

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	\$71.2m
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 May 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	6.39	6.28	0.91	5.37
3 months (%)	10.67	10.34	8.24	2.10
1 year (%)	37.53	36.99	47.21	-10.22
3 years (% pa)	9.06	8.07	8.06	0.01
5 years (% pa)	7.51	6.39	10.13	-3.74
10 years (% pa)	11.81	9.51	8.21	1.30
Since inception (% pa)	12.69	10.10	7.84	2.26

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

	%
3SBio	4.39
UPL	4.31
Converge ICT Solutions	4.12
Fusheng Precision	3.95
China Education	3.89
Hansol Chemical	3.76
Erajaya Swasembada	3.67
DGB Financial	3.59
WONIK IPS	3.53
Wiwynn	2.94

Geographical weighting

	%
China	20.20
Hong Kong	0.00
India	19.76
Indonesia	7.57
Malaysia	0.99
Pakistan	0.00
Philippines	5.23
Singapore	0.00
South Korea	22.43
Taiwan	21.88
Thailand	0.00
Cash	1.95

Sector breakdown

	%
Consumer Discretionary	25.56
Consumer Staples	7.48
Energy	1.94
Financials	17.34
Health Care	7.38
Industrials	2.72
Information Technology	22.51
Materials	9.00
Real Estate	0.00
Communication Services	4.12
Utilities	0.00
Cash	1.95

Macquarie Asia New Stars No.1 Fund

Monthly report – 31 May 2021

What happened in May?

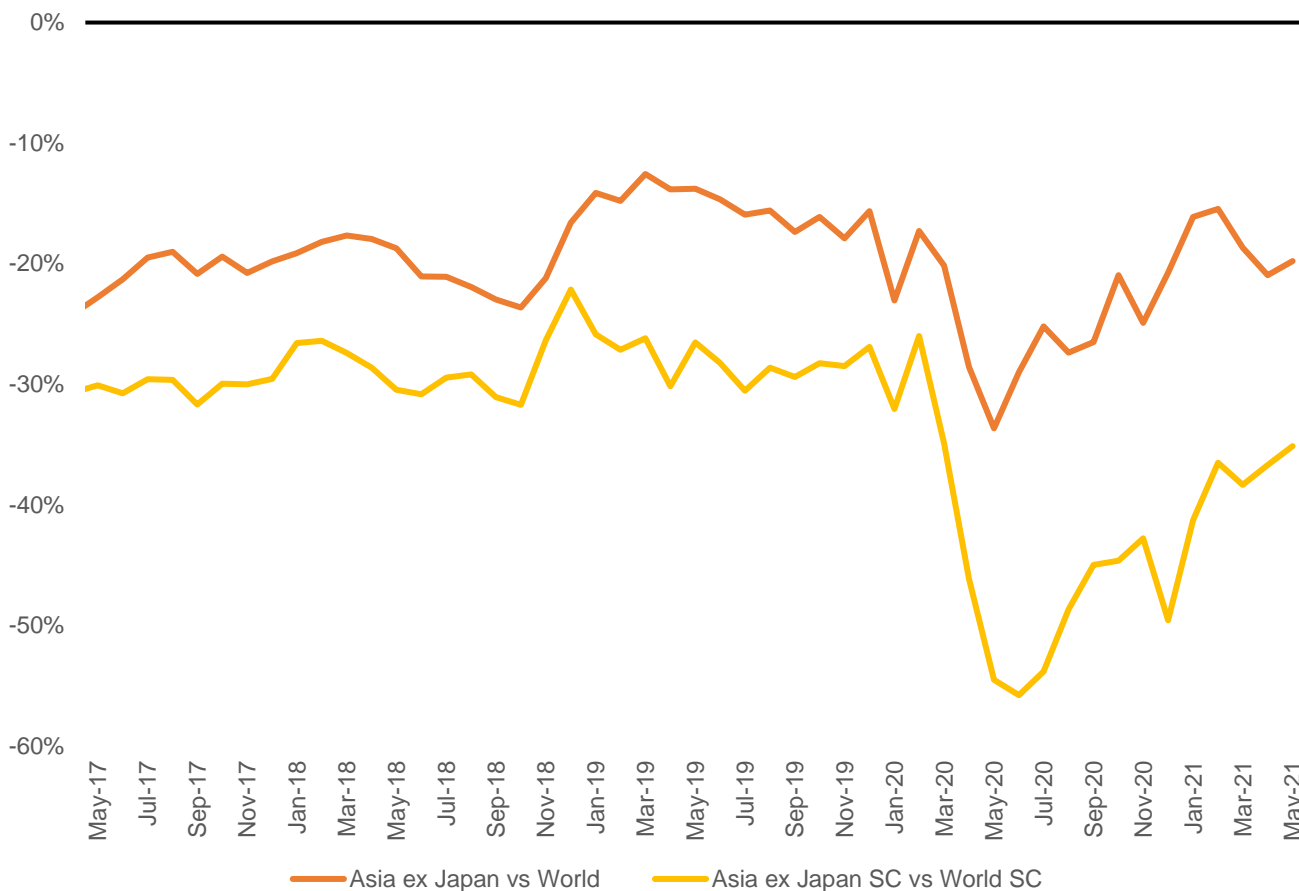
- Company reporting set the tone for the month, with stocks delivering on fundamentals driving the region's returns. We saw this clearly within the portfolio with the significant outperformance driven entirely by stock selection.
- The outperformance delivered during a reporting season is often the result of seeds sown many months or even years prior, through diligent fundamental work and the patience to look through the market's short-term sentimental swings. Our portfolio remains reasonably stable and is a diversified collection of attractively priced structural compounds.
- Asian markets traded slightly up during May, with stocks falling sharply when the market realised its expectations had run well ahead of reality and the rewards, in the form of share price appreciation, going to the companies that delivered upon or ahead of expectation.
- One of the strongest individual contributors to Fund performance during the month was UPL, an Indian agrochemical company which we have held in the portfolio for over 7 years. UPL delivered a strong quarterly result, and the management team provided an optimistic outlook of growth and debt reduction for the year ahead. We remain positive on the company and see strength in crop protection demand.
- The Fund's excess returns for May were generated from a broad set of companies across various countries and sectors, with the strongest returns generated from Indian companies.
- There were no significant detractors from returns at the country, sector or individual company level for the month. The earnings season has highlighted the strength of the underlying fundamentals of the portfolio and we remain satisfied that it is trading at a discount to its longer-term prospects.

Asia - the home of alpha

Asian markets have had an impressive run. The continued strength of smaller cap stocks has seen them outperform the larger cap index by over 10% since the start of 2021.

To us, Asian markets remain attractive relative to both their own history and global peers. As shown in the chart below, the broader Asia index remains at a 20% discount and Asian small caps at a 35% discount to their respective global peers.

Relative price-to-earnings valuations



Source: Macquarie Investment Management, Bloomberg, as of 31 May 2021.

Macquarie Asia New Stars No.1 Fund

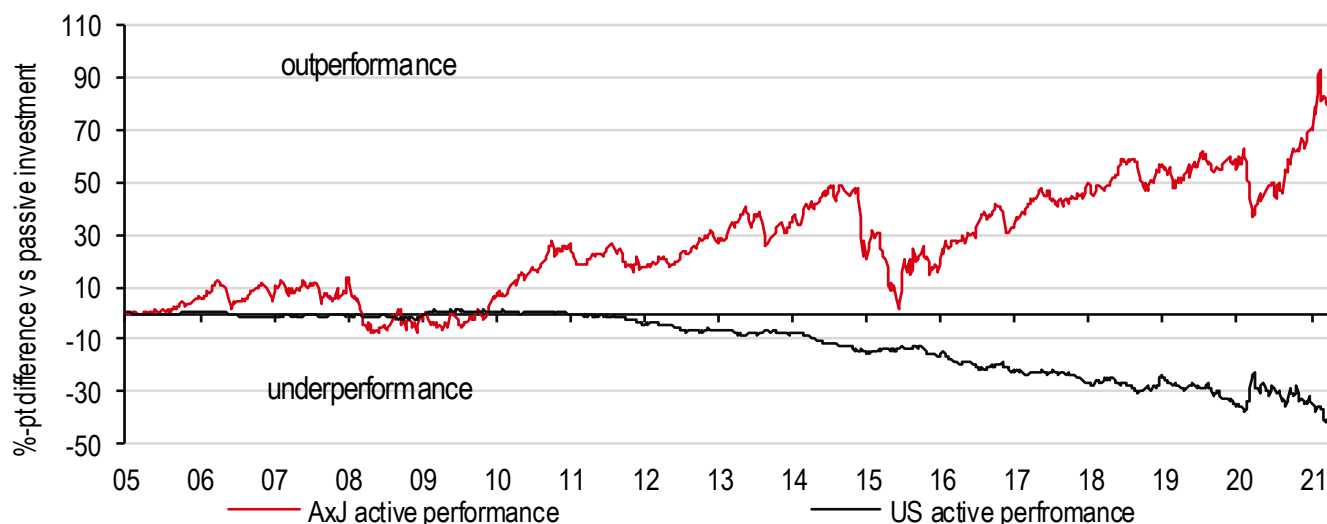
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We remain constructive on the outlook for Asia's SMID cap market. Others are suggesting that the easy gains in the larger cap market may well have been made and from here returns may be driven more from alpha than beta (Source: HSBC).

Asia's market inefficiencies make it structurally attractive for active management. As we highlighted in last month's report, we believe the stars are aligning for Asian SMID caps and their long history of alpha generation is returning to the fore.

After a reporting season where fundamentals came back into acute focus, we remain resolute in our view that the long-term opportunity in Asia is to capture its alpha and beta potential – it is the "home of alpha" after all.

Active management works in Asia



Source: Macquarie Investment Management, EPFR, HSBC, as of 31 May 2021.

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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