Premium Asia Funds Management

PREMIUM CHINA FUND (ARSN 116 380 771)

FEBRUARY 2024
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 41.2 million [2]

Performance since inception [1, 2]

Performance update [1, 2]

	Premium China Fund
One month	+6.2%
Three months	-1.4%
Six months	-7.3%
One year	-11.4%
Since inception	+197.1%
Annualised return	+6.1%
Annualised volatility	19.4%

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%	2015	+4.9%
2006	+48.0%	2016	-6.2%
2007	+36.1%	2017	+37.0%
2008	-33.6%	2018	-17.9%
2009	+50.2%	2019	+24.0%
2010	+2.3%	2020	+28.6%
2011	-21.2%	2021	-12.1%
2012	+13.1%	2022	-22.5%
2013	+21.9%	2023	-10.9%
2014	+15.5%	2024 (YTD)	+0.3%

***Unit price:** AUD 1.6559 **Entry price:** AUD 1.6600 **Exit price:** AUD 1.6517*

Manager's commentary

Market review:

Greater China equities rebounded strongly in February thanks to better-than-feared macroeconomic performance and a ramp-up of policy support.

Improved macroeconomic data include solid tourism and spending during the Chinese New Year (CNY) holidays, both exceeding pre-pandemic levels in 2019. Credit data indicators were also strong, indicating improving risk appetite among households.

On the policy front, China announced a significant 25-bps point cut to the five-year loan prime rate (LPR) – the largest reduction in history. There were also moves to stabilize further the country's stock markets, including the securities regulator's suspension of security re-lending for short-selling.

Portfolio review:

In February, the Fund recorded gains of 6.2% (in AUD), while the MSCI China Index was up 10.0% (in AUD).

Gains were recorded across most sectors during the period. Our exposure to select consumer discretionary companies, including an e-commerce name, an after-school tutoring provider, and a fast-food restaurant player, were among the top contributors to the Fund's performance. Our holdings of state-owned enterprises (SOE) within the energy, industrials, financials, and telecommunications sectors also supported the Fund's performance. In particular, our holding in one of the largest oil companies in China continued to deliver stellar performance.

We note, however, that our underweight and stock picks in the consumer discretionary sector dragged the Fund's relative performance, as they underperformed the broader market. However, we continue to have confidence that these high-quality companies should help the portfolio ride through the coming market volatility and reap long-term growth benefits. Currency hedging was also a source of detraction during the period.

Key position changes:

We made very few changes in the portfolio as our holdings are in robust shape to withstand market volatility. Among them include taking profit from a wind power producer, as we believe its long-term growth drivers have already been priced in. Our cash level has been reduced further to 1% as of the end of February from about 2% at the end of the previous month to capture market opportunities.

Outlook:

Although share prices have broadly risen amid the improving backdrop, they remain volatile. We continue to hold the view that China's economy is undergoing a U-shape recovery and is gradually bottoming out.

We also believe that the recent policy moves, especially the LPR rate cut, showcase policymakers' efforts to stabilize the property market.

More recently, China's "two sessions" 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.

We will continue to be agile and diligent in our investment approach, focusing on leading companies with strong competitive moats and sound growth prospects, especially those well-positioned to tap the long-term growth potential arising from innovative industries, technology development, consumption growth, healthcare business development, and SOE reforms.

[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.*

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Think Asia
Think Premium

Top 10 holdings

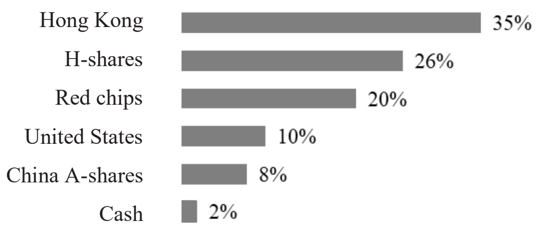
Name	Industry	Listing	%
Alibaba Group Holding Ltd	Retailing	Hong Kong	8.9
Tencent Holdings Ltd	Media & entertainment	Hong Kong	8.7
CNOOC Ltd	Energy	Hong Kong	8.6
PDD Holdings Inc	Retailing	US	7.9
China Mobile Ltd	Telecommunication Services	Hong Kong	7.1
China Telecom Corp Ltd	Telecommunication Services	Hong Kong	4.7
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China	4.6
China Construction Bank Corp	Banks	Hong Kong	3.6
China Railway Group Ltd	Capital Goods	Hong Kong	3.6
China Railway Construction Corp Ltd	Capital Goods	Hong Kong	3.3

These holdings made up 61% of the Fund.

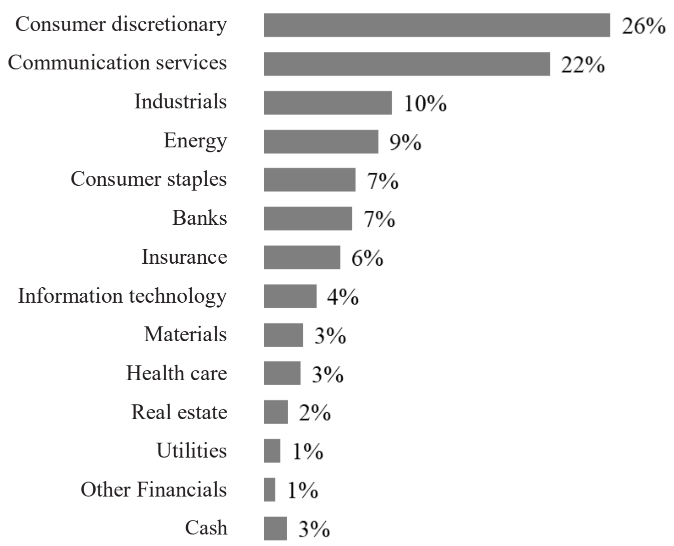
No. of holdings : 37

Level of currency hedge : 61%

Geographical exposure by listing [3]



Sector exposure [3]



Fee structure & Subscription information

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
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 China Fund's Target Market Determination is available here:
https://www.premiumasiafunds.com.au/wp-content/uploads/2022/10/Premium_China_Fund_EN_AU_1666845668.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

[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.*