



Fund Review

Premium Asia

ISSUE DATE 30-07-2014

About this Review

ASSET CLASS REVIEWED	GLOBAL EQUITIES
SECTOR REVIEWED	REGIONAL
SUB SECTOR REVIEWED	ASIA
TOTAL FUNDS RATED	9

About this Fund

ASIC RG240 CLASSIFIED	YES
FUND REVIEWED	PREMIUM ASIA
APIR CODE	MAQ0635AU
PDS OBJECTIVE	THE 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.
DISTRIBUTION FREQUENCY	BI-ANNUAL
FUND SIZE	\$50,041,818
FUND INCEPTION	DECEMBER 2009
MANAGEMENT FEE	1.48%
RESPONSIBLE ENTITY	VALUE PARTNERS LIMITED

About the Fund Manager

FUND MANAGER	VALUE PARTNERS LIMITED
OWNERSHIP	LISTED ON HK STOCK EXCHANGE, 30% CHEAH CHENG HYE, 28.5% YEH V-NEE, 17% SENIOR STAFF
ASSETS MANAGED IN THIS SECTOR	US\$10.5B
YEARS MANAGING THIS ASSET CLASS	21

Investment Team

PORTFOLIO MANAGER	RENEE HUNG (DEPUTY CIO)
INVESTMENT TEAM SIZE	50
INVESTMENT TEAM TURNOVER	MODERATE
STRUCTURE / LOCATION	HONG KONG, SINGAPORE, SHANGHAI, TAIPEI

Investment process

STYLE	VALUE
TARGETED VALUE ADD ABOVE INDEX (P.A.)	NOT TARGETED
TYPICAL TRACKING ERROR (P.A.)	N/A
TYPICAL STOCK NUMBERS	70 - 110
CURRENCY APPROACH	UNHEDGED
STOCK BET LIMITS	± 10%
SECTOR/INDUSTRY BET LIMITS	NIL

Fund rating history

JULY 2014	RECOMMENDED
JULY 2013	RECOMMENDED
JULY 2012	RECOMMENDED

What this Rating means

The 'Recommended' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- A strong and disciplined contrarian value investment approach, underpinned by a strong senior team
- The firm has a large investment team relative to many Asian investment managers.

Weaknesses

- Lonsec considers the fee load to be considerable
- Lonsec considers the Fund to have an emphasis on the Greater China region
- Lonsec considers the Fund's decision making structure to be more opaque than many other Asian investment managers.

Fund risk characteristics

	LOW	MODERATE	HIGH
CORPORATE RISK			●
CAPITAL VOLATILITY			●
CONCENTRATION RISK		●	
CURRENCY RISK			●

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the product's asset class and the risks relative to other products in the relevant Lonsec sector universe.

What is this Fund?

- The Premium Asia Fund ('the Fund') is a long-only product that invests in a diversified portfolio of securities listed on exchanges across Asia ex Japan, or securities listed outside this region, but which derive a significant portion of their revenue from Asia. While having a regional mandate, the Fund is expected to have an emphasis on China related companies.
- The Manager aims to generate positive returns (consisting of both capital growth and income) over rolling three to five year periods, prior to exchange rate movements.
- The Fund is expected to have 70-110 stocks with a significant small and mid cap exposure
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We strongly recommend that potential investors read the product disclosure statement or investment statement. Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL No. 421445. This information must be read in conjunction with the warning, disclaimer and disclosure at the end of this document. This report supersedes all prior reports.

ANALYST: NICK THOMAS | APPROVED BY: STEVEN SWEENEY

rolling three to five year periods, prior to exchange rate movements.

- Value Partners ('the Manager') has a long standing 'contrarian value' philosophy. It's investment approach seeks to uncover under-valued securities that are currently out of favour with the market, based on the proprietary fundamental research of the investment team. The Manager's philosophy is based on the Graham-Dodd value approach, incorporating the concept of 'margin of safety', although tailored to suit Asian markets i.e. with a greater focus on corporate governance and on cash flow analysis.
- The Manager is differentiated from many peers in the region by its portfolio decision making structure, where each sector/industry leader within the investment team has accountability for stock positioning and trading within their respective sectors (as opposed to having a single portfolio decision maker). Turnover within the portfolio is expected to be over 100% p.a., and Lonsec has observed very high level of turnover of individual securities within the Fund.
- The Fund is expected to have 70-110 stocks with a significant small and mid cap exposure compared to the benchmark. The Manager is benchmark unaware in portfolio construction, with senior fund managers encouraged to build high conviction portfolios. The Fund will not typically hold large benchmark stocks for risk management purposes. These characteristics are considered positive features of active management, but investors should note they also introduce greater risk of varying performance outcomes versus the benchmark, and a need for higher risk tolerance compared with more benchmark aware Asian equity peers.
- Historically, the Fund has exhibited some defensive characteristics, outperforming over 60% of months where the market fell over the seven years to March 2014.
- The Fund can hold up to 25% cash. From within this range historically the Manager has periodically held a minor allocation (approximately 5%) to SPDR Gold ETF as a cash proxy.
- The Fund charges a 1.48% base fee which is high compared to the Lonsec Asian equity and Global Emerging Markets peer group universe. The Manager also charges a performance fee of 20% of out-performance in excess of a hurdle of 12% p.a., subject to a high watermark.
- Performance fees are not common in the Asian equity long only universe. Lonsec supports the concept of performance fees providing accompanied with an appropriate structure. Lonsec considers an appropriate structure to be one where the performance fee is in line with industry standard (in percentage terms), where the fee is subject to an appropriate hurdle rate of return, and where the fee is subject to a prior 'high water mark'. Lonsec also considers that the introduction of a performance fee should be met by a commensurate reduction in the flat fees, not merely be added on to existing management fees.
- Pleasingly, in this instance, there is a performance hurdle, high watermark and Lonsec notes that the Manager is not entitled to a performance fee where

Fund performance is negative in absolute terms.

Lonsec notes it is quite unusual for long-only equity funds to operate a performance hurdle that does not reference a performance benchmark. However, it is judged appropriate in this case given this Manager adopts a benchmark unaware philosophy. Lonsec also draws comfort that the hurdle rate is set at a suitably high and meaningful target.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- The Fund is a 'long' only regional / emerging market equity fund and as such will generally sit within the growth component of a balanced portfolio. As a regional specific fund, Lonsec considers the Fund suitable for high risk profile investors with a 5+ year investment time horizon.
- Lonsec believes that investors seeking exposure to global equities should primarily invest in well diversified global equities funds. Investors should note that on a look-through basis, it is possible that existing broader global equity fund holdings are already providing meaningful emerging markets exposure (e.g. 10 – 20%).
- The Fund is a 'long' only regional / emerging market equity fund and as such will generally sit within the growth component of a balanced portfolio. As a regional specific fund, Lonsec considers the Fund suitable for high risk profile investors with a 5+ year investment time horizon.
- Lonsec believes that investors seeking exposure to global equities should primarily invest in well diversified global equities funds able to take advantage of mis-pricing opportunities across stocks and regions. Investors should also be mindful of monitoring and maintaining a balance on the overall exposure to developing economies within their global equities allocation. On a look-through basis, it is possible that existing broader global equity fund holdings are already providing meaningful emerging markets exposure (e.g. 10 – 20%).
- Over the long term, emerging markets indices have delivered higher returns than developed global equities, albeit with higher volatility. Lonsec believes there is a compelling case for including emerging markets within a blended global equities allocation however, recommends allocations to stand alone emerging markets / regional equities funds only be made to augment a broader global equities exposure dependent on client risk tolerance. Lonsec believes a (10-20%) allocation to emerging markets from the overall global equities allocation may be appropriate for certain clients.
- Lonsec believes that specialist emerging markets managers with dedicated resourcing and tailored investment approaches may deliver superior performance outcomes in developing markets versus those global equities managers primarily centred on investing in traditional developed markets.

Suggested Lonsec risk profile suitability

SECURE DEFENSIVE CONSERVATIVE BALANCED GROWTH HIGH GROWTH



Lonsec recommends advisors consult the Lonsec Risk Profile Review and / or the Lonsec Risk Profile Definitions document(s) for guidance on appropriate asset allocations to Global Emerging Market Equities within a diversified investment portfolio.

Changes Since Previous Lonsec Review

- There has been some turnover in the investment team. Ada Lau who was a senior fund manager and sector lead of the banking sector, left the firm over the past 12 months. The previous deputy banking analyst was promoted to senior manager post her departure.
- There have been no other material changes to the investment process since Lonsec's last meeting.

Lonsec Opinion of this Fund

People and resources

- Cheng Hye Cheah, Chairman and Co-CIO of Value Partners, leads the investment team. He has 25 years of industry experience, including 21 years at Value Partners. Cheah is highly regarded within the Greater China region, and Lonsec has a positive view of his level of experience and investment capabilities.
- Value Partners advises that Cheah continues to exercise control in his ability to veto buy and sell decisions of the senior fund managers, and remains an integral influence on the firm's macro views, which have a bearing on portfolio composition. In addition he maintains some stock research responsibilities. Despite this, Lonsec believes Cheah has significant non-investment responsibilities, and that management of the Fund has been largely transitioned to the senior fund managers.
- Lonsec still considers key person risk in Cheah to be high given he was largely responsible for the development of the investment team and process. That said, it views positively that a succession plan is in place, which primarily involves Louis So (deputy Chairman of Value Partners and co-CIO) and Renee Hung (deputy CIO). Both have been long term employees of Value Partners, having joined as graduates. Lonsec believes they are capable investment professionals that show strong alignment with the firm's value philosophy, and that they are suitably qualified for these roles.
- Renee Hung is also the Portfolio Manager of the Fund, a role she has held since 2010. Lonsec notes that portfolio managers at the firm do not make stock selection decisions across all sectors, but instead are mainly responsible for ensuring portfolios align to individual client restrictions and the model portfolios. In total Hung is responsible for eight client portfolios including the Premium China Fund (also rated by Lonsec). Lonsec believes she has a key role in providing oversight to the Fund.
- Portfolio construction decisions are driven by sector leads, which can include senior fund managers, fund managers, and assistant fund managers. Lonsec would note that this means a number of investment staff, with differing levels of experience and seniority, are making investment decisions within the Fund.
- The Manager is considered to have a bias towards China and Greater China in its a product suite and

research coverage. Lonsec considers the broader, regional research coverage, to be more limited in breadth and depth. In this sense, the departure of Lien Ber Luen in April 2013, who had joined in 2010 to help broaden the team's ex-China coverage, was considered a setback for the team. That said, Lonsec views positively the opening of a Singapore office which will include investment staff focusing on the ASEAN region.

- The broader investment team is very large, totaling 46 as at March 2014, including eight senior fund managers, with members located in Hong Kong and Shanghai. While the size of the total team is much higher than the average of the Lonsec Asian equity peer group, Lonsec notes many of the analysts employed are relatively junior. The recruitment model favoured by the Manager is to hire a large number of junior staff and develop them internally, with some eventually becoming senior fund managers, and others ending up leaving the firm. Lonsec views this approach positively in terms of ensuring continuity and consistency of the firm's value philosophy over time, particularly as it is less common within the region. However this method also tends to result in higher team turnover, particularly within the junior analyst team. Lonsec acknowledges this turnover is a natural outcome of the recruitment model, and focuses on stability of senior staff as an indicator of organisational environment. This is considered to have been moderate over time.
- As the product range has expanded, the Manager has moved to import experienced talent, however Lonsec believes there is a higher level of risk in culturally integrating experienced external hires into the existing team framework, which has seen some departures in the past few years.
- Lonsec observes that in recent years the Manager has made efforts to enhance its research effort by adopting practices common to mainstream professional investment firms (e.g. the evolution to sector based analyst research from a generalist research approach). Lonsec is encouraged by this trend.
- While comfortable with the overall experience and scale of resourcing attributable to this product, Lonsec will continue to monitor the overall blend and stability of the investment team in future reviews. Lonsec recognises that historically there has been a degree of analyst turnover at Value Partners given its unique culture and investment approach.
- Overall, Lonsec considers alignment of interests between the investment team and investors to be reasonably high through significant staff ownership of the company, a modest level of co-investment in the Fund and the existence of a performance fee which is relatively rare in the Asian equities peer group.

Research and portfolio construction

- Lonsec believes the Manager's contrarian value investment philosophy is robust and applied with discipline and consistency through the investment process.
- In Lonsec's view the structure and transparency of the investment process has significantly improved

over time. In 2011, Value Partners restructured its research effort to adopt a sector based approach. Lonsec notes that many Asian equities managers and more broadly global equity managers currently manage their investment research along sector lines in order to bring more rigor and structure to the process. In practice the Manager operates clusters of 3 or 4 analysts in each sector working with a senior fund manager responsible for overseeing research quality and ensuring adequate coverage. Lonsec believes this structure is functioning successfully.

- Lonsec believes the quality and rigor of the Manager's bottom up active company research process remains impressive and stable. The manager adopts an 'audit' type approach, which Lonsec considers sound given the limited transparency and corporate governance issues that are prevalent within the region.
- Each industry/sector leader within the team is accountable for making stock selection and portfolio weighting decisions within their respective sectors. This contrasts to many firms that have a single decision maker across all sectors in the form of a portfolio manager. While Lonsec views positively that there is clear accountability for decisions within each sector, it notes that this process results in a large number of investment staff, with with different levels of seniority, making investment decisions within the portfolio. The large number of decision makers, and the large turnover of securities being bought and sold within the portfolio, make effective oversight of the portfolio more difficult, in Lonsec's view.
- Value Partners adopts a hierarchical approach with junior analysts working closely under the supervision of the senior members. Value Partners employs a demarcation of investment decision making within its portfolios. Co-CIOs (Cheah and So) oversee the integrity of the research process and apply a tactical overlay including macro input and determination of the desired mix between cash and equity holdings. Senior Fund Managers are responsible for overseeing research within their sectors and that client portfolios conform with models and . The entire investment team (CIOs, fund managers and analysts) are responsible for sector based stock research. Lonsec believes this structure provides for a tiered responsibility which is appropriate given the large investment team with different levels of experience.
- Lonsec notes that the Fund has a greater allocation to Greater China than than the average fund within the Lonsec Asian equity peer group. The Greater China region (China, Taiwan and Hong Kong) comprises a major segment of the investment opportunity (approximately 50% of the MSCI Asia-ex Japan Index). In Lonsec's view, this weighting largely reflects the heritage and key strengths of the Manager in Chinese equities. Nevertheless, continued efforts to deepen coverage of the broader Asian company spectrum would be welcomed. To further illustrate, currently the Fund holds no Indian stocks which comprise around 10% of the Asia ex-Japan benchmark.
- In drawing attention to this aspect, Lonsec also notes that the Manager has continued to reduce the dominance of China in portfolios in recent years, and

it is expected that over time the Fund will continue to broaden its exposure.

Risk management

- The manager takes a benchmark unaware approach and accordingly, the risk constraints of the Fund are sufficiently broad to allow the portfolio management team flexibility to position the portfolio in line with the team's views. As a predominately bottom up, stock selection driven manager, not surprisingly, stock selection is the major risk component in the portfolio. In the stock research process, aspects of risk management are more formally engaged such as the requirement to meet company management and consider issues in corporate governance. The manager also uses Risk Metrics to enhance its portfolio risk management monitoring.

Funds Under Management

- Value Partners has experienced strong support for its Asian equities funds over recent years driven by performance and an increased appetite for specialist emerging market exposure. Funds under management (FUM) has risen since Lonsec's previous review to US\$10.5 billion as at March 2014, which represents an increase of approximately US\$1 billion in assets managed on a year earlier. Over 80% of the Manager's FUM is in China or Greater China equities with around 15% in broader Asia ex Japan equities.
- Value Partners has historically sought to identify small and mid cap companies for investment. The ability to exploit this opportunity can be hampered by growing funds under management. Nevertheless, the proportion of small and mid cap stocks remains significant. Capacity is an area Lonsec will continue to monitor in future reviews.

Performance

- The Fund was launched in December 2009 so has a relatively short track record for assessment.
- Performance over the 3 years to 30 June 2014 has been strong, with the Fund returning 9.62% p.a., out-performing the MSCI Asia ex Japan equity Index (AUD) by 3.37% p.a..
- Performance over the year to 30 June 2014 has been disappointing, with the Fund returning 1.12%, under-performing the Lonsec benchmark by 9.49%. Lonsec notes that the Fund has not shown its usual defensive characteristics in this time, under-performing in around 75% of months where the market declined over this time. Negative contributors to performance included stock selection within the financial and industrial sectors, while positive contributors came from the consumer discretionary and health care sectors.
- Being benchmark unaware, the Fund does not have a Tracking Error target (or constraint), and as such advisers should note that returns may differ significantly from that produced by both the index and more 'benchmark aware' Greater China funds. Lonsec notes that risk within the Fund (as measured by standard deviation) has been higher than the benchmark over the three years to 30 June 2014.

Premium Asia

Overall

- Lonsec has maintained the 'Recommended' rating during this review cycle. The Fund benefits from a large Asian-based investment resource applying a 'value' style fundamental research discipline to its Asian listed equities research. Given Value Partners' investment heritage rests in China, the Fund may particularly suit those seeking a heightened exposure to the Greater China region compared to the typical manager in the Lonsec Asian equities peer group. Pleasingly, the Manager has continued add resources to broaden its focus.
- That said, Lonsec notes that the fee load of the product is considerable. The decision making structure within the Fund also makes the Fund more opaque relative to many other Asian investment managers.

People and Resources

Corporate overview

Premium China Funds Management is a Sydney based financial services firm established in 2005, to bring specialist Asian focused funds, particularly China, to the Australian market. Responsibility for the management of the Fund has been outsourced to Hong Kong-based manager, Value Partners. Value Partners was founded in February 1993 by Cheah Cheng Hye and V-Nee Yeh. Value Partners listed on the Hong Kong Stock Exchange in November 2007 although the founder Cheah and investment staff retain significant ownership of the firm (49%).

Macquarie Investment Management is the Responsible Entity for this Fund. Custody has been outsourced to Citibank.

Team structure

A hierarchical approach exists, with Cheah and So sitting above the team of fund managers and analysts. The team structure has evolved towards sector specialisation among fund managers and analysts. All members of the investment team undertake stock research.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
CHEAH CHENG HYE	CO-CIO	25 / 21
LOUIS SO	CO-CIO	15 / 15
RENEE HUNG	DEPUTY CIO	16 / 16
NORMAN HO	PORTFOLIO MANAGER	25 / 18
ALAN WANG	PORTFOLIO MANAGER	14 / 11
ERIC CHOW	PORTFOLIO MANAGER	12 / 12
DORIS HO	PORTFOLIO MANAGER	11 / 8
MICHELLE YU	PORTFOLIO MANAGER	9 / 9
30	EQUITY ANALYSTS	5 / 5

Structure

Combined Analyst/PM

Organisation

Sector specialist

Turnover (two years to March 2014)

Moderate

Remuneration

CIO determines the variable remuneration paid to members of the investment team

The variable remuneration pool is calculated as a % of Value Partners' pre-tax profit

Research Approach

Overview

RESEARCH PHILOSOPHY	FUNDAMENTAL, BOTTOM UP, WITH MACRO OVERLAY
NO. STOCKS IN UNIVERSE	4,500
NO. STOCKS FULLY MODELED / RESEARCHED	150-200 ASIAN COMPANIES ON BUY LIST
UNIVERSE FILTERING	SOME METRIC BASED SCREENING EG. P/E, P/B, ROE, AND DIVIDEND YIELD. ALSO QUALITATIVE VIEWS.

The Value Partners research process seeks to identify stocks that possess the following three key characteristics, being 'the right business', 'run by the right people', at 'the right price'. The research process aims to identify:

- value stocks with growth prospects
- solid business underpinned by good management track record
- attractive valuations
- under-researched stocks by brokers

Whilst all stocks are not required to meet certain pre-determined parameters, the manager's general definition of value includes stocks that possess the following quantitative characteristics: PE<10, PBR<2, Div Yield>4%, ROE>10%, strong cash flow and strong balance sheet.

Fundamental analysis

- 'Audit' type approach – companies required to meet minimum capital adequacy, profitability / valuation and forecast yield to warrant further analysis.
- Company management – 70% of research generated internally by analyst having spent time on the ground meeting with company management (with approximately 2,500 company meetings per annum) and with relevant industry participants including suppliers, customers, industry experts, competitors and government authorities.
- Porter analysis.
- Investment Grade companies are added to buy list and a price limit is set.

Valuation

Valuations based on 1 or 2 year forecast data using valuation metrics such as, PE, EV / EBITDA, ROE, ROA, PBR and dividend yield. The Manager's general definition of value includes stocks that possess the following quantitative characteristics: PE<10, PBR<2, Div yield>4%, ROE>10%.

Profitability ratios, activity ratios, solvency ratios and liquidity ratios are also commonly utilised depending on company and at analyst discretion.

All valuation models/tools used are proprietary with external broker research generally not utilised.

The output of this process generally results in a stock being categorised into one of three 'buckets' being, 'undervalued', 'fair-valued' or 'overvalued'

Premium Asia

ISSUE DATE 30-07-2014

Research inputs

Frequent contact with company management
Bloomberg data.

Broker research

Rarely used.

Portfolio Construction

Overview

INVESTMENT APPROACH	BENCHMARK UNAWARE
FUND BENCHMARK	NOT APPLICABLE (MSCI ASIA EX-JAPAN FOR COMPARISON PURPOSES)
TRACKING ERROR	NOT TARGETED, TYPICALLY HIGHER THAN PEER AVERAGE
INVESTMENT STYLE	VALUE
MARKET CAPITALISATION BIAS	ALL CAP
PORTFOLIO CONSTRUCTION	PORTFOLIO MANAGER DRIVEN THROUGH STRONG TEAM BASED ELEMENT THE PORTFOLIO MANAGER IS RESPONSIBLE FOR MAKING THE FINAL DECISION ON A STOCK, THOUGH CHEAH HAS A VETO POWER OVER THE PORTFOLIO MANAGER INVESTMENT DECISIONS.
STOCK SELECTION	BOTTOM-UP
TOP-DOWN	CO-CIOS PROVIDE STRATEGIC INPUT REGARDING MACRO VIEWS, CASH LEVELS AND WHETHER THERE SHOULD BE A DEFENSIVE OR AGGRESSIVE STANCE IN THE PORTFOLIO.
TYPICAL NO. OF HOLDINGS	LESS THAN 110
EXPECTED PORTFOLIO TURNOVER (P.A.)	N/A
SELL DECISION	* LOSS OF CONVICTION * DETERIORATION IN COMPANY MANAGEMENT * STOCK REACHES 'FAIR VALUE' * MORE ATTRACTIVE IDEAS
% OF PORTFOLIO IN TOP 10 HOLDINGS (AS AT MARCH 2014)	24%

Portfolio construction is an intuitive team-based process reflecting a portfolio of Value Partners' most preferred stocks (i.e. the stocks that are considered most attractive based on the qualitative and quantitative research undertaken) whilst taking into account liquidity. The manager will typically 'tier into' positions by taking smaller positions that they expect to add to over time.

Each fund has an appointed senior manager to look after the mandate restrictions of the fund (ie. maintain cash levels, notify other managers if a large new inflow is about to occur and to discuss where to invest. This Manager does not have final veto power over stock selection as it is ultimately a team based effort.

Risk Management

Risk limits

INDEPENDENT RISK MONITORING	RISK MANAGEMENT COMMITTEE
STOCK	10% OF TOTAL PORTFOLIO VALUE. TYPICALLY INDIVIDUAL STOCK WEIGHTS ARE GENERALLY NOT EXPECTED TO REPRESENT >2%-3% OF PORTFOLIO VALUE (WITH 5% CONSIDERED A SIGNIFICANT HOLDING).
SECTOR	NO LIMIT
A-SHARES	MAX 35%
CASH	0% - 25%

Borrowing or stock lending is not permitted and foreign exchange can only be utilised to execute the settlement of securities (counter parties must have an S&P rating of at least A1 or a Moody's rating of at least P-1).

Macquarie Investment Management monitors compliance with mandate guidelines, which serves

as a secondary check to the Value Partners' internal compliance function.

Currency management

Product options

Unhedged MAQ0635AU

Currency hedging

Value Partners does not manage currency as a separate asset class and does not engage in cross currency hedging. Currency exposures are unhedged in this Fund.

Risk monitoring

The manager takes a benchmark unaware approach and accordingly, the risk constraints of the Fund are sufficiently broad to allow the portfolio management team flexibility to position the portfolio in line with the team's views. In the stock research process, aspects of risk management are more formally engaged such as the requirement to meet company management and consider issues in corporate governance. The manager also uses Risk Metrics to enhance its portfolio risk management monitoring.

Risks

An investment in the Fund carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the PDS and should be read in full and understood by investors. Lonsec considers major risks to be:

Currency risk

Funds in the Global Equities – Regional Equities sector, such as this one, predominantly invest in assets that are denominated in non-A\$ currencies. A rise in the relative value of the A\$ vis-à-vis the currencies in which the assets are denominated will negatively impact the market value of the assets (and vice versa) from an Australian investor's perspective. Neither the Responsible Entity nor underlying manager of the Fund hedge currency in the management of the Fund.

Market risk

Companies with smaller market capitalisations generally have greater market risk (i.e. Beta). Accordingly, investors should be mindful of the potential for sharper movements in market price of these investments.

Liquidity risk

Exposures to emerging market countries can potentially give rise to heightened liquidity risk. Stocks domiciled in emerging markets are generally considered to be less liquid than those domiciled in developed markets, particularly during times of extreme market dislocation. Lonsec notes this Fund also makes an allocation to smaller companies which have greater liquidity challenges versus larger companies.

ANALYST: NICK THOMAS | APPROVED BY: STEVEN SWEENEY

Premium Asia

ISSUE DATE 30-07-2014

Quantitative performance analysis — annualised after-fee % returns (at 30-6-2014)

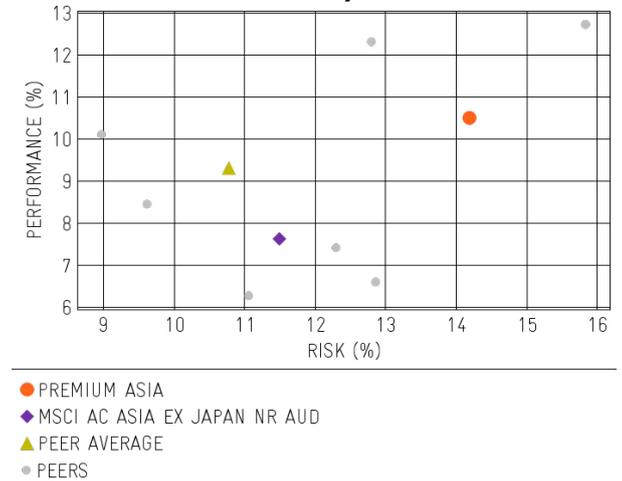
	1 YR		2 YR		3 YR		5 YR	
	FUND	PEER GROUP	FUND	PEER GROUP	FUND	PEER GROUP	FUND	PEER GROUP
PERFORMANCE (% PA)	7.37	11.43	19.6	19.61	10.51	9.32	-	-
STANDARD DEVIATION (% PA)	11.05	7.16	13.02	9.2	14.19	10.78	-	-
EXCESS RETURN (% PA)	-5.27	-1.2	2.3	2.31	2.88	1.69	-	-
OUTPERFORMANCE RATIO (% PA)	41.67	50	54.17	62.5	61.11	58.33	-	-
WORST DRAWDOWN (%)	-7.86	-2.49	-7.86	-3.14	-14.12	-13.89	-	-
TIME TO RECOVERY (MTHS)	-	-	-	2	14	12	-	-
SHARPE RATIO	0.42	1.22	1.28	1.81	0.49	0.54	-	-
INFORMATION RATIO	-0.92	-0.38	0.29	0.64	0.33	0.41	-	-
TRACKING ERROR (% PA)	5.73	3.2	7.87	3.6	8.77	4.14	-	-

FUND: PREMIUM ASIA
 LONSEC PEER GROUP: ASIA
 LONSEC SECTOR BENCHMARK: MSCI AC ASIA EX JAPAN NR AUD
 CASH BENCHMARK: UBS BANK BILL INDEX

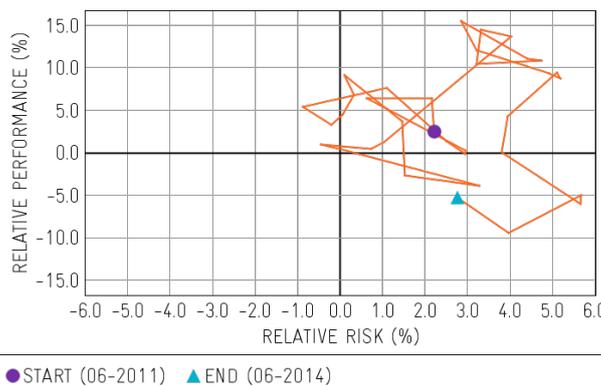
Growth of \$10,000 over three years



Risk-return chart over three years

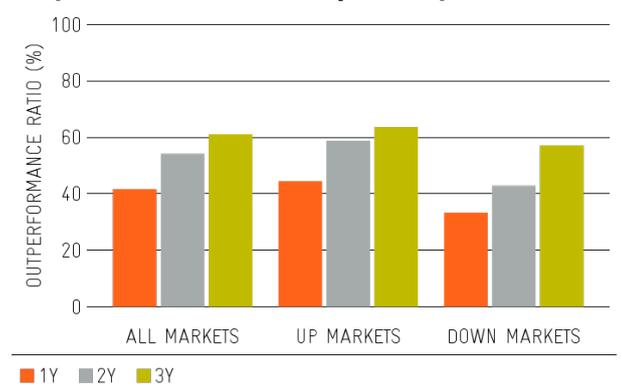


Snail trail



BENCHMARK: MSCI AC ASIA EX JAPAN NR AUD

Outperformance consistency across periods



BENCHMARK: MSCI AC ASIA EX JAPAN NR AUD

ANALYST: NICK THOMAS | APPROVED BY: STEVEN SWEENEY

Premium Asia

Glossary

Absolute return 'Top line' actual return, after fees

Excess return Return in excess of the benchmark return

Standard deviation Volatility of monthly Absolute Returns

Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)

Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)

Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)

Worst drawdown The worst cumulative loss ('peak to trough') experienced over the period assessed

Time to recovery The number of months taken to recover the Worst Drawdown

Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

About Lonsec

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