

Macquarie Asia New Stars No.1 Fund

Monthly report – 30 April 2022

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	\$47.1m
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 April 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.37	0.26	0.83	-0.57
3 months (%)	-8.58	-8.87	-6.03	-2.84
1 year (%)	-3.78	-4.73	0.66	-5.39
3 years (% pa)	5.21	4.33	9.90	-5.57
5 years (% pa)	5.24	4.21	7.73	-3.52
10 years (% pa)	11.76	9.65	9.86	-0.21
Since inception (% pa)	10.73	8.30	7.20	1.10

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

	%
UPL	5.52
Wiwynn	4.62
Erajaya Swasembada	4.56
Bank Tabungan Pensiunan Nasional Syariah	4.47
Fusheng Precision	4.34
BGF retail	4.16
DGB Financial	3.98
Samsung SDI	3.87
Hansol Chemical	3.66
TIME dotCom	3.58

Geographical weighting

	%
China	13.20
Hong Kong	1.74
India	22.57
Indonesia	9.64
Malaysia	3.58
Pakistan	0.00
Philippines	1.50
Singapore	0.00
South Korea	19.82
Taiwan	24.75
Thailand	1.69
Cash	1.51

Sector breakdown

	%
Consumer Discretionary	13.87
Consumer Staples	6.34
Energy	1.35
Financials	14.64
Health Care	8.47
Industrials	2.38
Information Technology	34.93
Materials	9.17
Real Estate	3.07
Communication Services	4.29
Utilities	0.00
Cash	1.51

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What happened in April?

- Asia New Stars' quality growth and value disciplines saw it outperform its benchmark* in a period where global markets absorbed the reality that growth will become scarcer in an environment of higher inflation and with it structurally higher interest rates. The domestic focus of the portfolio added resilience with the obvious tailwind of the opening of many of the Asian economies. This opening and escalation of business activity is undeterred by inflation is the feedback from many quarters of the regions especially in South East Asia, India and South Korea where 'with-COVID' policies are in place.
- Consistent to our fundamental investment strategy the outperformance was generated from bottom-up stock selection with key contributors coming from India, South Korea and Taiwan in the Financials, Materials and Information Technology sectors. Specifically key contributors included a long held agricultural-chemical company that is benefiting from food inflation, a leading supplier of high-end golfing equipment and a Korean convenient store operator that are benefiting from the re-opening of global and local economies respectively, and a supplier of data-centre equipment as the growing need for data storage is showing little signs of abatement.
- Countering this there were few detractors in a month of a high stock-picking hit rate with the key detractors being cases of reversion from strong recent performance.
- A key regional and global exception to the 'with-COVID' strategy is China, yet despite the strict lock-down of Shanghai and its obvious economic drag, China was not an under-performer for the month rebounding into the month end for several subtle, less headline-grabbing but real reasons.

*Note: The Asia New Stars No.1 Fund's reported performance indicates the Fund performed in line with its benchmark in April due to a public holiday which caused a timing discrepancy in the pricing of the Fund, the Underlying Fund's performance was 1.4% above its benchmark and the Fund's performance will account for this difference in the next monthly reporting period.

China – the giant isn't asleep

- The widely cited quote from Napoleon the "China is a sleeping giant, let her sleep for when she wakes she will move the world" was a warning that was pointed, yet around two centuries ahead of time. Shorter term the economic evidence suggests the giant may be sleeping, especially in the context of the severe lockdowns that are grabbing much media attention. Despite these trends and events, we remain constructive on China. In taking a longer-term perspective, one has to acknowledge what are steeply discounted valuation ratios that rival those struck in the depths of the 2008 global financial crisis in the face of what is seen to be a global exception of loosening monetary policy and fiscal relaxation.
- Recall 2021 when China slowed under the three pillars of accelerated structural reform being decarbonisation, property reform and sharpened regulation of several sectors, the most pertinent being e-commerce. Occurring in an environment of accelerating growth these actions could rightly be labelled as constructive fiscal tightening and was implemented coincident with monetary tightening.
- Come 2022, a sharp escalation of geo-political risk added to these factors and also distracted the markets from what was an easing of the economic drag from these reforms.
- As we sit now there is clear relaxing and de-escalation of these policies and hence their fiscal drag, accommodative monetary policy as well as signs of engagement and compromise in international diplomatic engagements.
- To ourselves we see compelling opportunity from the realisation that the growth levers for the world's second largest economy are primed to support its dual objectives of protecting the vulnerable of its population with its steady zero-COVID policy, yet deliver a reasonable economic growth outcome in the face of equity market valuations that are discounting immense risk being struck at levels not seen since the financial crisis of 2008.

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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 macquarieim.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. Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL 237843 is the investment manager of the Fund.

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