



# Fund review

## Premium Asia Property Fund

FUND REVIEW PREPARED 31-01-2014

### About this Review

SECTOR	PROPERTY SECURITIES - GLOBAL
TOTAL FUNDS RATED IN THIS SECTOR	26 (3 ASIA ONLY)
DATE OF THIS REVIEW	JANUARY 2014

### About this Fund

FUND REVIEWED	PREMIUM ASIA PROPERTY FUND
APIR CODE	MAQ0574AU
PDS OBJECTIVE	LONG-TERM CAPITAL GROWTH AIMING TO GENERATE POSITIVE RETURNS EXCEEDING 10% P.A. OVER ROLLING THREE-TO-FIVE YEAR PERIODS (BEFORE CHANGES IN EXCHANGE RATES). THE FUND IS DENOMINATED IN SA.
FUND SIZE	SA22.8M
RESPONSIBLE ENTITY	MACQUARIE INVESTMENT MANAGEMENT
FUND COMMENCED	JUNE 2008
WHOLESALE FEES	2.10% P.A. (INCLUDING ESTIMATED EXPENSES) PLUS 20% OF FUND OUTPERFORMANCE >10% (SUBJECT TO HIGH WATERMARK)

### About the fund manager

FUND MANAGER	VALUE PARTNERS HONG KONG LIMITED
OWNERSHIP	PARENT COMPANY VALUE PARTNERS LIMITED, LISTED ON HK STOCK EXCHANGE (28.5% CHEAH CHENG HYE, 20.1% OTHER DIRECTORS/NON-EXECUTIVE CHAIRMAN, 4.9% LEGG MASON, 7.8% AMG GROUP)
ASSETS MANAGED IN THIS SECTOR	\$US885M
YEARS MANAGING THIS ASSET CLASS	13

### Investment Team

EQUITIES TEAM SIZE	41 (INCLUDING 30 ANALYSTS/RESEARCHERS)
LOCATED	HONG KONG, SHANGHAI & TAIPEI
KEY PORTFOLIO MANAGERS	LOUIS SO (CO-CIO), MICHELLE YU
TURNOVER/TEAM RATIO (PAST 2 YRS)	10%

### Investment Process

STYLE	VALUE
BENCHMARK	N/A
TARGETED RETURN	10% P.A. OVER ROLLING THREE TO FIVE YEAR PERIODS (BEFORE CHANGES IN EXCHANGE RATES)
TYPICAL TRACKING ERROR	N/A
TYPICAL STOCK NUMBERS	40-60
PERMITTED NET MARKET EXPOSURE	45-100% (TYPICALLY 80-90%)
CURRENCY APPROACH	ACTIVE
STYLE	VALUE

### Fund Rating History

JANUARY 2014	RECOMMENDED
JANUARY 2013	RECOMMENDED
DECEMBER 2011	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.

### Fund risk characteristics

	LOW	MODERATE	HIGH
CAPITAL VOLATILITY			●
CORPORATE RISK		●	
CURRENCY RISK			●
COUNTERPARTY RISK		●	
CONCENTRATION RISK		●	
LIQUIDITY RISK <sup>1</sup>		●	

(Note 1: assessment based on the Fund's permitted investments. Based on the current asset allocation the Fund's Liquidity Risk is considered to be low).

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 Property Fund ('the Fund') is an investment product investing in property or property-related securities listed on exchanges across Asia (ex Japan).
- The Fund is managed by Value Partners Group ('Value Partners' or 'the Manager'). Value Partners are proponents of a traditional 'value' style discipline seeking to uncover undervalued securities from proprietary bottom up fundamental research. Value Partners believes that whilst markets will efficiently reflect stock valuations over the long term, inefficiencies exist over the short term that can be profited from via in-depth fundamental analysis. The Manager's philosophy is based on the Graham-Dodd value approach which incorporates the concept of 'margin of safety', tailored to suit Asian markets i.e. with a greater focus on corporate governance and on cash flow analysis.
- The Manager has traditionally built portfolios of 40-60 stocks across a range of market capitalisations. The Fund is managed without regard for any market benchmark and there are no fixed geographic or sub-sector weights. Allocations to particular geographies or sub-sectors are primarily driven by the Manager's 'bottom-up' stock selection process.
- While the Fund has historically been managed in a 'long-only' manner, the Manager retains the flexibility to utilise a broad range of strategies including short derivative positions (using market futures) and high cash levels in order to adjust the Fund's net equity position in line with its market outlook. At various stages through the market cycle, the Fund's performance may exhibit a relatively low correlation with traditional Asian property securities benchmarks.

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- The Fund's potential use of over the counter (OTC) derivatives carries an element of counterparty risk (Lonsec notes that the Manager will try to mitigate this risk by only engaging in OTC derivative contracts with highly rated financial institutional counterparties).
- Macquarie Investment Management incorporates a degree of active currency management (i.e. beyond A\$ hedging) in its management of the Fund. The Fund's currency hedging strategy is automated based on application of an algorithm (see currency management section of the report). Lonsec observes that, historically, adding consistent alpha from currency management is notoriously difficult, even for currency specialists using sophisticated tools and techniques. Accordingly, the Fund should only be considered for those investors (i) seeking a product which combines the active management of both Asian property securities and currency exposures and (ii) who demonstrate sufficient tolerance for the potential additional volatility arising from active currency management.
- The Fund charges a 2.10% p.a. base fee (including expense recoveries) which is very high compared to the Lonsec Asian property securities and global property securities peer group. The Manager also charges a performance fee of 20% of outperformance in excess of a hurdle of 10% pa subject to a high watermark.

### 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 variable-beta Asian (ex Japan) property securities product which would sit within the growth component of a balanced portfolio. As a regional specific product, Lonsec considers the Fund suitable for high risk profile investors with a 5+ year investment time horizon.
- The Fund primarily has exposure to the securities of property or property-related companies in Hong Kong, Mainland China, Taiwan, Macau, Malaysia, Philippines, Singapore, Republic of Korea, Thailand and Indonesia. Emerging markets have delivered higher returns than developed global markets over the long term, albeit with higher volatility. As such, Lonsec believes there is a strong case for including emerging markets exposure within the growth allocation of high risk profile investors.
- Lonsec believes an allocation to emerging markets of up to 10-20% may be appropriate (depending on client risk tolerance). However, exposure to stand alone emerging markets funds should only be used to augment broader exposure to growth assets in an investor's portfolio. Moreover, given the relatively narrow focus of the mandate (being solely focused on Asian property securities), investors may want to consider using additional emerging markets funds in order to obtain more diversified exposure to the asset class.
- 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.

### Changes since previous Lonsec Review

- Fawaz Habel, Portfolio Manager of the Premium Asia Income Fund, departed Value Partners in February 2013. Habel did not contribute to the management of this Fund. Lien Ber Luen, Portfolio Manager, specialising in Asean coverage resigned in April 2013 to pursue other opportunities and Ada Lau, Portfolio Manager specialising in the financial sector, departed in October 2013. The Manager is currently recruiting for a number of roles.
- The Manager obtained a RQFII status in September 2013. The RQFII quota enables the Manager to gain further allocation to the A-Share market in mainland China. The Manager is planning its first equity RQFII fund of circa \$130m in October 2014.
- The Manager has continued to broaden its product suite in the past 12 months with the launch of the China A-Share Opportunity Fund investing primarily in A-Shares.

### Lonsec opinion of this fund

#### People and Resources

- Cheng Hye Cheah, Chairman and Co-CIO of Value Partners leads the investment team and has 24 years of industry experience (21 years at Value Partners). Prior to co-founding Value Partners, Cheah was the Head of Morgan Grenfell's Hong Kong equities research department, where he also acted as a proprietary trader. Cheah is highly regarded within the Greater China region, and in Lonsec's opinion is an experienced and high calibre investment professional.
- Cheah remains actively involved in the day-to-day stock research and Lonsec considers his views to be integral in influencing the firm's macro views which will have a bearing on portfolio composition.
- Value Partners continue to advise that Cheah remains actively involved in the day-to-day stock research and remains an integral influence on the firm's macro views, which have a bearing on portfolio composition. Cheah continues to exercise investment control in his veto role in the buy and sell decisions of the senior fund managers. Despite this, Lonsec believes his influence on the day-to-day running of the Fund has been largely transitioned to the senior fund managers in recent years.
- Given his role at the firm, Lonsec considers key person risk in Cheah to be high, as he has been critical in the development of the investment process and team. However, this risk is substantially mitigated by the ownership structure (whereby Cheah owns approximately 28% of Value Partners), as well as Cheah's significant co-investment in the Value Partners' Funds.
- Lonsec believes that succession planning is a critical issue for boutiques or modest sized investment teams and welcomed the Manager's creation of two co-CIO positions in 2009. This occurred by the promotion of Louis So from Deputy CIO to co-CIO alongside Cheah. In terms of division of responsibilities between the pair, Value Partners advises that the Chairman will remain focused on investment matters, while So assumes responsibility for the day-to-day operation of the investment team. So, who joined Value Partners in the 1990s as a graduate, is also a key Portfolio Manager for this Fund.

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- While Lonsec's recent meeting with Value Partners' investment team confirmed that Cheah remains an active investor engaged in company research, the appointment of So is a clear signal, both internally and to clients, that he is nearing retirement. Cheah's involvement is an aspect of ongoing interest to Lonsec and his departure would be a material event that would likely trigger a ratings review.
- Portfolio Manager Michelle Yu also plays a key role in the management of the Fund. Yu is responsible for day-to-day management of the Fund including stock, country and sector allocation and ensuring the portfolio is aligned with client mandates. Lonsec has met with Yu on a number of occasions and believes she is an assured investor and displays a strong understanding of the key issues impacting Asian property securities markets.
- The team dedicated to the management of the Fund (i.e. property sector) numbers seven members, with an average of 13 years' experience in the investment industry. Lonsec believes this team is adequately resourced and experienced to manage the Fund to its investment objectives. Lonsec also views positively the degree of interaction and collaboration with the broader equities investment team at Value Partners.
- The broader Value Partners investment team consists of 41 personnel, with the team's experience lying predominantly in the senior members of the team, including the co-CIOs, Deputy CIO, Investment Director and four Senior Fund Managers (15 years average investment experience and 13 years average tenure at Value Partners). The average level of industry experience and tenure at the firm of the broader analyst pool declines significantly reflecting the Manager's hiring pattern in recent years.
- The Manager has continued to experience moderate investment personnel turnover in recent years reflecting the market volatility. Generally the Manager has been gradually expanding its analyst ranks over recent years in line with its expanding product range and increasing funds under management.
- In recent years the Manager has continued to increase analyst resources in its Shanghai office. This places the Manager 'close to the action' in a major investment market. Generally, Lonsec believes a better level of coverage can be achieved in emerging markets through an 'on the ground' presence where analysts can benefit from being immersed in the markets in which those companies operate. Emerging markets tend to be inefficient (more so than developed) and less heavily researched allowing fundamental, active managers to exploit insight gained from analysts' direct contact with companies and the research effort in general. A mainland China investment hub is viewed as a positive for investors in this product.
- A distinguishing characteristic of Value Partners is the approach adopted in relation to the hiring of new investment staff. Essentially Value Partners will generally not employ junior personnel who have previously worked at another fund manager. This reflects a desire to mould new team members into the Value Partners investment 'mindset' and not have to assist them in 'unlearning' what they have learnt at another funds management house. (Lonsec observes a similar practice at Aberdeen Asset Management.) These junior members are trained within Value

Partners (there is a strong focus on in-house training) and will either progress to a more senior role or will leave the Manager. Lonsec notes a recent trend of recruiting externally to fill senior investment roles whereas previously the firm has preferred to promote from within.

- Overall, Lonsec considers alignment of interests between the investment team and investors to be only moderate. While this alignment is aided through significant staff ownership of the company, a modest level of co-investment in the Fund and the existence of a performance fee; the high management expense fee is a material detractor.

### Research and portfolio construction

- Lonsec considers the Value Partners' investment process to be well developed and logical. However, it is less transparent and formal in structure compared to other Asian equities or emerging markets fund managers.
- In 2011, Value Partners has adopted a sector based approach to the research process and has also sought to convey greater openness about its research discipline. Lonsec welcomes this development in potentially improving the research output through increased continuity and structure. With over two years of operation, Lonsec believes this structure is bedded down with the team functioning successfully.
- Lonsec believes the quality and rigour 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.
- Value Partners employs a demarcation of investment decision making within its portfolios. 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 (i.e. Yu) are responsible for day-to-day management of the Fund including stock, country and sector allocation and ensuring the portfolio is aligned with client mandates. The entire investment team (CIOs, fund managers and analysts) are responsible for sector based stock research. Lonsec believes this structure provides an appropriate hierarchy based on authority and relative experience to the investment process.

### Risk management

- The Manager takes a 'benchmark unaware' approach to portfolio construction 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.
- The potential use of high cash levels is designed to enable the Manager to reduce absolute risk in the portfolio in times of market stress.

## Premium Asia Property Fund

### Funds under management

- Value Partners total funds under management (FUM) has risen since Lonsec's previous review to US\$9.3 billion as at September 2013, 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.
- Within the property securities sector, the Manager's FUM has remained relatively stable at approximately US\$885m. At present size, Lonsec believes the Fund remains reasonably positioned from a capacity perspective and will continue to monitor this aspect in future reviews.

### Performance

- The Fund generated an absolute return of 12.1% over the one-year period to September 2013. While strong, it should be noted that due to the exclusion of Japanese stocks from the investment universe, the Fund underperformed the broader Asian property securities benchmark (due to Japan strongly outperforming all other regions).
- The Fund has now established a five-year track record of performance and pleasingly, has met its stated performance objective of delivering returns in excess of 10% p.a. over rolling five years. Over the five years to September 2013, the Fund has delivered a return of 18.0% p.a.
- This Fund employs active currency hedging which can impact positively or negatively on fund performance. This feature of the Fund has aided performance over the past year, however Lonsec reiterates that currency management is a difficult source from which to consistently add value.

### Overall

- Lonsec has maintained the Fund's rating as 'Recommended' at this review. Lonsec believes the Fund benefits from the collective insight of the large and experienced team at Value Partners, which has an established track record investing in the Asian region and displays a strong commitment to fundamental company research and its value investment philosophy.
- Detracting from Lonsec's rating is a fee structure which is considered to be excessively high. In Lonsec's view this diminishes the alignment of interests between the Manager and investors and will temper strong returns in this fund.
- Lonsec notes that the Fund carries a number of material risks given the higher volatility of emerging markets and the significant flexibility afforded by the mandate. Lonsec therefore believes that the Fund is more appropriate for high risk profile investors.

## People & Resources

### About the manager

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

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 ownership of the firm remains primarily with the founders, with Cheah holding 28.5%.

### Team structure

Cheah and So sit 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.

The responsible team is also able to draw on the resources of the broader Value Partners equities personnel, with senior members of the firm also contributing the firm's macro views which will have a bearing on portfolio composition. Key members are outlined in the table below.

Name	Position	Years industry/firm
CHEAH CHENG HYE,	CO-CIO	24/20
RENEE HUNG,	DEPUTY CIO	15/15
NORMAN HO,	INVESTMENT DIRECTOR	20/17
ALAN WANG,	SENIOR FUND MANAGER	13/10
ERIC CHOW,	SENIOR FUND MANAGER	11/11
DORIS HO,	SENIOR FUND MANAGER	10/7
19 EQUITY ANALYSTS		<5

## Research Approach

### Overview

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 businesses 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.

RESEARCH PHILOSOPHY	FUNDAMENTAL, BOTTOM UP, WITH MACRO OVERLAY
STOCKS IN UNIVERSE	570
STOCKS FULLY MODELLED/ RESEARCHED	90-100

### Universe Filtering

- Some metric based screening (e.g. P/E, P/B, ROE, and Dividend Yield).
- Qualitative views.

### Research Approach

#### Fundamental Analysis

- 'Audit' type approach - companies required to meet minimum capital adequacy, profitability / valuation and forecast yield to warrant further analysis.

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- Company management – with 70% of analysts’ time spent on the ground meeting with company management (with over 2,500 company meetings per annum) and with relevant industry participants including suppliers, customers, industry experts, competitors and government authorities.
- Porter type SWOT analysis.
- Investment Grade companies are added to buy list and a price limit is set.

### Valuation

- 1 or 2 year forecast data using valuation metrics such as, P/E, P/B, P/CF, P/S, EV/EBITDA, dividend yield, cashflow yield and earnings yield.
- 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’.

### Research Inputs

- Frequent contact with company management
- Bloomberg data
- Broker Research

## Portfolio Construction

### Overview

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’ portfolio positions.

INVESTMENT APPROACH	BENCHMARK UNAWARE
FUND BENCHMARK	N/A
TRACKING ERROR	NOT TARGETED
INVESTMENT STYLE	VALUE
MARKET CAPITALISATION BIAS	ALL CAP

### Portfolio Construction

- Portfolio Manager driven though 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	THE 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	40-60
EXPECTED PORTFOLIO TURNOVER	95% P.A.

### Sell Decision

- Loss of conviction

- Deterioration in company management
- Reaches ‘fair value’
- More attractive ideas

### Risk limits

The Fund’s risk limits are monitored by the Manager’s independent Risk Management Committee. The key risk limits of the Fund are:

- Max 10% in a single company's ordinary shares
- Max 10% in unlisted securities
- Max 35% in China A shares
- Max 10% in convertible securities (excluding p-notes)
- Max 15% in bonds (excluding convertible bonds)
- Max 20% in cash
- Max 35% exposure with derivatives (i.e. combined exposure of exchange traded and OTC derivatives)

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 also monitors compliance with mandate guidelines, which serves as a secondary check to the Value Partners internal compliance function.

### Performance Fee

The Manager charges a 20% performance fee based on the Fund’s outperformance (after fees and expenses) of a 10% p.a. hurdle rate, subject to a high watermark. In general terms:

- Each day, the performance of the Fund since the inception date is compared with the performance of the hurdle since the inception date of the Fund. The Fund’s performance is calculated after the deduction of the management costs (paid or accrued) but before the deduction of performance fees and disregards any applications in and redemptions out of the Fund.
- A ‘high watermark’ is then set each time the level of outperformance exceeds the previous highest level of outperformance since inception of the Fund.
- The amount by which the Fund outperformance exceeds the previous high watermark (if any) (“difference”) is then calculated.
- If the previous high watermark is exceeded on a day, a performance fee of 20% of the difference, multiplied by the Fund’s net asset value, is accrued. The performance fee is calculated daily and paid quarterly. Otherwise no performance fee is deducted.

### Risks

**An investment in the Fund carries a number of standard investment risks associated with investment markets. These include performance, liquidity, counterparty, market and tax risks. These and other risks are outlined in the PDS and should be read in full and understood by potential investors. Lonsec considers the following to be the major risks:**

### Equity Market

Investments in equity markets are subject to numerous factors which may have an impact on the performance

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of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

### Derivatives

Derivatives may be used to hedge existing exposures or to gain economic exposure. The use of derivatives may expose the Fund to risks including counterparty default, legal and documentation risk, and the risk of increased sensitivity of the Fund's unit price to underlying market variables. The use of derivatives may have the effect of magnifying both gains and losses.

### Region risk

Investments exposed to the Asian region are generally considered higher risk than investments in developed market economies. Many Asian countries may be considered emerging markets, and are exposed to risk factors including lower liquidity, the potential for political unrest, the increased likelihood of sovereign intervention, currency volatility, and an increased risk of fraud and legal issues. Investments exposed to the Asian region therefore may experience increased asset price volatility, and carry higher currency, default, and liquidity risk.

### Currency

Value Partners does not manage currency as a separate asset class and does not engage in cross currency hedging. The Fund is denominated in Australian dollars. However, the Fund's underlying assets are denominated in other currencies, including Hong Kong dollars.

The Fund will use Macquarie's currency management services to hedge a varying portion of the Fund's exposure to international assets back to Australian

dollars. The strategy used is primarily Dynamic Currency Hedging (DCH) which aims to replicate the currency hedge that would be provided by purchasing an option over the Fund's foreign currency exposure. The Manager may also use static hedging strategies over all or some of the Fund to minimise the cost of the DCH. In implementing the DCH process, Macquarie adjusts the hedge level of the Fund as the value of the Australian dollar changes. As the Australian dollar strengthens, the level of the hedge increases with the aim of reducing the magnitude of potential currency losses. Conversely, as the Australian dollar weakens the hedge level is progressively decreased, with the aim of preserving currency gains. The hedge level can resultantly range between fully unhedged to fully hedged. There is no guarantee that this process will outperform an options-based currency hedge, nor a traditional static hedge. The Fund may at any point in time have any combination of static hedge and DCH in an attempt to reduce exposure to currency movements in the most cost effective manner. Premium China has stated that the decision to hedge currency using DCH was made to reduce the Fund's level of capital volatility.

**Quantitative Performance Analysis Annualised after-fee % returns as at 30 9 13**

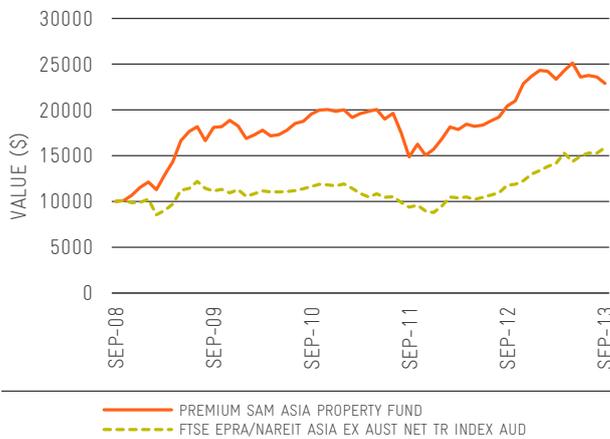
	1 YEAR	2 YEARS	3 YEARS	5 YEARS
PERFORMANCE (% PA)	12.09	24.06	5.35	18.01
STANDARD DEVIATION (% PA)	14.16	15.23	17.89	19.66
EXCESS RETURN (% PA)	-22.72	-6.06	-5.56	8.33
OUTPERFORMANCE RATIO (%)	25.00	37.50	38.89	50.00
WORST DRAWDOWN (%)	-8.94	-8.94	-25.84	-25.84
SHARPE RATIO	0.64	1.34	0.07	0.70
INFORMATION RATIO	-1.21	-0.39	-0.37	0.53
TRACKING ERROR (% PA)	18.83	15.40	15.08	15.81

FUND: PREMIUM ASIA PROPERTY FUND

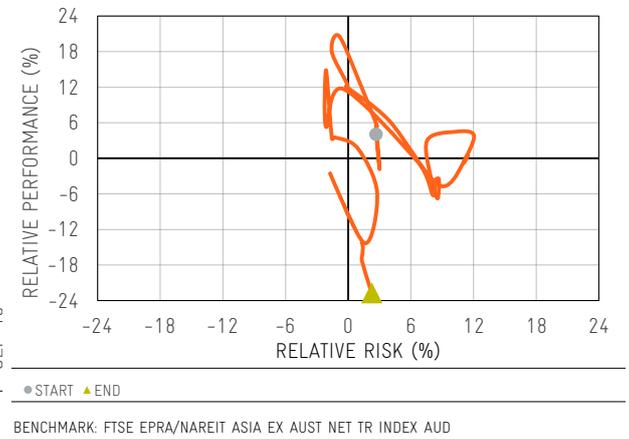
LONSEC BENCHMARK: FTSE EPRA/NAREIT ASIA EX AUSTRALIA NET TR INDEX AUD

NOTE: LONSEC BENCHMARK INCLUDES JAPAN

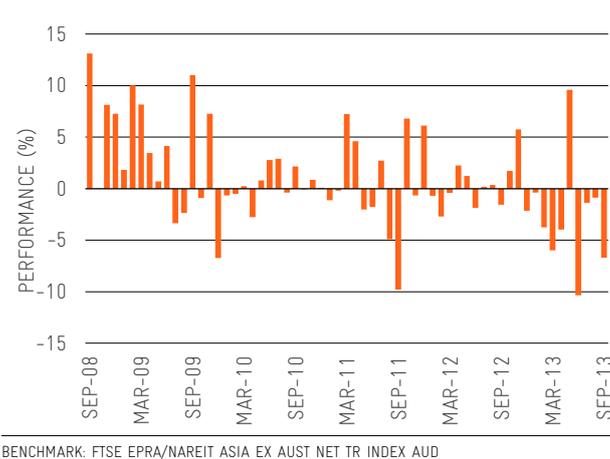
**Growth of \$10,000 – Five Years**



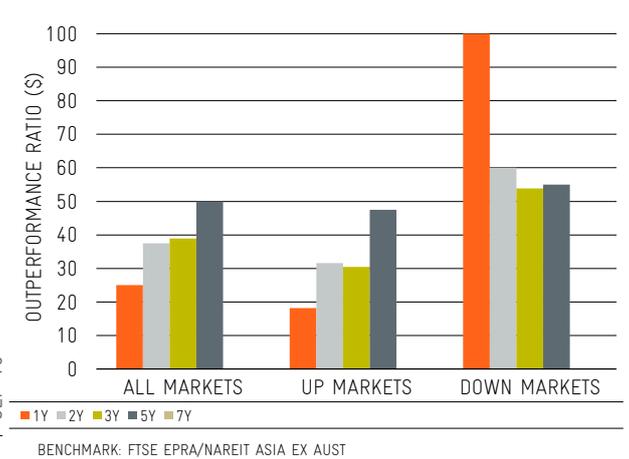
**Snail Trail – Three Years**



**Monthly Excess Return – Five Years**



**Outperformance Consistency**



## Glossary

**Absolute Return** 'Top line' actual return, after fees

**Excess Return** Return in excess of the benchmark return (Alpha)

**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

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Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products

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### Date Prepared:

January 2014

### Analyst:

Andrew Coutts

### Release Authorised by:

Sam Morris

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