

PREMIUM ASIA PROPERTY FUND (ARSN 129 428 682)

JANUARY 2019

2 PAGES

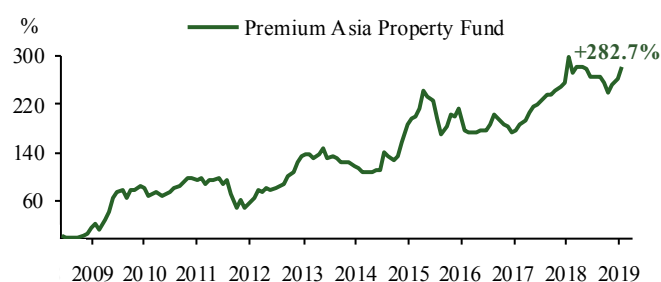
Investment objective

The Premium Asia Property Fund is a managed investment scheme which invests primarily in securities of property or property-related companies with exposure to any, some, or all, of the following countries: Hong Kong, Mainland China, Taiwan, Macau, Malaysia, Philippines, Singapore, Republic of Korea, Thailand and Indonesia. The Fund aims to provide investors with positive returns over 10% p.a. over a three to five year period.

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:	4 June 2008
Fund size:	AUD 8.9 million ²

Performance since launch ^{1,2}



Performance update ^{1,2}

	Premium Asia Property Fund
One month	+6.4%
Three months	+13.6%
Six months	+4.9%
One year	-4.1%
Since launch	+282.7%
Annualized return	+13.4%
Annualized volatility	17.7%

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

Annual return since launch ^{1,2}

2008 (Since inception)	+12.5%	2014	+31.9%
2009	+58.1%	2015	+9.3%
2010	+8.8%	2016	-12.7%
2011	-20.8%	2017	+30.2%
2012	+50.7%	2018	+1.4%
2013	-6.2%	2019 (YTD)	+6.4%

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 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.

Unit price: AUD 1.2935 Entry price: AUD 1.2967 Exit price: AUD 1.2902
Distribution: AUD 0.1511 (for the year ended 30 June 2018)

Manager's commentary

Market review

The Premium Asia Property Fund performed well in January on the back of a relatively positive market backdrop. With the notion that no news is good news when it comes to the US-China trade dispute. The stable geo political environment was complemented by a dovish tilt in terms of US rate hike expectations.

China's focus on boosting domestic growth through the use of both fiscal and monetary policies was also a key performance catalyst. Premier Li Keqiang has publicly vowed to increase the intensity of counter-cyclical policy adjustments and to further reduce taxes, with the aim to prioritise growth stability. This reaffirms our view that more loosening policies could be on the cards and the country has plenty of room to manoeuvre in terms of the strength and scope of potential supporting measures.

In line with expectations, growth in contract sales for major Chinese developers expectedly turned negative in January, declining 8.6% Year-on-Year (YoY). The land market, on the other hand, stabilised with fewer cases of auction failures. However, land sales decreased 17% YoY, while the average land cost fell by 12% YoY, reflecting the market weakness that has been apparent since the middle of 2018. In spite of the weak data points, the property sector is supported by an increasingly accommodative policy stance. Localised housing policies are expected to be introduced across cities, which would improve the overall buyer sentiment and sales momentum in the second half of this year, in our view.

Hong Kong property stocks enjoyed a decent rally in January. The key drivers for the rebound in share prices include the recovery in secondary transaction volumes and the change in US interest rate expectations.

Portfolio strategy and outlook

During the month, we further increased our exposure to Chinese property due to attractive valuations. However, we expect the Chinese property market to remain weak in the first quarter. We have seen some policy loosening across a number of Chinese cities concerning price controls as well as mortgages, and expect more cities to follow suit. Meanwhile, the sector will also benefit from the ongoing loosening of credit. In terms of stock picks, we continue to favor leading developers with more exposure to Tier-1 and Tier-2 cities as well as the Greater Bay Area. In view of the lowered probability of rate hikes over the near term, we have also increased our weighting in Hong Kong property during the month.

1. Source: CRIC, February 2019

2. Source: The Land Registry, HKSAR, 4 February 2019

3. Source: CentaData, 1 February 2019

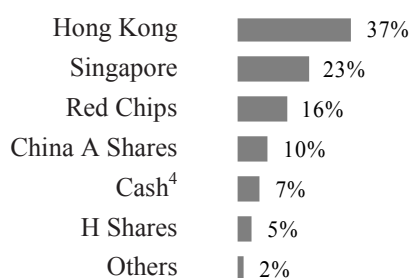
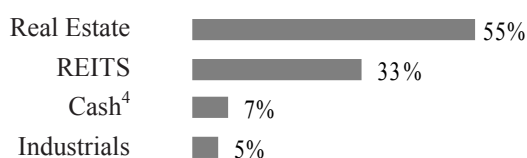
Top 10 securities holdings

Name	Industry ³	Country	%
China Resources Land Ltd	Real Estate	Hong Kong	8.2
Yuexiu Real Estate Investment Trust	REITS	Hong Kong	7.2
CapitaLand Retail China Trust	REITS	Singapore	7.2
Fortune Real Estate Investment Trust	REITS	Singapore	7.2
China Merchants Shekou Industrial Zone Holdings Co Ltd	Real Estate	China	6.0
Link REIT	REITS	Hong Kong	5.5
China Vanke Co Ltd	Real Estate	Hong Kong	5.4
New World Development Co Ltd	Real Estate	Hong Kong	4.4
China Jinmao Holdings Group Ltd	Real Estate	Hong Kong	4.3
Shimao Property Holdings Ltd	Real Estate	Hong Kong	4.0

These holdings made up 59% of the fund.

No. of holdings : 32

Level of currency hedge : 31%

Geographical exposure by listing³**Sector exposure³****Fee structure**

Management fee	2.10% p.a. of Net Asset Value
Performance fee	20% of outperformance over a hurdle of 10% 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

Value Partners - 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.

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