

PREMIUM CHINA FUND (ARSN 116 380 771)

MARCH 2021
2 PAGES

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 146.5 million ²

Performance since inception ^{1,2}



Performance update ^{1,2}

	Premium China Fund
One month	-3.0%
Three months	-0.6%
Six months	+15.1%
One year	+33.5%
Since inception	+384.5%
Annualised return	+10.8%
Annualised volatility	17.8%

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%	2014	+15.5%
2006	+48.0%	2015	+4.9%
2007	+36.1%	2016	-6.2%
2008	-33.6%	2017	+37.0%
2009	+50.2%	2018	-17.9%
2010	+2.3%	2019	+24.0%
2011	-21.2%	2020	+28.6%
2012	+13.1%	2021 (YTD)	-0.6%
2013	+21.9%		

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 March 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.

Unit price: AUD 3.2633 Entry price: AUD 3.2714 Exit price: AUD 3.2551
Distribution: AUD 0.0129 (for the year ended 30 June 2019)

Manager's commentary

Market review

In March, changing inflation expectations and policy tightening concerns continued to cause a cautious market sentiment, dragging on Chinese equities.

Globally, consistent positive signs indicate a global economic recovery. Inflation and rate expectations are refreshed. A run-up in bond yields triggered investor repositioning. Therefore, the market gave up some gains year-to-date.

In China, the recovery path remains solid and investors began to be wary of policy normalization. Policymakers have made clear that monetary policies would remain flexible and precise, which is a consistent message delivered since December 2020. The Two Sessions held in March reiterated the focus of balancing a sustained growth recovery. Fiscal policy will tilt more towards basic livelihood, innovation, urbanization, energy conservation and environmental protection, echoing the 14th Five Year Plan. These key reforms would lay a multi-year structural transition in selective companies, for instance those in technology and domestic consumption upgrades.

Portfolio review and outlook

In March, the Fund retreated 3.0% (in AUD) while the MSCI China Index lost 4.7% ¹ (in AUD).

Year to date, the market performance was mixed. On a positive note, the industrial sector that we overweight rallied on the strong global demand for Chinese exports. Our holdings in the shipping companies benefitted from the strong YoY export growth of 49% in the first quarter. Also, our property holdings were supported by results beats and bright growth outlook. The technology hardware makers rose on the resilient demand for electronic components.

On the flip side, investor concerns over the gradual phase-out of easing policies and tighter regulation put pressure on internet and consumer discretionary stocks. The de-listing risk for Chinese ADRs came back and anti-trust regulation on Internet companies dragged on the related holdings. In light of the above factors, we are more selective in internet related and consumer names. We prefer the companies that could stand out in the evolving environments. In the meantime, we have been increasing our allocation to financials that are expected to benefit from the rising yields.

Ahead, the global economic recovery is expected to bring further rises in U.S. bond yields. We expect inflation to remain at a mild and manageable level. Nonetheless, the changing econometrics are under close assessment in our bottom-up selection process. We have made adjustments in our valuation models accordingly. Overall, although there is a share price correction recently, we remain cautiously optimistic on Greater China equities. We trust that the fundamentals of the corporate level show no deterioration at the moment.

Source:

1. MSCI, 31 March 2021

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

Think Asia
Think Premium

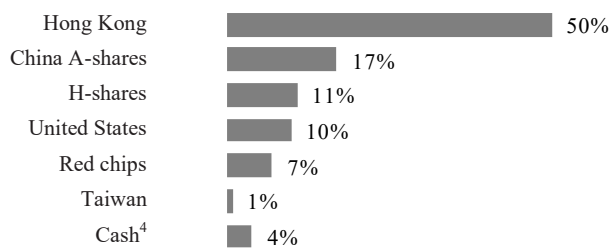
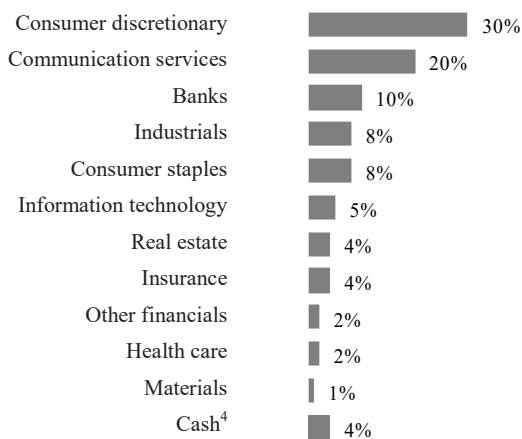
Top 10 holdings

Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	14.3
Pinduoduo Inc	Retailing	United States	6.8
China Merchants Bank Co Ltd	Banks	H-shares	5.2
China Tourism Group Duty Free Corp Ltd	Retailing	China A-shares	5.1
Meituan	Retailing	Hong Kong	4.5
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China A-shares	4.1
Li Ning Co Ltd	Consumer durables & apparel	Hong Kong	4.0
Galaxy Entertainment Group Ltd	Consumer services	Hong Kong	3.5
AIA Group Ltd	Insurance	Hong Kong	2.8
Chow Tai Fook Jewellery Group Ltd	Retailing	Hong Kong	2.3

These holdings made up 53% of the Fund.

No. of holdings : 43

Level of currency hedge : 66.9%

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; Yu Chen Jun; 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

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).

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 China 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 performance of individual shares may not be representative of the performance of the fund as a whole.

The views expressed are the views of Value Partners Hong Kong Limited 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.