

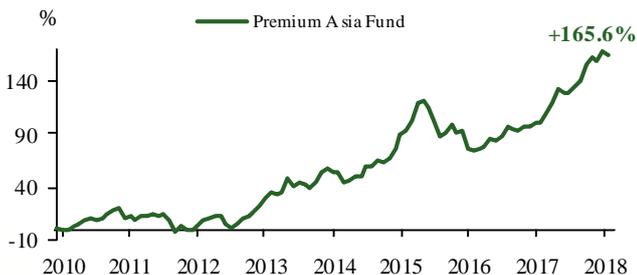
## Investment objective

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 43.9 million

## Performance since launch <sup>1,2</sup>



## Performance update <sup>1,2</sup>

Premium Asia Fund	
One month	-1.0%
Three months	+1.0%
Six months	+12.6%
One year	+31.8%
Since launch	+165.6%
Annualized return	+12.6%
Annualized volatility	12.6%

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

## Annual return since launch <sup>1,2</sup>

2009 (Since inception)	+1.2%	2014	+12.1%
2010	+9.2%	2015	+9.2%
2011	-9.9%	2016	+2.0%
2012	+22.1%	2017	+31.8%
2013	+29.3%	2018 (YTD)	+2.7%

<sup>1</sup> Past performance is not indicative of future results.

<sup>2</sup> 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 28 February 2018. 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 1.4613 Entry Price: AUD 1.4650 Exit Price: AUD 1.4577  
Distribution: AUD 0.2216 (for the year ended 30 June 2017)

## Manager's commentary

### Market review

The MSCI Asia ex Japan Index dropped 1.2% in February as higher-than-expected inflation lifted expectations of rising interest rates. The Greater China equity market also softened during the month, with the MSCI China Index recording a negative monthly return for the first time in 13 months after having rallied strongly in January. Despite the large market swings, we expect volatility to normalize in 2018 amid a series of major macro events, such as the earlier-than-usual Third Plenary Session and the "Two Sessions" in early March. While these major political events may spur reform and growth expectations in China, they may also weigh on near-term sentiment. That said, upbeat 2017 result announcements in the upcoming March/April earnings season are expected to provide support to the China market.

In South Korea, inflation accelerated in February. The consumer price index rose by a faster-than-expected pace of 1.4% year on year, which is a step closer to the central bank's annual target rate of 2%. Meanwhile, South Korea's exports moved up 4%<sup>1</sup> in February from a year earlier, which was the lowest rate in more than a year. The slowdown was mainly due to the Lunar New Year holiday leading to fewer working days in February. Policy-wise, the Bank of Korea kept its benchmark interest rate unchanged at its February meeting, which was in line with market expectations.

Markets in ASEAN were all down except Thailand, which was supported by oil prices. In the region, we continue to favor Indonesia for its solid economic growth and positive fiscal spending in the pre-election year. A number of major infrastructure projects, such as toll roads construction, are set to boost connectivity as logistics remains a weakness in the country.

### Portfolio strategy and outlook

During the broad-based market correction in February, regions and sectors that performed strongly in January retreated the most. Our portfolio was down 1% (in AUD) during the same period. The portfolio was weighed down by our exposure to Chinese banks as the sector dropped 9.6% in February after rising 22.7% in January. We maintain the positions as we see an attractive return profile for the sector and re-rating opportunities on the back of stable asset growth, net interest margin (NIM) enhancement and improving non-performing loan (NPL) ratios. In South Korea, our holdings in a consumer electronic component manufacturer also detracted driven by the reduction in high-end smartphone shipment in the US.

The portfolio key contributor came from our stock picks in the technology and consumer discretionary sectors. Our exposure to a Chinese IT solution provider was the top contributor during the month on the back of favorable earnings outlook, which is supported by the ongoing digitalization in the IT services space, as well as its strong customer portfolio. In the consumer discretionary space, our holding in a South Korean sports apparel company yielded positively as its Korean business shifted from loss to profit, and as its plan to expand its retail shop network in China drove higher earnings growth expectations.

Looking ahead, earnings growth is expected to instill further impetus to the stockmarkets in Asia ex-Japan. Thus far, more than half of the companies in Asia ex-Japan have reported their fourth quarter 2017 results, and the percentage of companies that have beaten earnings consensus has remained stable relative to last year. The solid earnings growth is conducive to sustaining the momentum of upward revisions in Asia ex-Japan's earnings estimates. Furthermore, among the ten countries in the region, three (China, Hong Kong and Singapore) had their earnings growth estimates revised up in the past 3 months and two of these markets are in North Asia, affirming our confidence on North Asia's earnings strength.

1. Source: Goldman Sachs

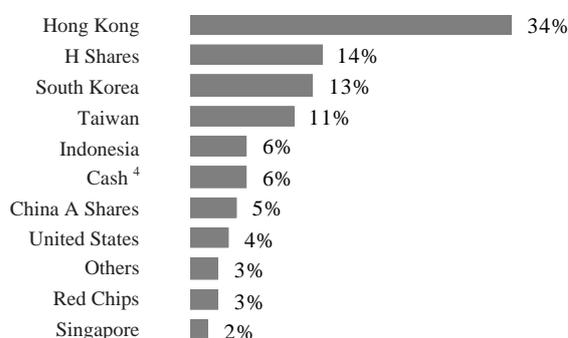
## Top 10 securities holdings

Name	Industry	Country	%
Taiwan Semiconductor Manufacturing	Semiconductors & Semiconductor Equipment	Taiwan	4.8
Kweichow Moutai	Food, Beverage & Tobacco	China	3.4
Tencent	Software & Services	Hong Kong	3.0
VTech	Technology Hardware & Equipment	Hong Kong	3.0
Industrial & Commercial Bank of China	Banks	Hong Kong	2.9
Techtronic Industries	Consumer Durables & Apparel	Hong Kong	2.8
KWG Property	Real Estate	Hong Kong	2.2
Ping An Insurance	Insurance	Hong Kong	2.2
V-ONE Tech	Semiconductors & Semiconductor Equipment	South Korea	2.1
Chinasoft International	Software and Services	Hong Kong	2.1

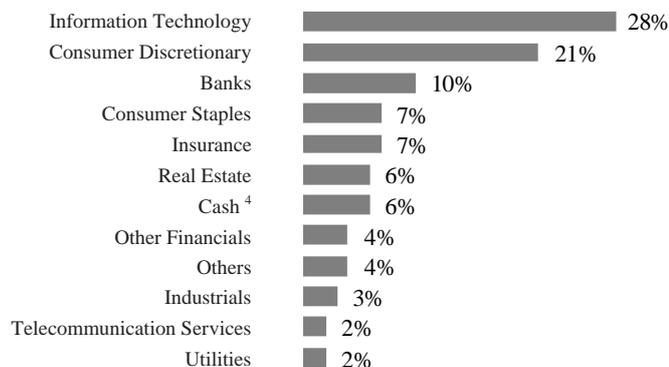
These holdings made up 29% of the Fund. The top ten securities holdings only include companies and/or REITs the fund invested, excluding any index tracking fund or ETF.

No. of holdings : 95

## Geographical exposure by listing<sup>3</sup>



## Sector exposure<sup>3</sup>



## 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

<sup>3</sup> Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%.

<sup>4</sup> Cash refers to net cash on hand excluding cash for collaterals and margins.

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**Think Premium**