PREMIUM ASIA FUND (ARSN 134 226 029)

JANUARY 2019
2 PAGES

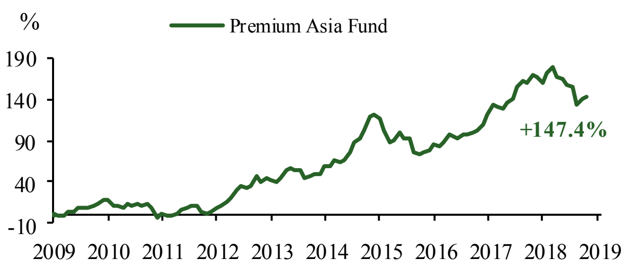
Investment objective

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
Inception date:	1 December 2009
Fund size:	AUD 33.7 million [2]

Performance since launch [1, 2]



Performance update [1, 2]

	Premium Asia Fund
One month	+1.8%
Three months	+6.0%
Six months	-6.5%
One year	-7.8%
Since launch	+147.4%
Annualised return	+10.4%
Annualised 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%	2015	+9.2%
2010	+9.2%	2016	+2.0%
2011	-9.9%	2017	+31.8%
2012	+22.1%	2018	-6.1%
2013	+29.3%	2019 (YTD)	+1.8%
2014	+12.1%		

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

Unit price: *AUD 1.1554* ***Entry price:*** *AUD 1.1583* ***Exit price:*** *AUD 1.1525*
Distribution: *AUD 0.2215 (for the year ended 30 June 2018)*

Manager's commentary

Market review

Asian equities rebounded following a difficult end to 2018, with the MSCI Asia ex-Japan Index gaining 3.6% (in AUD) in January. The positive market backdrop was driven by growing optimism that the US-China trade dispute would be resolved, complemented by a dovish tilt in terms of US rate hike expectations which would relieve some pressure off Emerging Market currencies and equity markets within the region.

China's focus on boosting domestic growth through both fiscal and monetary policies was also a key performance catalyst. To combat growing macro headwinds, as evidenced by the official manufacturing PMI falling below 50 for two consecutive months[1], the People's Bank of China moved to cut the reserve requirement ratio (RRR) by 100bps in January[2] – its fifth cut since September 2017.

Premier Li Keqiang has publicly vowed to increase the intensity of counter -cyclical policy adjustments and to further reduce taxes, as the Chinese government aims to prioritise growth stability. This reaffirms our view that more loosening policies could be on the cards and China has room to manoeuvre in terms of the strength and scope of supporting measures.

While the Korean equity market trended higher in January, its latest macro figures are revealing increasing economic headwinds. The decline in global trade conditions meant both customs exports (-5.8% YoY) and imports (-1.7% YoY) edged lower in January[3]. Consequently, the country's trade surplus narrowed from US$4.3 billion to US$1.2 billion in January – the lowest since February 2014.

The overall investor sentiment towards ASEAN continues to improve on expectations of a weaker US Dollar and a more dovish Fed. Key markets, including Indonesia, Philippines, Thailand and Malaysia, recorded positive foreign equity inflows in January[4]. Boosting domestic demand will be a key for ASEAN nations in 2019 given increasing concerns surrounding the global growth outlook.

Portfolio strategy and outlook

In January, our portfolio was supported by a broad-based market rebound given valuations were depressed in the previous month. Holdings in social media and e-commerce were among the key contributors, having undergone major corrections in the second half of 2018. Our stock pick in the healthcare sector was also a key contributor, coming back strongly after policy headwinds caused the sector to be oversold last month.

On the flip side, investments in the Korean consumer sector detracted the most following a strong 2018. However, the sector's growth outlook remains solid. Underweight positions in several technology-related stocks in the region also contributed to the Fund's relative underperformance. We remain selective when it comes to the technology sector, as regulatory headwinds and changes in the competitive landscape mean prospects are increasingly diverging across the industry.

Looking forward, all eyes will be on the ongoing US-China trade negotiations especially as we edge closer towards the March deadline. We continue to maintain a constructive view towards Asia ex-Japan equities due to positive earnings growth and attractive valuations that are close to their 10-year lows. However, we are also mindful of weaknesses in regional and global macro data as well as US-China trade policy risks.

1. Source: National Bureau of Statistics of China, 4 January 2019
2. Source: People's Bank of China, 2 February 2019
3. Source: HSBC Global Research, 1 February 2019
4. Source: Morgan Stanley Research, 1 February 2019

[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 January 2019. 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

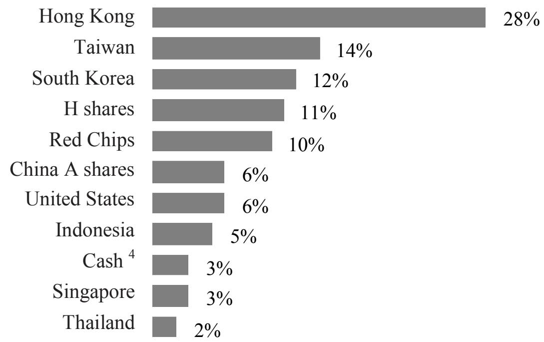
Top 10 securities holdings

Name	Industry	Listing	%
China Mobile	Telecommunication service	Red Chips	5.2
China Construction Bank	Banks	H Shares	5.2
Tencent	Media & Entertainment	Hong Kong	4.6
Alibaba Group	Retailing	United States	4.2
BGF Retail	Food & Staples Retailing	South Korea	3.2
Taiwan Semiconductor Manufacturing	Semiconductors & Semiconductor Equipment	Taiwan	3.0
CSPC Pharmaceutical	Pharmceuticals	Red Chips	2.6
Intron Technology	Automobiles & Components	Hong Kong	2.5
Fila Korea	Consumer Durables & Apparel	South Korea	2.2
Samsung Electronics	Technology Hardware & Equipment	South Korea	2.2

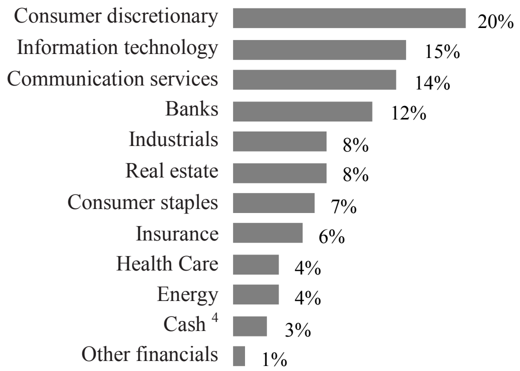
These holdings made up 35% of the Fund.

No. of holdings : 82

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

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; Michelle Yu, CFA; Yu Xiao Bo
Senior Fund Managers : Anthony Chan, CFA; Kelly Chung, CFA; Doris Ho; Glenda Hsia; Philip Li, CFA; Luo Jing, CFA; 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.*