PREMIUM CHINA FUND (ARSN 116 380 771)

MARCH 2024
2 PAGES

Investment objective

The Premium China Fund is a managed investment scheme which invests primarily in companies listed in Hong Kong, companies listed in Mainland China, companies listed in Taiwan and companies listed on other stock exchanges but with significant assets, investments, production activities, trading or other business interests in the Greater China region, or which derive a significant part of their revenue from the Greater China region.

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
APIR code:	MAQ0441AU
Inception date:	28 October 2005
Fund size:	AUD 40.5 million [2]

Performance since inception [1, 2]

Performance update [1, 2]

	Premium China Fund
One month	-0.3%
Three months	0.0%
Six months	-6.1%
One year	-14.2%
Since inception	+196.1%
Annualised return	+6.1%
Annualised volatility	19.3%

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

Annual return since inception [1, 2]

2005 (Since inception)	+7.0%	2015	+4.9%
2006	+48.0%	2016	-6.2%
2007	+36.1%	2017	+37.0%
2008	-33.6%	2018	-17.9%
2009	+50.2%	2019	+24.0%
2010	+2.3%	2020	+28.6%
2011	-21.2%	2021	-12.1%
2012	+13.1%	2022	-22.5%
2013	+21.9%	2023	-10.9%
2014	+15.5%	2024 (YTD)	0.0%

***Unit price:** AUD 1.6503 **Entry price:** AUD 1.6544 **Exit price:** AUD 1.6462*

Manager's commentary

Market review:

The Greater China equities market was flat in March as the market has started to focus on first-quarter corporate results.
Latest macro data suggest economic fundamentals remain solid. Retail sales, industrial profits, and exports were up during the first two months of 2024. However, primary property market sales continued to remain fragile, although there are signs of bottoming, especially from the improved secondary market sales in tier-1 cities.
On the policy front, the "two sessions" delivered an unsurprisingly modest set of targets, including around 5% GDP growth with a medium-sized stimulus package supported by more government bond issuance.

Portfolio review:

In March, the Fund was flat at -0.3% (in AUD), while the MSCI China Index performed 0.72% (in AUD).
Our exposure to various consumer-related names, including e-commerce names, an after-school tutoring provider, and a fast-food restaurant player, were among the main detractors to the Fund's performance despite their intact growth prospects. Our holdings of financial companies, particularly insurance names, also dragged, as expectations of further rate cuts have led to concerns over these companies' investment returns. Nevertheless, we remain confident about our holdings, which are high-quality names with long-term growth prospects that should be more resilient in riding through market volatility.
On the other hand, our holdings of state-owned enterprises (SOEs) within the energy, industrials, and telecommunications sectors continued to perform well during the month. In particular, our holding in one of China's largest oil companies was the top contributor to the Fund's performance. A leading mobile gaming giant also supported the Fund's performance, thanks to its ongoing game monetization efforts in both the global and domestic markets. A power tools manufacturer was also among the top contributors, supported by its steady sales momentum, especially in the US. Additionally, currency hedging also contributed to the portfolio's performance.

Key position changes:

Among the noticeable changes in the portfolio include exiting our positions from a fertilizer manufacturer and a casino operator in Macau, as we believe their growth drivers have already been fully priced in. As a result of portfolio movements, our cash level increased to below 4% as of the end of March from 1% at the end of the previous month. That said, we still find select investment opportunities in the Greater China equities market, where valuations remain attractive and policy support measures are picking up. We will continue to fine-tune our portfolio to better capture market opportunities.

Outlook:

Overall, we believe the macro economy is bottoming out from a U-shape recovery, which could support further market upside, and we are seeing an inflection point in the Chinese equities market, with EPFR data showing consecutive net inflows to China after the Chinese New Year.
Fundamentals sustaining China's long-term growth remain solid, especially with strong household deposits to support consumption growth. Valuations also remain very attractive, with the market's forward-looking PE still well below its 10-year average.
On the policy front, implementation will become key to supporting economic growth, including the upcoming large-scale equipment renewal and consumer goods trade-in program, which may result in accelerated fixed asset investment (FAI) growth and stronger retail sales, especially in autos and home appliances.
We will remain nimble and diligent in our investment approach, with a continued focus on leading companies with strong competitive moats and sound growth prospects, especially those that are well-positioned to tap the long-term growth potential arising from innovative industries, technology development, consumption growth, healthcare business development, and SOE reforms.

[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 28 March 2024. 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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Top 10 holdings

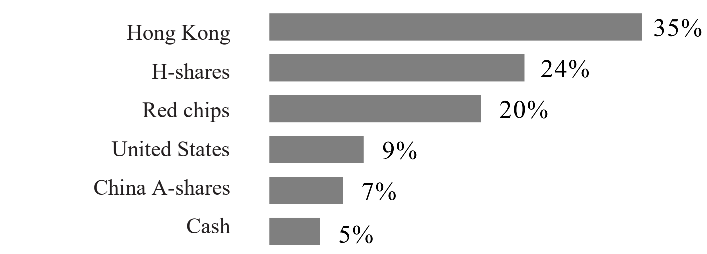
Name	Industry	Listing	%
Tencent Holdings Ltd	Media & entertainment	Hong Kong	9.7
Alibaba Group Holding Ltd	Retailing	Hong Kong	8.7
CNOOC Ltd	Energy	Hong Kong	8.4
PDD Holdings Inc	Retailing	US	7.5
China Mobile Ltd	Telecommunication Services	Hong Kong	7.3
China Telecom Corp Ltd	Telecommunication Services	Hong Kong	4.8
Kweichow Moutai Co Ltd	Food, beverage & tobacco	China	4.6
China Railway Group Ltd	Capital Goods	Hong Kong	3.7
China Construction Bank Corp	Banks	Hong Kong	3.5
China Railway Construction Corp Ltd	Capital Goods	Hong Kong	3.4

These holdings made up 62% of the Fund.

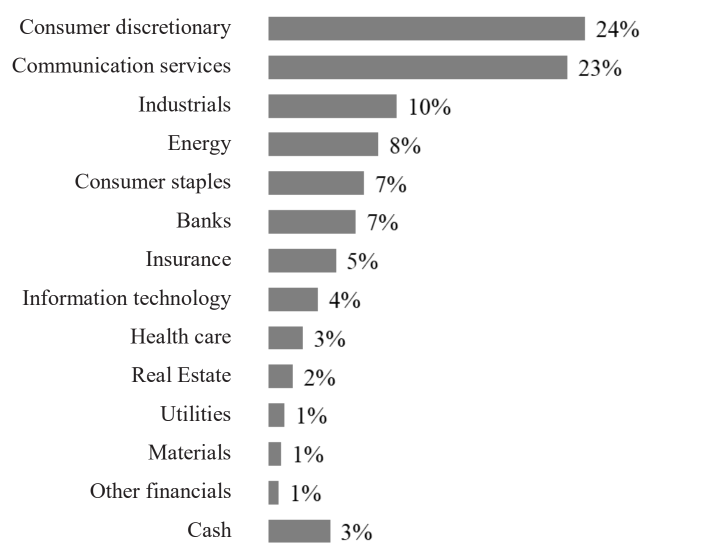
No. of holdings : 36

Level of currency hedge : 61%

Geographical exposure by listing [3]



Sector exposure [3]



Fee structure & Subscription information

Management fee	2.30% p.a. of Net Asset Value
Performance fee	15% of outperformance of the fund over MSCI China Free (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 staffs

Co-Chairmen & Co-Chief Investment Officers: Cheah Cheng Hye; Louis So
Deputy Chief Investment Officer, Equities: Yu Chen Jun
Senior Investment Directors: Norman Ho, CFA; Renee Hung
Chief Investment Officer, Multi Assets: Kelly Chung, CFA
Investment Directors: Lillian Cao; Luo Jing, CFA; Michelle Yu, CFA
Senior Fund Manager: Frank Tsui
Fund Managers : Wei Ming Ang, CFA; Van Liu

Link to TMD

Premium China Fund's Target Market Determination is available here: **https://www.premiumasiafunds.com.au/wp-content/uploads/2022/10/Premium_China_Fund_EN_AU_1666845668.pdf**

A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this

[3] *Exposure refers to net exposure (long exposure minus short exposure). Derivatives e.g. index futures are calculated based on P/L instead of notional exposure.*

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