

## 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	\$75.7m
Distribution frequency	Annually
Management fee*	1.20% pa
Minimum investment (Direct)	\$20,000
Unit prices and spreads	<a href="http://macquarie.com.au/unit_prices">macquarie.com.au/unit_prices</a>

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

## Sector breakdown

	%
Consumer Discretionary	26.16
Consumer Staples	4.95
Energy	2.03
Financials	16.27
Health Care	3.87
Industrials	3.98
Information Technology	24.81
Materials	6.99
Real Estate	0.00
Communication Services	5.37
Utilities	0.00
Cash	5.58

## Fund performance to 28 February 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
<b>1 month (%)</b>	6.94	6.84	6.32	0.52
<b>3 months (%)</b>	7.74	8.30	9.55	-1.25
<b>1 year (%)</b>	17.79	17.34	24.58	-7.24
<b>3 years (% pa)</b>	5.35	4.39	5.87	-1.48
<b>5 years (% pa)</b>	6.92	5.82	9.57	-3.75
<b>10 years (% pa)</b>	11.44	9.14	7.53	1.61
<b>Since inception (% pa)</b>	11.95	9.35	7.24	2.11

### 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

	%
Stove Kraft	3.98
Hansol Chemical	3.88
Converge ICT Solutions	3.80
WONIK IPS	3.61
China Yongda Automobiles Services	3.48
Bank Tabungan Pensiunan Nasional Syariah	3.41
UPL	3.11
IndusInd Bank	3.04
Nien Made Enterprise	2.85
China New Higher Education	2.72

## Geographical weighting

	%
China	16.92
Hong Kong	1.57
India	19.00
Indonesia	5.06
Malaysia	2.14
Pakistan	0.00
Philippines	5.16
Singapore	2.37
South Korea	20.42
Taiwan	21.78
Thailand	0.00
Cash	5.58

## Macquarie Asia New Stars No.1 Fund

Monthly report – 28 February 2021

### Fund highlights and key contributors

- Asia's continued recovery saw a broad-based rally in Asian smaller companies with all of the region's individual markets finishing the month in the green (in USD).
- During the month, the region's smaller companies comfortably outperformed their larger regional peers (by 6%), developed markets (by 5%) and developed market small caps (by 2%), placing them ahead on a year-to-date basis also.
- The Fund performed in line with the region's rally, as investors sought out more attractively valued propositions and generally began to question the pricing of growth multiples.
- Hansol Chemical (South Korean specialised IT material manufacturer) was the highest individual contributor to the Fund's performance. During the month it lodged a patent for a sulphide-solid-electrolyte manufacturing process and product along with auto firms, Hyundai and Kia, to whom Hansol are expected to supply the product. To us, this is another signal that our thesis on this company is playing out as it becomes an increasingly important supplier to the electric vehicle industry.
- The largest detraction from performance during the month came from the Fund's positioning in China. Where the share prices for two key positions (China New Higher Education and Times Neighborhood) declined despite a lack of change to their underlying fundamentals.
- We remain positioned in generally overlooked areas of the market, as we continue to question the fundamentally stretched exposures which have seen valuation pressure recently.

### An update on Asia's recovery

The market and economic recovery in Asia continues at pace, as we near the 12 month mark from the market low we provide an update on some metrics which are commonly reported for developed nations but often overlooked for Asia.

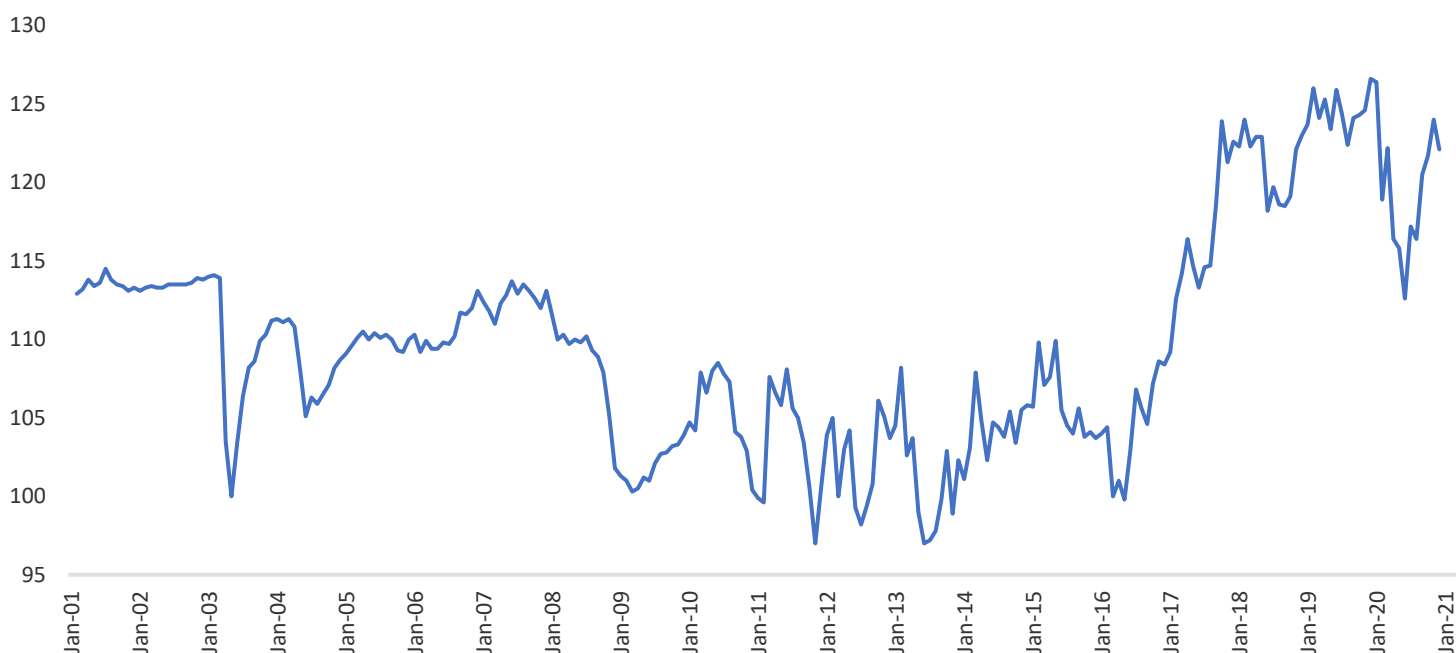
Firstly, vaccine programs have begun across China, Hong Kong, India, Indonesia, Philippines, South Korea and Thailand, with vaccinations expected to commence in early March in Malaysia. Confirmed vaccine doses are increasing across Asia, with at least six economies securing enough to cover at least 100% of their population (source: HSBC).

Asia's generally younger populations mean that lower vaccination rates are required to protect the high-risk groups. Asia's ageing group is 6-13% of the total population (except in Japan & Korea). If high-risk groups including the aged were to be vaccinated first in Asia with 10-15% of the initial vaccination target (considering realistic vaccine supply in 1H21), Asian countries could largely return to normalcy around the northern hemisphere summer season due to these mitigation efforts (source: JP Morgan).

Second, people's mobility in most Asian economies is now only slightly below pre-pandemic levels, which seems to suggest that life is almost back to normal. Mobility Asia is now ~78% of the pre-COVID level (source: Bloomberg).

In China, for example, which saw a modest COVID breakout in January we have seen the virus situation come back under control. The recovery in consumption is expected to resume and consumer confidence is strong relative to pre-COVID and historical levels (see chart below). Consumption demand is a key factor in the continuation of the economic rebound, so while China's GDP growth in 1Q21 is on track for 18% year-on-year growth (due to the low base from 1Q20) and will trend down afterwards, growth expectations remain high.

### Consumer confidence in China (last 20 years)



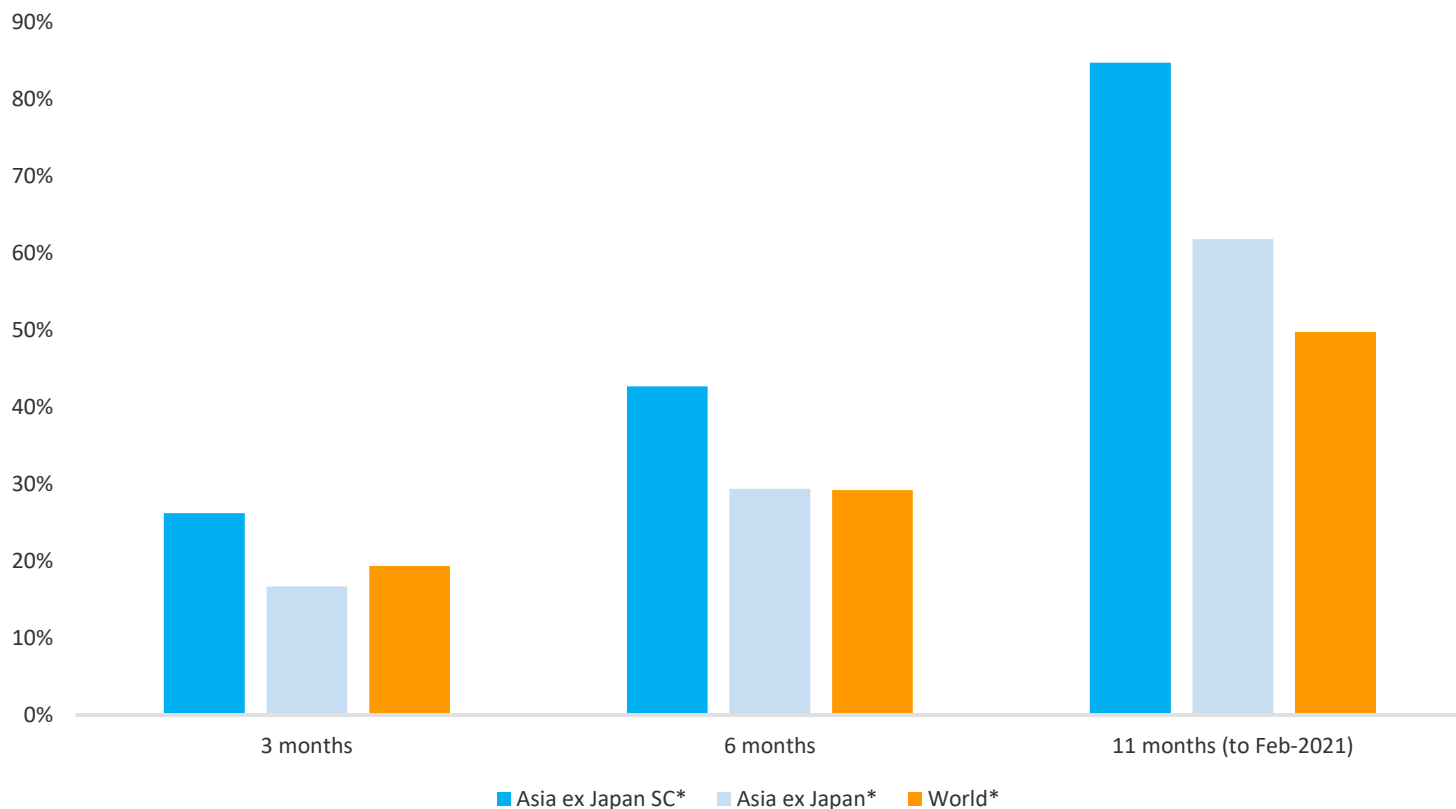
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We are seeing this growth and optimism play-out at the company level, consensus expects Asia ex Japan earnings to rise by 27.8% in 2021, with even higher expectations for the region's smaller companies. The region's earnings per share still comfortably below its long-term trend, which adds further support to this outlook (source: Bloomberg).

This optimism has continued to play out in markets. We remain cautious on the less fundamentally supported, speculatively driven, areas of the small cap market, but overall expect their higher economic sensitivity and links to the domestic recovery to bode well in the continued recovery in Asia.

### Market performance since 31 March 2020



Source: Macquarie Investment Management, Bloomberg. Past performance is not a reliable indicator of future performance. \* Asia ex Japan is MSCI Asia ex Japan Index, Asia ex Japan SC is MSCI Asia ex Japan Small Cap Index, World is MSCI World Index, all are net TR in USD

**For more information speak to your financial adviser, call us on 1800 814 523, email [mim.clientservice@macquarie.com](mailto:mim.clientservice@macquarie.com) or visit [macquarie.com](http://macquarie.com)**

#### Important information

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