

## 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	\$73.5m
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.

## Fund performance to 30 April 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
<b>1 month (%)</b>	4.05	3.94	4.25	-0.31
<b>3 months (%)</b>	11.23	10.91	14.05	-3.14
<b>1 year (%)</b>	35.46	34.95	46.53	-11.58
<b>3 years (% pa)</b>	5.58	4.62	7.59	-2.97
<b>5 years (% pa)</b>	7.46	6.34	10.56	-4.22
<b>10 years (% pa)</b>	11.31	9.01	8.14	0.87
<b>Since inception (% pa)</b>	12.16	9.57	7.82	1.75

### 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	4.02
Hansol Chemical	3.93
WONIK IPS	3.62
Erajaya Swasembada	3.61
China Education	3.56
DGB Financial	3.48
UPL	3.29
Nien Made Enterprise	3.19
Wiwynn	3.12
Globalwafers	3.05

## Geographical weighting

	%
China	18.33
Hong Kong	0.00
India	17.89
Indonesia	7.36
Malaysia	1.98
Pakistan	0.00
Philippines	5.17
Singapore	2.71
South Korea	21.93
Taiwan	22.79
Thailand	0.00
Cash	1.84

## Sector breakdown

	%
Consumer Discretionary	25.90
Consumer Staples	7.01
Energy	1.85
Financials	16.44
Health Care	5.91
Industrials	3.58
Information Technology	25.78
Materials	7.67
Real Estate	0.00
Communication Services	4.02
Utilities	0.00
Cash	1.84

# Macquarie Asia New Stars No.1 Fund

Monthly report – 30 April 2021

## What happened in April?

- The ongoing recovery led Asian smaller companies to produce another month of gains that surpassed their larger cap peers both locally and globally (MSCI Asia ex Japan Index and MSCI World Index, respectively).
- The Fund performed in line with its benchmark this month, led by rallies in Chinese consumer discretionary exposures that have endured a period of being overlooked by the market.
- The Fund's Chinese education providers and a sportswear brand enjoyed significant gains, all rallying over 35% (in USD) during the month. The patience and focus on fundamental delivery over a long period showed some reward this month as the Fund has held all these exposures through periods of short-term pessimistic sentiment.
- There were no material individual stock detractors for the month. The largest area of detraction from performance was in Taiwan, due to a lack of exposure to the relatively more cyclical Industrials and Materials sectors which staged strong rallies following the recent strength in commodity prices.
- With company earnings season continuing in Asia, we have seen a renewed focus on fundamental delivery with stock prices generally following earnings results. Historically, in environments where fundamentals lead markets our investment strategy is rewarded relative to when sentiment prevails, as occurred in 2020.
- We look back on other lessons from the past in the section further below, repeating the structural and tactical case for Asian SMID cap exposure.

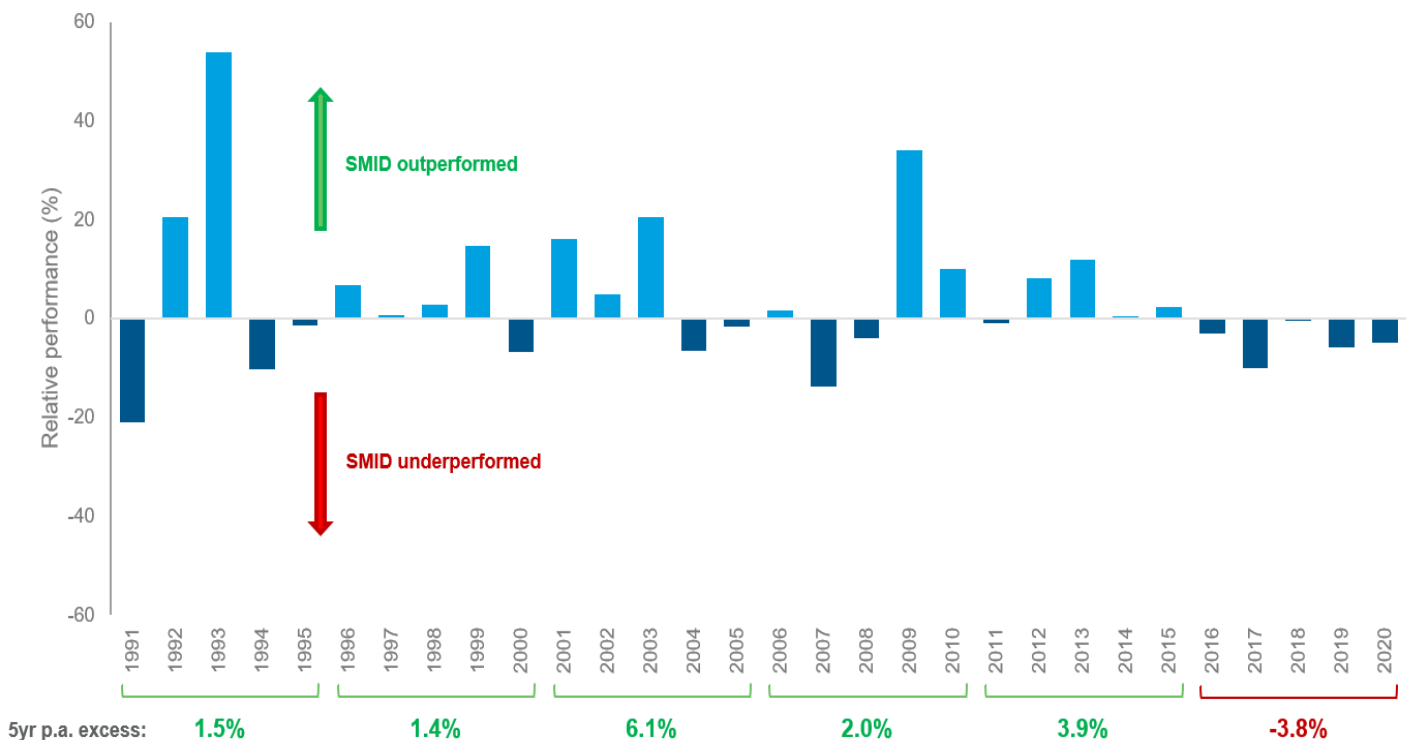
## Are the stars aligning for Asian SMID caps?

We are a year on from both the market bottom of 2020 as well as our team's assertion that Asian SMID caps were simply too attractively priced to ignore. We cannot profess to of had an edge in calling either the market bottom or to have fully anticipated the subsequent recovery rally, in fact its strength caught us off guard to some extent. Rather, the benefit of over a decade in the region affords our team a longer-term perspective and the experience of numerous reference points that can indicate what the future might hold.

To us the structural opportunity in Asian SMID caps has been clear for many years and is supported by the 30-year history of Asia ex Japan managers' performance. The under-researched and often overlooked area in which small and mid-cap managers ply their trade has provided a sustainable investment opportunity set since the 90s. SMID cap exposures have long been recognised as a diversifier and alpha opportunity within investment portfolios (source: Mercer) and Asian markets offer the same proposition, in our view.

The past 5-years of Asian large-cap outperformance has shown a different picture, however. Driven by strong rallies in large cap companies, particularly internet stocks such as the now household names of Alibaba and Tencent. The strength of this beta difference led to the first 5-year period where the median SMID cap manager underperformed the median large cap manager (as shown by the relative return figures along the bottom axis of the chart below).

## Asia ex Japan median SMID vs median all-cap funds



Source: Macquarie Investment Management, Morningstar, as of 31 December 2020. Past performance is not a reliable indicator of future results.

## Macquarie Asia New Stars No.1 Fund

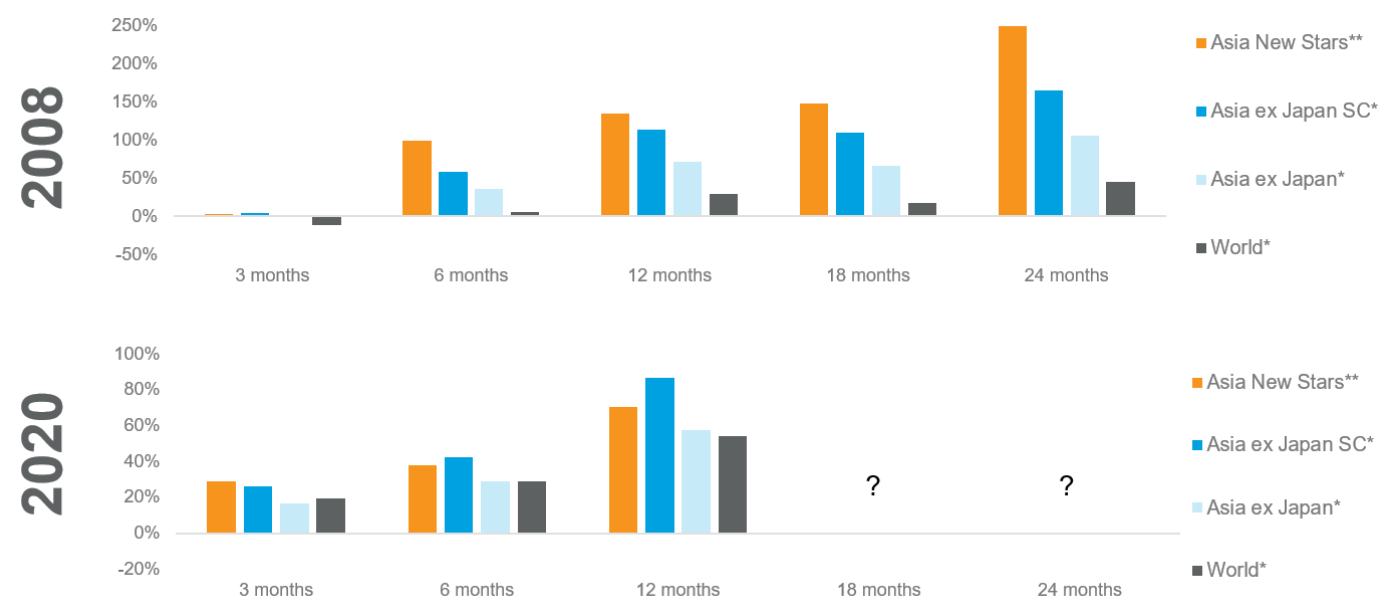
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Just as the structural investment case for an exposure to Asian SMID caps can be made based on lessons from history, so too can the tactical case. The most relevant tactical case in our view, as we expressed 12 months ago, is one of attractive valuations in a recovery environment.

In our view, the most relevant recovery environment is the experience in 2009 and into 2010 as the market recovered from its 2008 low. In this period, as is the case today, Asia led the world in its economic and equity market recovery, with the more domestically geared Asian SMID cap companies leading the charge. In fact, in the first four months of 2021 we have seen the recovery in smaller companies continue to gain pace as the MSCI Asia ex Japan Small Cap Index is outperforming its large cap peer index (MSCI Asia ex Japan Index) by over 10%. A time-series comparison between the recovery periods is provided in the graph further below, the starting point for each being the trough in market valuations.

To us, the direction of travel for the economic recovery remains clear and from our base in Hong Kong we continue to see the type of structurally attractive, under researched and commonly overlooked bottom-up opportunities that have given Asian SMID cap managers a sustained long-term advantage. The stars could well be re-aligning to provide the long-term opportunity that history shows the Asian SMID cap market represents.

### Performance experience from trough valuations



Source: Macquarie Investment Management, Bloomberg. **Past performance is not a reliable indicator of future results.** \*\* Macquarie Asia New Stars Composite, net of fees in USD. MER = 0.95% p.a. Supplemental information to the GIPS compliant presentation. This is not the return for any of the individual Macquarie Asia New Stars funds, share classes or unit classes. \* Asia ex Japan is MSCI Asia ex Japan Index, Asia ex Japan SC is MSCI Asia ex Japan Small Cap Index (Macquarie Asia New Stars Composite benchmark), World is MSCI World Index, all are net TR in USD. Inception date of Macquarie Asia New Stars Composite is 31 May 2008. Performance period start dates selected as one month after MSCI Asia ex Japan Small Cap Index Price-to-Book ratio falls to 1x, specifically 31 December 2008 and 31 March 2020.

**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

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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