Premium Asia Fund (ARSN 134 226 029)

February 2024
2 Pages

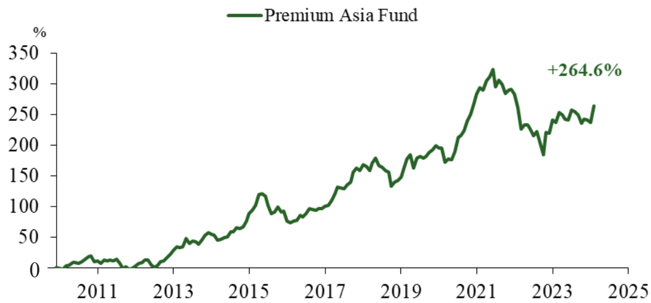
Investment objective

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 39.8 million [2]

Performance since inception [1, 2]



Performance update [1, 2]

	Premium Asia Fund
One month	+8.2%
Three months	+6.5%
Six months	+3.0%
One year	+8.2%
Since inception	+264.6%
Annualised return	+9.5%
Annualised volatility	13.5%

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%	2017	+31.8%
2010	+9.2%	2018	-6.1%
2011	-9.9%	2019	+23.3%
2012	+22.1%	2020	+23.0%
2013	+29.3%	2021	+6.0%
2014	+12.1%	2022	-18.1%
2015	+9.2%	2023	+6.8%
2016	+2.0%	2024 (YTD)	+6.7%

Unit price: *AUD 1.2239* ***Entry price:*** *AUD 1.2270* ***Exit price:*** *AUD 1.2209*
Distribution: *AUD 0.0147 (for the year ended 30 June 2023)*

Manager's commentary

Market review:
Asia's equities markets were in positive territory in February, led by China, which saw better-than-feared macroeconomic performance and a ramp-up of policy support.

During the month, the MSCI China Index was up 10.0% (in AUD). Improved macroeconomic data include tourism and spending during the Chinese New Year (CNY) holidays exceeding pre-pandemic levels in 2019. On the policy front, China announced a significant 25-bps cut to the five-year loan prime rate (LPR) – the largest reduction to the benchmark mortgage rate in history.

The Korean and Taiwanese markets also performed well. Both markets continued to see an upward trajectory in their exports, especially in technology-related goods, supporting the global demand outlook.

In South Asia, the ASEAN and India markets were also in positive territory, although slightly trailed their regional peers. Most markets in this region remain resilient thanks to strong domestic demand.

Portfolio review:
In February, the Fund recorded gains of 8.2% (in AUD), while the MSCI AC Asia ex Japan Index was up 7.2% (in AUD).

Gains were recorded across most listings and sectors. By listings, our exposure to South Korea and Taiwan were among the top contributors to the Fund's performance.

In terms of sectors, our holdings of information technology names, particularly leading companies in South Korea and Taiwan, were the top contributors, as they continued to benefit from the strong demand for related artificial intelligence (AI) and other emerging technologies. Our stock picks in the consumer discretionary sector, including automobile manufacturers in Korea and a global market leader in the aftermarket auto parts in Taiwan, also performed well as they continued to see growing demand in the domestic and international markets. Some of our Chinese state-owned enterprises (SOE) holdings in the telecommunications and energy sectors also supported the Fund's performance, given the expectations of further SOE reforms and upbeat sentiment for yield plays.

On the other hand, some of our stock picks in Southeast Asia, including an e-commerce player in Indonesia and real estate companies in Singapore and the Philippines, underperformed the broader market and slightly dragged the Fund's performance. However, we continue to have confidence that these high-quality companies should help the portfolio ride through market volatility and reap long-term growth benefits.

Key position changes:
Among the most noticeable changes in the portfolio was the reduction of cash to below 5% as of the end of February from about 10% at the end of the previous month as we captured market opportunities. They include increasing our weighting to the aftermarket auto parts provider in Taiwan. We also increased our exposure to select names in South Asia, including an Indian bank and telecommunication players in India and Southeast Asia. Meanwhile, we took profit from a Korean automobile manufacturer and a wind power producer in China, as we believe their long-term growth drivers have already been priced in. We look to deploy more cash as we see more attractive opportunities in the market.

Outlook:
We expect short-to-medium-term volatility to remain, given ongoing uncertainties in the global economy and China's recovery. Outside of the region, US interest rates are still high, and geopolitical conflicts remain risks to monitor.

In China, we continue to believe that its economy is undergoing a U-shape recovery and is gradually bottoming out. We also believe that the recent policy moves, especially the LPR cut, showcase policymakers' efforts to stabilize the property market.

More recently, the National People's Congress meeting was held in early March. Among the key messages include the "around 5%" GDP growth target for 2024 and the 3.0% fiscal deficit, which are largely in line with market expectations. These may not provide another uplift to the market in the near term; hence, we believe a long-term and selective approach to investing remains crucial to navigating the current investment landscape.

Elsewhere, we expect that the export-heavy markets of Taiwan and Korea will continue to be beneficiaries of rapidly evolving technology, given their strong presence in the semiconductor and electronic hardware areas.

In the ASEAN, we continue to see selective opportunities, supported by the region's resilient domestic demand and expectations of some easing monetary policy. We continue to favor Indonesia and the Philippines, including Indonesian banks that continue to see solid trends and a robust outlook. In the Philippines, we continue to see areas of opportunity to find compelling value, given its improving inflationary environment and healthy GDP growth.

While India's economy continues to be resilient, we continue to be cautious about the market's extreme valuations and remain selective.
Overall, stock selection remains crucial as we expect divergence in performances between different companies (even if in the same sector/market). While we pay close attention to macroeconomic developments, we will continue to stick with our bottom-up selection approach.

[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 29 February 2024. 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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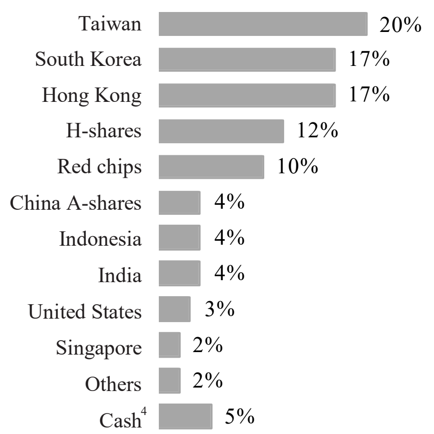
Top 10 holdings

Name	Industry	Listing	%
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	Taiwan	10.4
Samsung Electronics	Technology hardware & equipment	South Korea	8.6
China Mobile	Telecommunication services	Red chips	5.7
China Telecom	Telecommunication services	H-shares	4.5
Tencent Holdings	Media & entertainment	Hong Kong	3.9
CNOOC	Energy	Red chips	2.6
China Construction Bank	Banks	H-shares	2.1
Alibaba Group Holding	Retailing	Hong Kong	1.9
PDD Holdings	Retailing	United States	1.8
Kweichow Moutai	Food, Beverage & Tobacco	A-shares	1.8

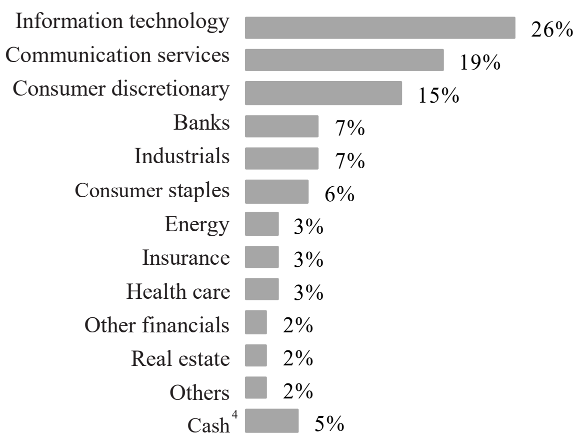
These holdings made up 43% of the Fund.

No. of holdings : 118

Geographical exposure by listing [3]



Sector exposure [3]



Fee structure & Subscription information

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
Deputy Chief Investment Officer, Equities: Yu Chen Jun
Senior Investment Directors:
Norman Ho, CFA; Renee Hung
Chief Investment Officer, Multi Assets: Kelly Chung, CFA
Investment Directors:
Lillian Cao; Luo Jing, CFA; Michelle Yu, CFA
Senior Fund Manager: Frank Tsui

Link to TMD

Premium Asia Fund's Target Market Determination is available here:
https://www.premiumasiafunds.com.au/wp-content/uploads/2022/10/Premium_Asia_Fund_EN_AU_1666845670.pdf

A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

[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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