

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	\$74.1m
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.

Fund performance to 31 March 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-0.03	-0.13	2.89	-3.02
3 months (%)	8.52	8.21	10.95	-2.74
1 year (%)	38.31	37.78	49.96	-12.18
3 years (% pa)	5.42	4.47	6.82	-2.35
5 years (% pa)	6.88	5.78	9.98	-4.20
10 years (% pa)	10.94	8.65	7.52	1.13
Since inception (% pa)	11.85	9.26	7.47	1.79

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

	%
Converge ICT Solutions	4.21
Hansol Chemical	3.94
WONIK IPS	3.86
UPL	3.70
China Yongda Automobiles Services	3.39
DGB Financial	3.37
Nien Made Enterprise	2.95
Bank Tabungan Pensiunan Nasional Syariah	2.94
Fusheng Precision	2.90
Wiwynn	2.87

Geographical weighting

	%
China	16.73
Hong Kong	1.48
India	18.37
Indonesia	6.34
Malaysia	2.29
Pakistan	0.00
Philippines	5.44
Singapore	2.82
South Korea	22.23
Taiwan	22.22
Thailand	0.00
Cash	2.09

Sector breakdown

	%
Consumer Discretionary	26.02
Consumer Staples	7.27
Energy	1.86
Financials	16.93
Health Care	3.70
Industrials	3.96
Information Technology	24.36
Materials	8.12
Real Estate	0.00
Communication Services	5.69
Utilities	0.00
Cash	2.09

Macquarie Asia New Stars No.1 Fund

Monthly report – 31 March 2021

What happened in March?

- Asian smaller companies continued their upward trajectory and outperformed their larger regional peers, as mega-cap Chinese internet stocks continued to face headwinds. Stretching the relative performance gap between the two benchmarks to 7% year-to-date.
- The Fund underperformed the rising market during March but maintains its positive start to 2021, as the revival occurring in Asian small caps remains a tailwind.
- During the month, the largest detractor from performance at the country level was India, where a resurgence of COVID-19 cases is occurring. Daily cases in India are reaching new highs, dragging down economic activity. New lockdown measures have been announced in some areas. Overall, we remain confident that our portfolio positioning in the country is, on balance, reasonably well insulated from further COVID related shocks.
- The largest individual contributor to performance was China Yongda Automobiles Services (Chinese luxury auto dealer) which delivered a very solid quarterly result. There were comprehensive improvements throughout their business, including across: new car volumes, aftersales servicing, inventory turnover, expansion plans and progress in new energy vehicle related business lines.
- The largest individual detractor from performance was Bank Tabungan Pensiunan Nasional Syariah (Indonesian ultra-micro finance provider) which declined on general weakness in the Indonesian economy, which still grapples with high COVID case numbers and localised activity restrictions.
- We remain optimistic in the outlook for a continued recovery in Asia, expect smaller companies to continue to benefit from this environment and, importantly, consider the portfolio to be positioned in fundamentally attractive businesses that are priced at compelling valuations.

Stock highlight - UPL

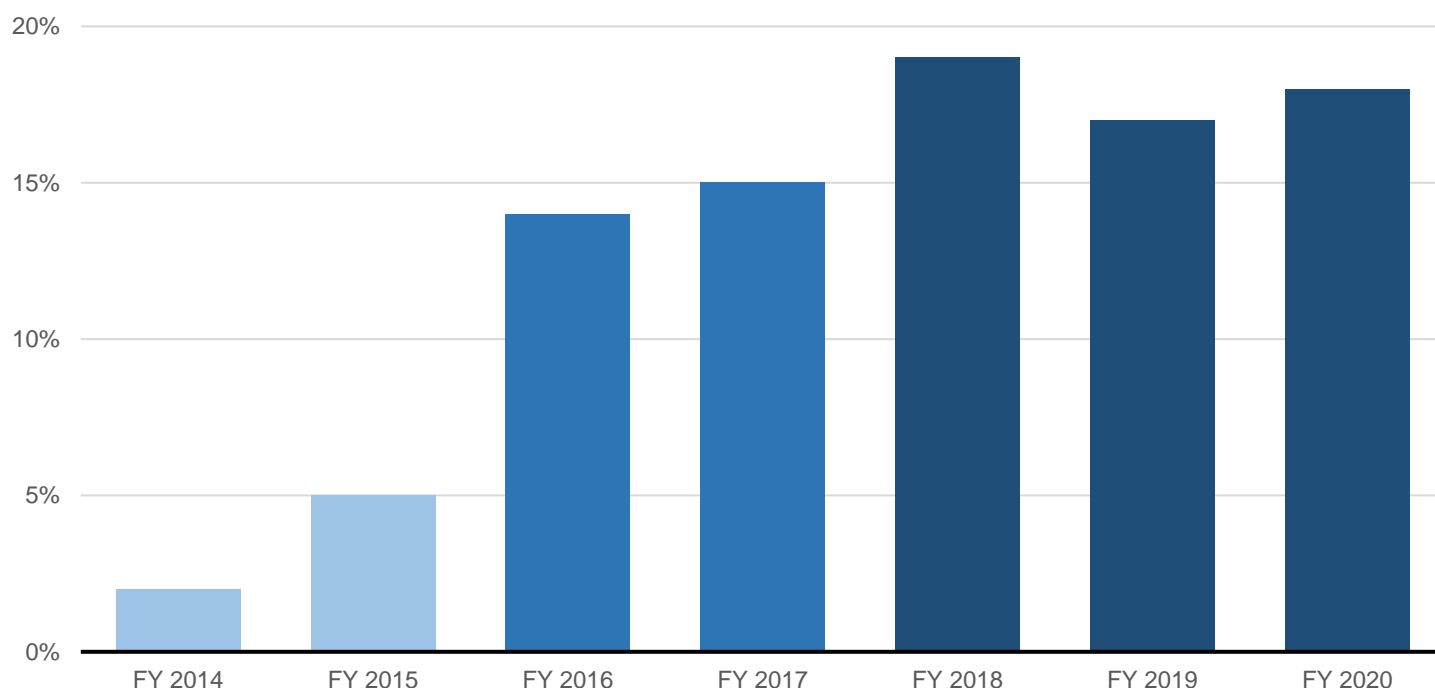
The focus of our on-the-ground research is to find and ideally invest early in Asian companies with long-term compounding potential. UPL is a good example of one such company. We have held UPL for over 7 years, initiating our position in 2013, and it is currently a top-5 position in the Fund, highlighting our conviction in its outlook.

UPL is an Indian agrochemicals firm, indeed it is the world's largest generic agrochemical producer, but it is delivering in what some might consider an unexciting industry. UPL has delivered a 20% revenue compound annual growth rate to considerably outperform the single-digit industry growth over the past decade.

The business has long benefited from a scalable and cost-efficient production base in India, what is less well known is that UPL's investment in its R&D platform has seen it create differentiation and intellectual property with new and unique formulas and mixtures – which has enabled UPL to maintain higher profit margins and extend the lifecycle of its products.

UPL monitors and reports on the share of sales from innovative or newer products launched over the past five years. This innovation turnover has risen from 2.5% in 2014 to 18% in 2020, as shown in the chart below. We expect this trend will sustain due to UPL's strong product pipeline.

Innovation turnover index (%)



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UPL's strong growth has seen it develop into a globally relevant crop protection company, with a diversified geographic presence and extensive product portfolio that helps de-risk its earnings from seasonal variations to enable sustainable growth momentum.

UPL now has an extensive presence across the value chain for crop protection chemicals, seeds, biologicals, soil nutrients and post-harvest solutions. The firm is aiming to strengthen its market position by moving closer to farmers, by being a Smart Farming Partner. It is looking to partner with farmers and distributors to literally be on the farm with farmers throughout the entire campaign. It plans to leverage digital technologies, remote sensing, imaging analysis using the same source algorithms, as a result they are able to not only increase yields but to actually optimize the programs to reduce the use of resources, to protect the environment. UPL's resource efficiency and innovation efforts should move the majority of its business into this space over the next five years, creating opportunities for margin expansion and defensible market positions.

We have been patient investors in UPL's growth journey over the past seven years and with its stock attractively priced relative to its bright outlook it remains as a high conviction investment in the portfolio.

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

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