

### 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	\$48.2m
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 28 February 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
<b>1 month (%)</b>	-6.67	-6.77	-4.69	-2.08
<b>3 months (%)</b>	-10.86	-10.94	-6.90	-4.04
<b>1 year (%)</b>	2.18	1.19	9.50	-8.31
<b>3 years (% pa)</b>	7.19	6.30	11.50	-5.20
<b>5 years (% pa)</b>	7.26	6.21	9.48	-3.27
<b>10 years (% pa)</b>	11.98	9.86	9.80	0.06
<b>Since inception (% pa)</b>	11.09	8.64	7.44	1.20

#### 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

	%
Erajaya Swasembada	4.63
Bank Tabungan Pensiunan Nasional Syariah	4.36
DGB Financial	4.29
BGF retail	3.96
UPL	3.96
Fusheng Precision	3.88
3SBio	3.62
Sinbon Electronics	3.58
WONIK IPS	3.26
Hansol Chemical	3.23

### Geographical weighting

	%
China	16.25
Hong Kong	1.92
India	21.43
Indonesia	9.70
Malaysia	2.46
Pakistan	0.00
Philippines	1.36
Singapore	0.00
South Korea	18.58
Taiwan	24.67
Thailand	1.73
Cash	1.91

### Sector breakdown

	%
Consumer Discretionary	17.83
Consumer Staples	6.46
Energy	1.90
Financials	14.65
Health Care	9.60
Industrials	2.29
Information Technology	31.30
Materials	7.19
Real Estate	3.76
Communication Services	3.13
Utilities	0.00
Cash	1.91

## Macquarie Asia New Stars No.1 Fund

Monthly report – 28 February 2022

### What happened in February?

- Asia markets retraced modestly in February due to the tensions resulting from the Russian invasion of Ukraine and fears of inflation rising in a slowing global economy. The Fund underperformed with some of the more export focused companies reverting. Offsetting this was solid delivery in the domestically focused names in India and China.
- The weaker exporting names include two long-term multi-bagger investments for the Fund where we see solid ongoing delivery, these being the South Korean producer of high-end electric vehicle batteries, Samsung SDI and the low-cost innovative India agrichemical company UPL. In both cases the companies operate with superior profitability margins compared to peers and have obvious structural tailwinds being the proliferation of electric vehicles and the higher demand for more productive agriculture in satisfying the expanding appetites and palates of the world's rapidly growing middle class.
- The offsetting stronger performers for the month shared a common thematic of the emergence of the world from the grasps of COVID-19. These include a rapidly expanding restaurant chain in China, a hospital in India which is now realising fuller occupancy in dealing with a backlog of pent-up elective surgeries and an Indonesian microfinance provider who is extending further finance.
- Although not a focus of the Fund, which has consistently maintained a domestically focused bias, opportunity does nonetheless present itself in the more export focused names where domestically developed competitive advantage is leveraged globally. The more obvious examples of these are in South Korea and Taiwan technology hardware sectors where the Fund is has benefitted from a consistent overweight to electric vehicle batteries for many a year and more recently memory exposures. UPL is a less obvious, but nonetheless an equally compelling example of an exporter with a domestically developed entrenched competitive advantage.

### UPL

UPL's niche is in pesticides and fungicides where its history of innovation and customer service has seen it expand well beyond the shores of what is nonetheless a meaningful agricultural economy of India itself. The solutions the company develops aid the crop productivity of farmers globally, but the expansion of Latin America in their portfolio has been a big contributor to the company's growth in recent years as has the acquisition of a large US based competitor.

The combination of research and product development and a low-cost manufacturing base in the industrial powerhouse of Gujarat see the company deliver high returns on capital at high gross and operating margins.

### Key metrics for UPL

Ratio	UPL
10 year historic eps CAGR	15.7%
2yr fwd eps growth (pa)	21.5%
Return on Equity	21.6%
Gross Profit Margin	50.8%
EBITDA Margin	22.0%
Dividend Yield	1.3%
Market Capitalisation (USDm)	7.44
PE Ratio	12.8x

Source: Macquarie Asset Management, Bloomberg, Factset, ratios are 12 months forward unless stated

Again, we emphasise that although our investment strategy prides itself in capturing the best of Asia and for the majority these are companies enjoying the structural growth of Asia's middle class, the portfolio does maintain appropriate diversity which includes exporters that exhibit meaningful global competitive advantage.

## 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](mailto:mim.clientservice@macquarie.com) or visit [macquarie.com](http://macquarie.com)**

### **Important information**

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