained resilient, indicating that businesses are on track with the recovery path.

Taiwan's equities market was up, with the MSCI Taiwan Index performing 4.5%¹. Overall exports in August again hit a monthly record high, up 26.9% YoY, with record monthly records in electronic components². This was driven by the continued strong demand for chips and the effect of rising prices of related products. The Taiwan administration estimates that full-year GDP to be at 5.9%, which is about 0.4 percentage points higher than the previous forecast, driven by exports and investments³.

Sentiment was muted in South Korea, with the MSCI Korea Index down 1.6%¹. Investors continued to be concerned about the ongoing spread of the Delta variant in the country, while Bank Korea's (BOK) move to raise interest rates by 25bps to 0.75%⁴ further dampened sentiment. Investors also took profit on memory names amid weaker demand outlook for DRAM, which has led to a downward revision on pricing expectation.

Southeast Asia markets rebounded last month, with the MSCI ASEAN index rising 5.9%¹. Sentiment improved on the back of declining COVID cases in some markets. The market also benefited as investors shied away from China's technology market and shifted to ASEAN's growing tech sector. Indonesia, for example, had its first listing of an e-commerce company in the country. We remain cautiously optimistic about the market and continue to monitor the progress of the pandemic.

Portfolio strategy and outlook

In August, the Fund and the MSCI AC Asia ex Japan Index were up 2.7% (in AUD) and 2.9% (in AUD)¹, respectively.

Our holdings in industrial companies in China were among the top contributors of the fund. A Chinese shipping company announced solid earnings results, supported by the addition of newly acquired terminals and new shipping routes in the first half of 2021, while a power tools and equipment manufacturer delivered robust results and strong margin expansion, leading to a re-rating of the stock. Other key contributors include Chinese financials and our Taiwanese semiconductor manufacturers. Our Chinese financials holdings rose on the back of good results and stable asset quality, while the Taiwanese semiconductor manufacturers grew on the back of continued strong global demand.

On the flipside, our exposure to South Korean names was among the detractors of the fund, as investor sentiment in the market was dampened by the pandemic and BOK's move. Our core holding in a leading tech hardware manufacturer in the country detracted amid the weaker DRAM demand outlook. We believe beyond the short-term modest downcycle, upcycle is set to resume backed by the secular growth of data computation and consumption. In addition, some of our Chinese healthcare and consumption holdings were still under the impact of policy overhang and virus resurgence.

We continue to focus on North Asia for its better economic backdrop and are selective in South and Southeast Asia as vaccination rates climb in these markets. In the Greater China markets, although short-term volatility may continue amid policy rollouts, selective sectors continue to benefit from normalization with a strong earnings outlook. Overall, we continue to focus on quality companies that have strong balance sheets and a stable earnings outlook.

Source:

1. MSCI, 31 August 2021

2. Ministry of Finance (Taiwan), 7 September 2021

3. Directorate-General of Budget, Accounting and Statistics (Taiwan), 13 August 2021

4. Bank of Korea, 26 August 2021

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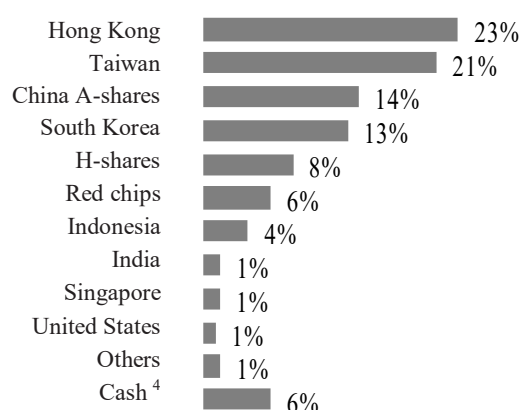
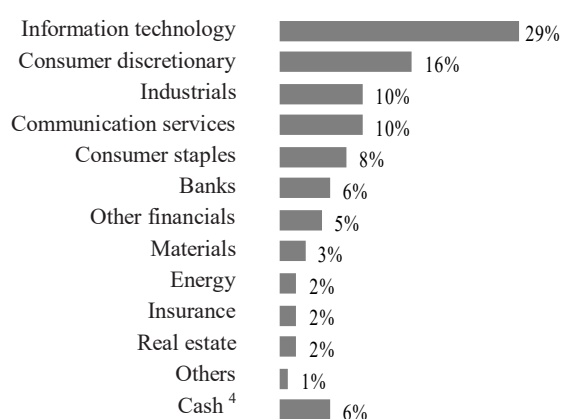
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Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	5.6
Samsung Electronics	Technology hardware & equipment	South Korea	5.0
ASE Technology Holding	Semiconductors & semiconductor equipment	Taiwan	3.4
Tencent	Media & entertainment	Hong Kong	3.4
China Tourism Group Duty Free Corp	Retailing	China A-shares	3.3
China Merchants Bank	Banks	H-shares	3.1
Giant Manufacturing	Consumer durables & apparel	Taiwan	2.7
Meituan	Retailing	Hong Kong	2.4
United Microelectronics Corp	Semiconductors & semiconductor equipment	Taiwan	2.4
Kweichow Moutai	Food, beverage & tobacco	China A-shares	2.2

These holdings made up 34% of the Fund.

No. of holdings : 78

Geographical exposure by listing³**Sector exposure**³**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; Yu Chen Jun; Michelle Yu, CFA

Senior Fund Managers:

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

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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