

Investment objective

Aims to capture the potential capital growth of small and mid-sized companies in Asia (excluding Japan), and to provide some income.

Key information

Fund details

APIR code	MAQ0640AU
Inception date	27 May 2010
Fund size	\$169.5m
Distribution frequency	Annually
Management fee*	1.20% pa
Minimum investment (Direct)	\$20,000
Unit prices and spreads	macquarie.com.au/unit_prices

*Read the Product Disclosure Statement for more details on fees and costs.

Sector breakdown

	%
Consumer Discretionary	24.62
Consumer Staples	8.07
Energy	1.72
Financials	13.84
Health Care	3.38
Industrials	4.52
Information Technology	25.16
Materials	7.06
Real Estate	1.56
Communication Services	6.64
Utilities	2.11
Cash	1.31

Fund performance to 31 October 2020

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.84	0.74	2.26	-1.52
3 months (%)	4.07	3.76	6.49	-2.73
1 year (%)	-0.03	-1.20	7.39	-8.59
3 years (% pa)	2.23	1.03	1.76	-0.73
5 years (% pa)	0.37	-0.83	3.75	-4.58
10 years (% pa)	9.13	6.64	4.96	1.68
Since inception (% pa)	10.94	8.24	5.86	2.38

Past performance is not a reliable indicator of future performance.

Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions.

Total net Fund returns are quoted after the deduction of fees and expenses. Due to individual circumstances, your net returns may differ from the net returns quoted above.

Prior to 2 October 2019, there was a performance fee charged to the Fund.

Benchmark is MSCI Asia ex Japan Small Cap Index (Unhedged in \$A with net dividends reinvested).

Top 10 stocks

	%
China Yongda Automobiles Services	4.92
Hansol Chemical	4.09
Converge ICT Solutions	3.91
WONIK IPS	3.35
Route Mobile	3.30
Vanguard International Semiconductor	3.25
Taiwan FamilyMart	3.24
DB Insurance	3.16
Wiwynn	3.02
Nien Made Enterprise	2.98

Geographical weighting

	%
China	15.80
Hong Kong	4.70
India	16.11
Indonesia	0.84
Malaysia	2.53
Pakistan	0.00
Philippines	8.21
Singapore	3.74
South Korea	23.00
Taiwan	23.75
Thailand	0.00
Cash	1.31

Macquarie Asia New Stars No.1 Fund

Monthly report – 31 October 2020

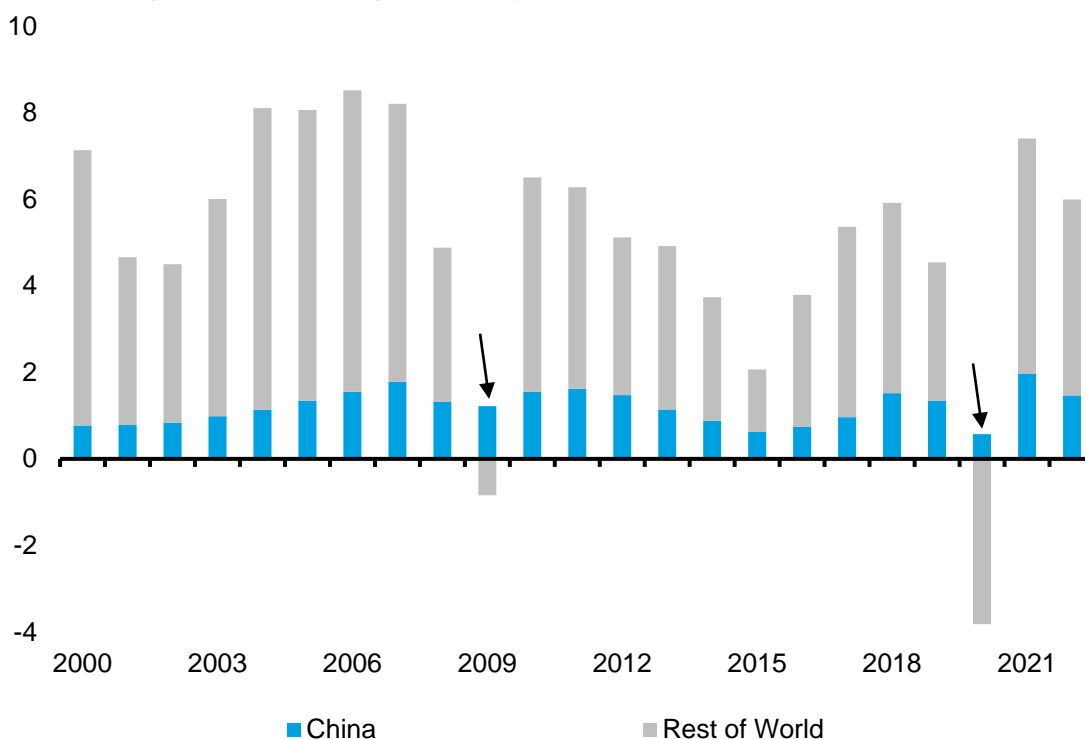
Fund highlights

- Emerging Markets outperformed Developed Markets as new cases cast doubts over the sustenance of recent growth momentum, unfortunately October's case counts rose to new highs across Europe and the US.
- Asia was the stand-out performer in October as it was the only region in the world to register an advance and re-tested its recent 'post-COVID-19' market highs.
- China was the overriding driving force behind Asia's performance during the month, with rising investor optimism, as it unveiled the 14th Five Year Plan to set out on becoming an advanced middle-income country with leading global influence by 2049. Read on for more on this topic.
- For the portfolio, we saw mixed results in China this month. Although the best performing stock was China Yongda Automobiles Services (Chinese luxury car dealership), which reported a net profit after tax increase of 40% for the quarter. Our positioning in Chinese education providers and a property management firm detracted due to a variety of apparent concerns, we view these as shorter-term in nature and not disruptive to the longer-term structural growth potential these firms exhibit. Overall, the positive performance in pockets could not outweigh the weakness in share price action elsewhere.
- On the positive front our positioning in Financials bounced strongly, most notably in India where our high allocation to the country's underpenetrated financial sector led it to deliver the best country level performance for the Fund.
- We remain selective in our positioning and continue to view the portfolio as attractively priced and fundamentally well positioned as the recovery in Asia continues.

China's inward gaze

The resilience of Asia's growth remains underpinned by China. Indeed, many are questioning whether a rising demand impulse from China can, like in the post-GFC period, help underpin growth globally. There are echoes of the post-GFC recovery period in the current situation, the most notable from our perspective is the delivery of continued growth by China.

Contribution to World GDP growth (% , purchasing power parity basis):



Source: International Monetary Fund, HSBC Research, National Bureau of Statistics.

The extent to which economic growth from China's shores supports global growth has changed over the past couple of decades, however. China today is less import reliant than many other economies (especially outside of commodities), as a result its growth transmission to the rest of the world is smaller than implied by its global share of GDP.

The Dual Circulation focus of China's 14th 5-Year Plan (2021-25) suggests further extensions to this inward focus. The 5-Year Plans are often described as an indication of the "the biggest challenge" perceived by China's top leaders and their solution to it. Today the biggest challenge for Beijing is a potential decoupling with the US.

The Fifth Plenum of the 19th Party Congress was held on October 26-29 to discuss the proposals for the 14th 5-Year Plan. The post conference communique provided a summary of the proposals, including long-term goals through 2035, for instance, GDP per capita reaching the level of middle-income developed economies and expansion in middle-income population.

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In the nearer term the plan will have two main implications in our view. The first is to raise self-sufficiency. This is expected to reduce reliance upon foreign suppliers of strategic products such as food, energy, semiconductor and other key technologies.

The second is to increase reliance on domestic demand as a growth driver. The indication is that Beijing is keen to find new areas for investment and to boost domestic consumption at the same time.

A more detailed report on the 14th 5-Year Plan will be released during the National People's Congress in March 2021, at which point we can update our investors with more detail on its investment implications.

For more information speak to your financial adviser, call us on 1800 814 523, email mim.clientservice@macquarie.com or visit macquarie.com

Important information

Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFS Licence 238321 is the issuer of units in, and responsible entity of the Fund.

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