

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	\$66.7m
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 August 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	5.64	5.53	1.51	4.02
3 months (%)	6.20	5.88	8.11	-2.23
1 year (%)	39.23	38.70	42.89	-4.19
3 years (% pa)	12.64	11.62	12.06	-0.44
5 years (% pa)	8.38	7.26	11.11	-3.85
10 years (% pa)	13.28	11.09	10.39	0.70
Since inception (% pa)	12.99	10.42	8.41	2.01

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	4.63
Hansol Chemical	4.30
China Education Group	4.28
Erajaya Swasembada	3.78
UPL	3.71
BGF retail	3.61
Devyani International	3.52
DGB Financial	3.48
Converge ICT Solutions	3.30
WONIK IPS	3.07

Geographical weighting

	%
China	18.31
Hong Kong	1.92
India	21.38
Indonesia	7.72
Malaysia	0.78
Pakistan	0.00
Philippines	3.30
Singapore	0.00
South Korea	21.87
Taiwan	22.69
Thailand	0.00
Cash	2.02

Sector breakdown

	%
Consumer Discretionary	23.15
Consumer Staples	7.43
Energy	1.79
Financials	14.96
Health Care	9.02
Industrials	0.00
Information Technology	24.34
Materials	8.01
Real Estate	4.91
Communication Services	4.36
Utilities	0.00
Cash	2.02

Macquarie Asia New Stars No.1 Fund

Monthly report – 31 August 2021

What happened in August?

- August saw a small recovery in Asian markets following the volatility in July as investors took more time to absorb China's regulatory action and focus shifted toward fundamentals as a result of the reporting period.
- Outperformance delivered during a reporting season is often the result of seeds sown many months or even years prior and it is these periods that we look to in monitoring execution and validating our longer-term expectations.
- The Fund's outperformance during the month was delivered by broadly positive stock selection across all countries and sectors, although India and the Philippines contributed the most in this regard.
- Converge ICT Solutions (Philippines based fixed broadband provider), delivered the largest individual performance contribution with a 37% rally during the month. Spurred by continued strong execution as well as the news of its index inclusion.
- We remain positive on Converge's longer-term outlook as it leads the charge in rolling out fixed broadband to a highly underpenetrated market and on a nearer-term basis we expect it will accelerate subscriber growth in the second half of the year.
- India delivered another strong month of performance with positions across Consumer and Healthcare sectors delivering August's returns.

Asia's reporting season

When it comes to market performance, the story of 2021 is that earnings have been upgraded, but price-to-earnings multiples have contracted. We have witnessed this occurring in all markets across the Asian region.

Following the impressive start to the year in Asian markets we have argued that continuing to chase passive indices higher poses risks and generating returns over the medium term will require a bottom-up focus on company fundamentals. The recent reporting season showed evidence of this view becoming more recognised in the market.

Looking ahead, analysts expect a fall in earnings per share (EPS) growth with a slowing trend being particularly evident among traditional value and cyclical sectors such as Energy (+59% in 4Q21 to -4% in 1Q22), Materials (+67% in 4Q21 to 7% in 1Q22) and Financials (+8% in 4Q21 to -11% in 1Q22). This suggests global cyclicals are buoyed by near term supply chain disruptions. Some beneficiaries of COVID are also expected to lose growth momentum, as are the region's largest digital platforms.

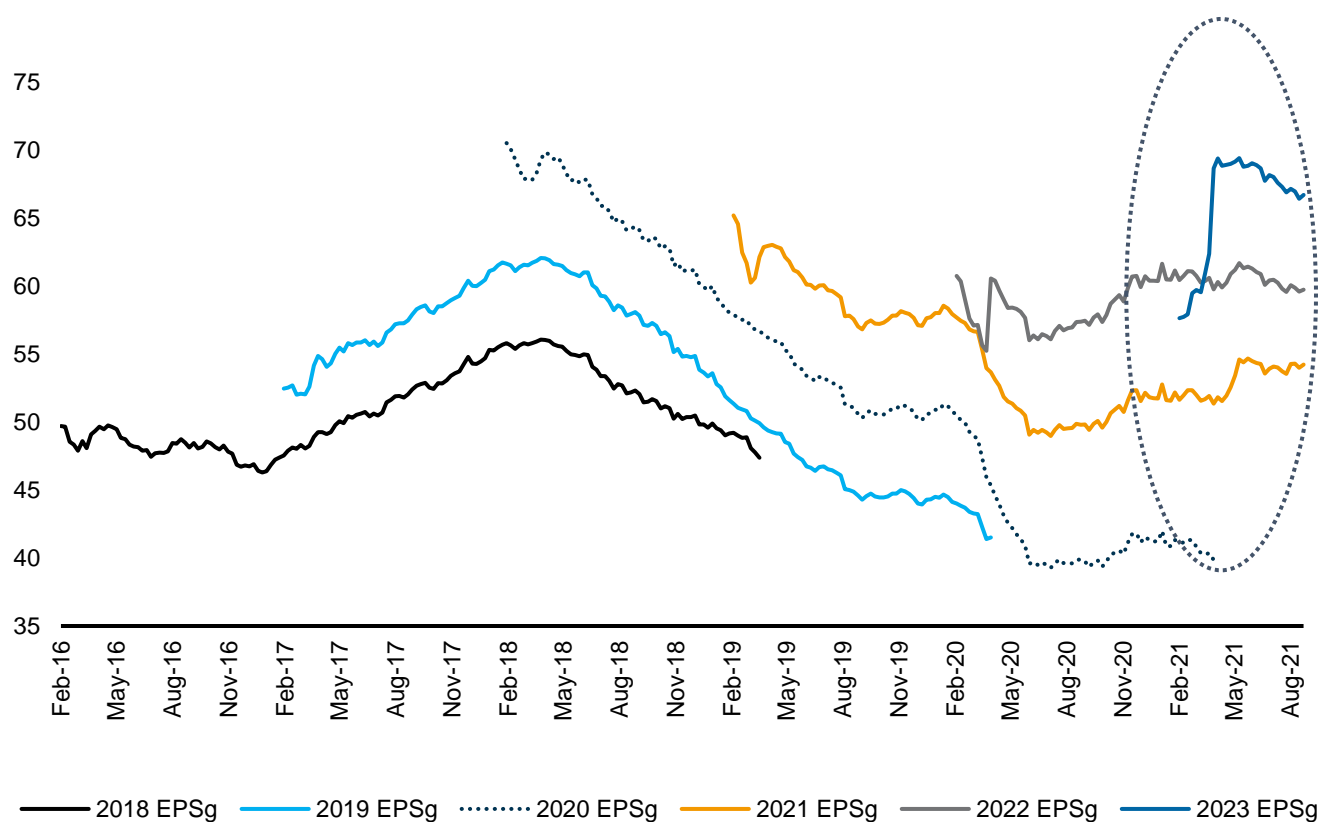
Overall, analysts expect that regional EPS growth would slow from a blistering ~42% clip towards 11%-12% in 2022 and 2023 with local consumption and services sectors faring better than global cyclicals. The consistency of estimates and lack of variability signals that neither companies nor analysts have much visibility due to the relatively uncertain environment. This clouded outlook implies that valuations will remain in focus.

The near-term picture is being distorted by delta strain outbreaks; however, the medium-term prospects are increasing in visibility with vaccination programs gathering pace and paths to full economic re-opening being laid across the region. As re-opening occurs across the region, we expect investor confidence that comes with clearer visibility to benefit many of our portfolio companies – quality, well run businesses that the market has overlooked due to short-term uncertainty.

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MSCI Asia ex Japan Earnings Per Share integer



Source: Datastream, Macquarie. EPSg refers to Earnings Per Share growth.

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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