

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	\$64.0m
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 30 November 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	2.97	2.88	3.61	-0.73
3 months (%)	-2.47	-2.75	0.51	-3.26
1 year (%)	23.51	23.04	28.85	-5.81
3 years (% pa)	15.41	14.37	16.84	-2.47
5 years (% pa)	9.93	8.79	11.91	-3.12
10 years (% pa)	14.50	12.31	11.93	0.38
Since inception (% pa)	12.46	9.93	8.27	1.66

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

	%
Bank Tabungan Pensiunan Nasional Syariah	4.77
China Education Group	4.65
Hansol Chemical	3.82
Erajaya Swasembada	3.76
DGB Financial	3.55
3SBio	3.54
UPL	3.53
Fusheng Precision	3.46
Apollo Hospitals Enterprise	3.46
WONIK IPS	3.21

Geographical weighting

	%
China	16.56
Hong Kong	2.23
India	21.28
Indonesia	9.71
Malaysia	2.27
Pakistan	0.00
Philippines	0.60
Singapore	0.00
South Korea	16.62
Taiwan	26.22
Thailand	1.53
Cash	2.97

Sector breakdown

	%
Consumer Discretionary	19.02
Consumer Staples	6.80
Energy	1.79
Financials	13.44
Health Care	10.15
Industrials	1.05
Information Technology	29.97
Materials	7.34
Real Estate	4.46
Communication Services	3.00
Utilities	0.00
Cash	2.97

Macquarie Asia New Stars No.1 Fund

Monthly report – 30 November 2021

What happened in November?

- Asian markets retraced (in USD terms) during November with ongoing competitiveness, slowing demand and regulatory concerns amongst large cap e-commerce tickers, as well as some anticipation of lockdowns with the Omicron COVID-19 strain spreading globally.
- Although both small and large cap Asian stocks retraced in unison over the month the fall in smaller companies was more muted. Year-to-date the MSCI Asia ex Japan Small Cap benchmark has outperformed its large cap counterpart by 23% benefitting from diversification and valuation support.
- The Fund, being overweight domestic demand and consumption exposures, underperformed its benchmark slightly during November. Regional variances saw the technology heavy Taiwan and the defensive Singapore regions outperforming whilst the more COVID-19 vulnerable South East Asian regions were amongst the underperformers. Sector-wise it was the consumer sector that is more exposed to lockdowns that lagged whilst Information Technology and Communication Services showed resilience with the former shaking concerns around supply side constraints and the latter being a beneficiary from lock-downs and home-working.
- Stock specific contributors were a long held Indian hospital operator which reported margin expansion on a shift in revenue mix away from COVID-19 related care to a higher margin general mix, a Chinese higher education provider that reported both strong operating results and high enrolments for the coming academic year and an array of strong technology stock picks in Taiwan.
- Key detractors were an Indian bank that was rumoured to be experiencing management turnover in its small micro-finance arm and consumption related holdings that retraced on COVID-19 mitigation concerns.

Channel checking supply chain concerns

Although the detail is complex around supply chain constraints and raw material availabilities the Asian Listed Equities team is well positioned to analyse these issues with in-depth access to senior management of Asian companies, an analytical team with a diverse array of cultural backgrounds and being part of a major financial services group with a broad presence in the region and global feedback loops on infrastructure bottlenecks.

Key observations are the consumers of commodities with pricing power that have passed on the raw material price increases are well positioned to realise margin expansion as these commodity prices fall. Specifically in our portfolio this raises our conviction in a branded Indian cookware company that did realise a quarter or two of margin squeeze as there is a lag for these price increases to be realised, but nonetheless the prices were passed through whilst the company took meaningful market share with weaker competition not being able to maintain its raw material inventories and supplies.

Other channel checks gave us little confidence that the current shipping bottlenecks will be relieved any time soon, due to them being the result of elevated e-commerce demand and shortages of labour to process these orders. Our research on the topic indicates that the key bottlenecks are at the logistics centres, with the ports being a more visible point of a system that is choked up at multiple stages rather than being the critical point of constraint.

Despite being impacted by this partially, a key holding that exports window furnishings is taking advantage of alternate channels in accessing the important US market by utilising its Mexican manufacturing and logistics infrastructure in taking market share. This company is likewise benefitting from falling commodity prices after taking meaningful price increases when these prices rose sharply in the first half of this year. These prices are more likely to stick in an environment where competition is struggling to deliver product directly from China to this major market.

It is analysis of such that strengthens our long-term conviction in these and similar scenarios where holdings of deep competitive advantage can endure shocks, take market share and maintain profitability as competition struggles.

Macquarie Asia New Stars No.1 Fund

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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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