PREMIUM ASIA FUND (ARSN 134 226 029)

DECEMBER 2017
2 PAGES

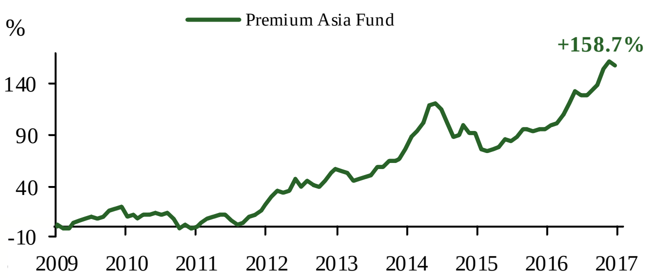
Investment objective

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
Launch date:	1 December 2009
Fund size:	AUD 42.8 million

Performance since launch [1, 2]



Performance update [1, 2]

	Premium Asia Fund
One month	-1.6%
Three months	+7.8%
Six months	+12.6%
One year	+31.8%
Since launch	+158.7%
Annualized return	+12.5%
Annualized volatility	12.7%

Volatility is a measure of theoretical risk. In general, the lower the number, the less risky the investment.

Annual return since launch [1, 2]

2009 (Since inception)	+1.2%	2014	+12.1%
2010	+9.2%	2015	+9.2%
2011	-9.9%	2016	+2.0%
2012	+22.1%	2017 (YTD)	+31.8%
2013	+29.3%		

[1] ***Past performance is not indicative of future results.***

Unit price: *AUD 1.4235*
Distribution: *AUD 0.2216 (for the year ended 30 June 2017)*

Manager's commentary

Market review

On the back of synchronized global earnings growth, the MSCI Asia ex Japan Index (the "Index") concluded the year on a high note.

In China, deleveraging and risk control remain a key policy focus in 2018, as evidenced by the tightening of local government financing after the 19th Party Congress. Although there are concerns that the continued moderation of growth – a consequence of policy tightening – may weigh on market performance, we believe the tightening measures are necessary for China to achieve healthier and higher quality growth in the longer run. Meanwhile, a broad-based consolidation is gathering pace across various industries in China and is helping companies to increase market share and strengthen pricing power. The government's calls for stepped-up supply-side reforms, which include reducing the number of state-owned enterprises (SOE), cutting excess capacity and closing down "zombie" firms, have been the key driving factors.

South Korea's economy benefited from recovering exports in 2017. For the whole year, the nation's exports expanded to a record high of US$573.9 billion, up by 15.8% from that of 2016. While the government is expecting modest export growth of 4% in 2018, downside risks such as the won's strength, rising interest rates and oil prices remain. Meanwhile, South Korea's consumer price index (CPI) rose 1.5% in December from a year ago, the highest in three months albeit still lukewarm.

2017 concluded as a solid year for the Taiwan market. In particular, exports recovery was the key highlight with a record high amount of exports recorded in December, which surged 14.8% year-on-year[1], well above the expected growth rate of 10.9%. The surge in exports was largely driven by robust global demand for technology products, namely semi-conductor and consumer electronic goods. As a result, total exports were up 13.2% year-on-year in 2017[1], reversing a 2-year decline and it's the strongest growth since 2010.

We maintained underweight position in south Asia for the most of 2017 due to the market's mixed earnings outlook, political uncertainties and demanding valuations. Although the performance of North Asia remains solid from an earnings growth perspective, we stay nimble and continue to search for investment opportunities in South Asian regions, as we expect earnings re-rating would be more broad based thanks to the return of steady global growth.

Portfolio strategy and outlook

In December, the Fund dropped 1.6% (in AUD). The key performance contributor came from our stock pick in the Korean technology sector as the company on-boarded one of the largest consumer electronic device brands as its client in its battery business. Another key contributor came from our A-shares baijiu (white liquor) sector, as the leading baijiu brand benefited from positive sales and profit growth guidance, as well as the first ex-factory price hike since 2012. On the flip side, technology detracted the most due to profit-taking across the region after the resilient rally year-to-date. We maintain the positions as the sectors' earnings outlook remains robust on the back of the technology up-cycle.

1. Source: Ministry of Finance, R.O.C (Taiwan)

[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 December 2017. 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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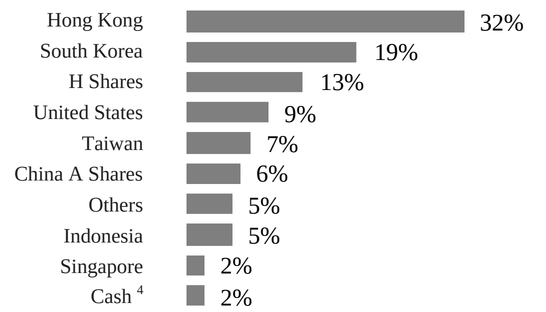
Top 10 securities holdings

Name	Industry	Country	%
Samsung Electronics (Preference Shares)	Technology Hardware & Equipment	South Korea	5.1
Vtech	Technology Hardware & Equipment	Hong Kong	5.0
Alibaba Group	Software & Services	United States	4.8
Tencent	Software & Services	Hong Kong	3.9
Taiwan Semiconductor Manufacturing	Semiconductors & Semiconductor Equipment	Taiwan	3.9
V One Tech	Semiconductors & Semiconductor Equipment	South Korea	2.9
Ping An Insurance	Insurance	Hong Kong	2.8
Galaxy Entertainment Group	Consumer Services	Hong Kong	2.6
Kweichow Moutai	Food, Beverage & Tobacco	China	2.6
New China Life Insurance	Insurance	Hong Kong	2.2

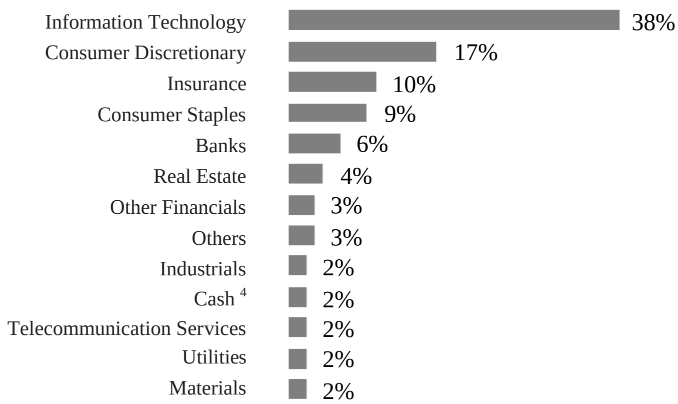
These holdings made up 36% of the Fund. The top ten securities holdings only include companies and/or REITs the fund invested, excluding any index tracking fund or ETF.

No. of holdings : 90

Geographical exposure by listing [3]



Sector exposure [3]



Fee structure

Management fee	1.78% p.a. of Net Asset Value
Performance fee	20% of outperformance over a hurdle of 12% p.a. (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

A selection of awards & ratings

Senior investment staff

Chairman & Co-Chief Investment Officer: Cheah Cheng Hye
Deputy Chairman & Co-Chief Investment Officer: Louis So
Deputy Chief Investment Officer: Renee Hung
Senior Investment Director : Norman Ho, CFA
Investment Directors : Chung Man Wing; Kenny Tjan, CFA; Michelle Yu, CFA; Yu Xiao Bo
Senior Fund Managers : Kelly Chung, CFA; Doris Ho; Glenda Hsia; Philip Li, CFA; Luo Jing, CFA; Kai Mak; Yu Chen Jun

[3] *Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%.*
[4] *Cash refers to net cash on hand excluding cash for collaterals and margins.*

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