



Why Asian Bonds?

Why Invest in Asia?

Robust Fundamentals of Asian Markets

Compared with their European peers, Asian economies boast healthy and sound fundamentals. The IMF recently upgraded their growth expectations for Asia ex Japan to 7.5% in 2011. This recovery is driven by factors such as growing consumer confidence and an uptrend in employment which will boost domestic consumption. While the European debt issue is expected to delay interest rate hikes in various regions, the continuation of relatively loose monetary policies will stimulate economic growth further.

Stronger Fiscal Positions

The debt to GDP ratio of many Asian economies are very low and far below that of the United States as well as many European countries. This reflects the more prudent approach taken by regional governments to ensure sustainable growth without the risk of uncontrollable debt. With these more rigorous risk controls, Asian bonds have relatively lower default risks, providing comfort to investors. It is expected that as the debt troubles of the developed markets persist, more money will flow into the emerging Asian bond market.

Healthy Corporate Balance Sheets

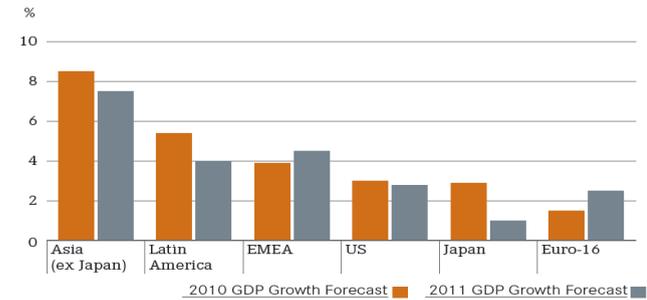
Asian corporate bonds boast attractive fundamentals. In the wake of the 1997 Asian financial crisis, regional companies went through a period of deleveraging which left them with healthy balance sheets. During the recent downturn, debt default rates in Asian high yields have been significantly lower than seen in the United States, driven by strong economic growth and support from local financial institutions.

Asian High Yield and Convertible Bond Market Opportunity Set as the Bond Market Grows Significantly

The high yield market new issuance has been steadily growing each year, with an obvious decrease in growth during the years of the GFC. The total market size is already in excess of \$60Bn USD. 2010 recorded a stellar year of note issuance totaling approximately \$18Bn USD. The main drivers at this current stage have been the real estate sector in China coupled with Corporations issuing notes in Indonesia.

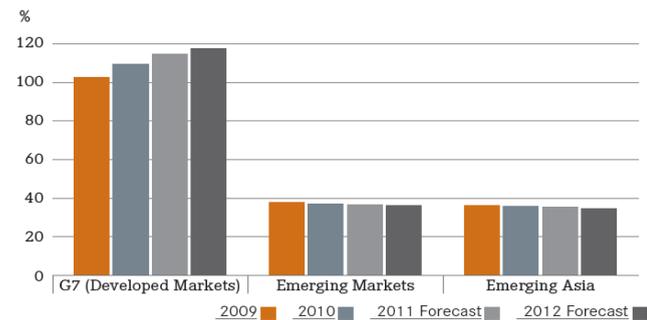
Convertible bond issuance in Asia has been even stronger, mainly driven by issuance out of Hong Kong and India. As shown below, yearly issuance has been steady at around \$20Bn USD per year. In total, there is approximately \$50bn AUD on convertible bonds on issue. So in terms of total market size between these two markets, you have over \$110bn USD in credit to choose from not including sovereign debt.

Asian economies outperform European and US economies

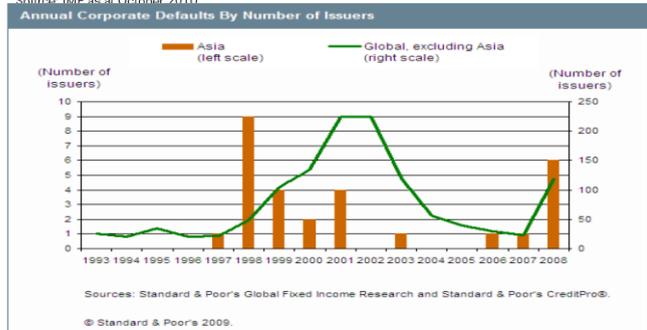


Source: Credit Suisse, as at end August 2010.

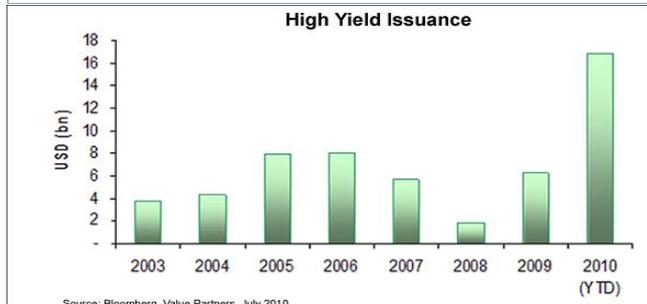
Gross government debt is lower in Asia (as % of GDP)



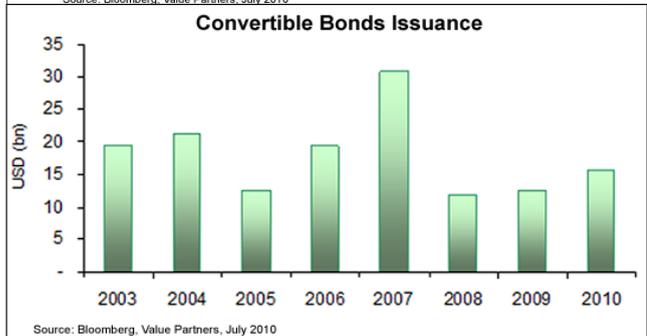
Source: IMF as at October 2010



Sources: Standard & Poor's Global Fixed Income Research and Standard & Poor's CreditPro®. © Standard & Poor's 2009.



Source: Bloomberg, Value Partners, July 2010



Source: Bloomberg, Value Partners, July 2010



Premium Asia Income Fund

Premium Asia Income Fund, "The Fund", opens a gateway into Asia's booming economy through an established and experienced team that has captured the waves of the investment cycle.

Key Benefits

- Exposure to Asia's growth story
- Access to **Value Partners**
- Unique risk management

The Fund invests in a concentrated portfolio of fixed interest securities across Asia and the Middle East. This may include both high yield debt and convertible notes. This also includes cash, money market instruments and derivatives including over-the-counter participatory notes and foreign exchange contracts.

Value Partners "VPL", established in 1993, is a true to label boutique fund manager. Situated in Hong Kong, VPL combines astute knowledge of Asian equities with its award winning home grown talent. As at 30 September 2011, VPL manages around USD 6.8 billion. VPL has consistently delivered superior investment returns (16.7% p.a compounded over 18 years)² VPL also manages our Premium China Fund, Premium SAM Asia Property Fund and our latest Premium Asia Income Fund.

Investment Strategy

"The Fund" is constructed via selecting fixed interest securities issued by companies in the Asian region and the Middle East, which are, in the view of the Manager, undervalued, on either an absolute or a relative basis, and have potential for appreciation.

At a glance

Type of Fund	Open ended unlisted fund
Sector	International Equities
Distribution	Normally Quarterly
Unit/Redemption	Daily
MER	0.98%
Currency Hedge	Between 70 to 100% of NAV
Performance Fee	20% of cumulative out performance over the Benchmark (RBA Cashrate + 2%) subject to high watermark
Minimum	Direct AUD 25,000 / Dependent on your IDPS provider

Research availability

Zenith – Recommended

Think **Asia**
Think **Premium**[™]

Contact Details

Your Representatives

Jonathan Wu
Associate Director |
Head of Distribution
and Operations
M: 0416-031-676
Jonathan.Wu@premium
chinafunds.com.au

Clayton Coplestone
Heathcote Investment
Partners (NZ)
M: +6421-410-185
clayton@heathcoteinvest
ment.com

Derek Paas
Asia Investment
Specialist (NSW/ACT)
M: 0406-608-388
Derek.paas@premium
chinafunds.com.au

Alexandra Roos
Asia Investment
Specialist (VIC/TAS)
M: 0450-189-388
Alexandra.roos@premium
chinafunds.com.au

Kam Yuen
Research Manager
M: 0422-258-317
Kam.yuen@premium
chinafunds.com.au

Suite 38-39, 330 Wattle St, Ultimo NSW 2007, Australia
PO Box 572, Sans Souci NSW 2219, Australia
Tel: 02 9211 3888
Fax: 02 9211 0220
Email: info@premiumchinafunds.com.au
Website: www.premiumchinafunds.com.au

Premium  China
Funds Management

¹ Source: IMF, June 2010

² This performance reflects the VPL Classic 'A' Fund (as at 30 September 2011). Past performance does not necessarily reflect future performance

This document and any accompanying attachments is general information provided by Premium China Funds Management Pty Ltd which does not accept any liability for any loss, damage or consequence, whether caused by our own negligence or not, resulting directly or indirectly from the use of this document, its contents and any attachments. Any views expressed in this document and any attachments are not classified as advice and is solely for information purposes.