

# Macquarie Asia New Stars No.1 Fund

Monthly report – 30 June 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	\$45.6m
Distribution frequency	Annually
Management fee*	1.20% pa
Minimum investment (Direct)	\$20,000
Unit prices and spreads	<a href="https://www.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 30 June 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
<b>1 month (%)</b>	-4.75	-4.85	-4.89	0.04
<b>3 months (%)</b>	-5.86	-6.15	-6.82	0.67
<b>1 year (%)</b>	-18.01	-18.81	-12.73	-6.08
<b>3 years (% pa)</b>	4.16	3.29	7.95	-4.66
<b>5 years (% pa)</b>	3.69	2.68	6.18	-3.50
<b>10 years (% pa)</b>	11.84	9.73	9.51	0.22
<b>Since inception (% pa)</b>	9.99	7.59	6.40	1.19

### 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	4.99
BGF retail	4.85
UPL	4.69
3SBio	4.09
Fusheng Precision	4.09
Bank Tabungan Pensiunan Nasional Syariah	4.04
TIME dotCom	4.03
Sinbon Electronics	4.00
DGB Financial	3.84
Samsung SDI	3.80

## Geographical weighting

	%
China	16.74
Hong Kong	1.90
India	21.17
Indonesia	9.03
Malaysia	4.03
Pakistan	0.00
Philippines	1.70
Singapore	0.00
South Korea	19.35
Taiwan	22.91
Thailand	1.84
Cash	1.32

## Sector breakdown

	%
Consumer Discretionary	16.10
Consumer Staples	6.96
Energy	1.59
Financials	13.45
Health Care	8.16
Industrials	2.44
Information Technology	32.60
Materials	7.98
Real Estate	3.39
Communication Services	4.80
Utilities	1.23
Cash	1.32

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### What happened in June?

- Asian markets declined along with all major equity markets in June although the region outperformed both Developed Market and other Emerging Market bourses.
- The portfolio finished the month roughly in line with its benchmark but ahead over the quarterly period, driven by some downside protection from the higher quality of the portfolio companies along with their ongoing delivery on underlying fundamentals, particularly in consumption related positions.
- The recent period has seen the team travel across India, Korea, Singapore and South East Asia. We have been hearing of continued operational execution and resilience, as well as received some interesting insight on inflation. We perceive inflation to be lower across Asia relative to developed and emerging markets outside Asia and the feedback from companies on the ground has broadly been reflective of this.
- An area we remain positive on is China where we are hearing from companies that as lockdowns have eased activity has resumed and from the government investors are now hearing that their interventions aimed at addressing social inequalities have largely been established. We remain confident in the prospects for our Chinese portfolio companies and expect investors to gradually step back into structurally advantaged China exposures. Chinese equities were among the best performing in the portfolio for the month and quarter, making the largest contribution to absolute and relative returns.

### 3SBio stock story

The past few years has seen an explosion of interest in biotech companies, although in our view the market lacked the ability to distinguish between the firms with the ability to consistently develop products of the quality and efficacy to navigate the regulatory approval and market access challenges required to generate profits at scale.

With a somewhat contrarian view to the market our preferred exposure to the biopharmaceutical sector is 3SBio, which is one of China's leading and largest biosimilar companies by production capacity. It has a record of delivering a strong product pipeline and we believe their production capability will provide a strong platform for future growth of its own pipeline as well as its contract development and manufacturing (CDMO) business.

The contrarian nature of our view is highlighted by the valuation, currently trading at ~8x price-to-earnings, which we consider to be attractive.

In our view, 3SBio combines marketing prowess and R&D heritage in one company, with reputable biological products that have been selling well on the market for over a decade providing a strong base for its future pipeline.

Just shy of 50% of 3SBio's current revenue is delivered by TPIAO (特比澳) which is the only approved human recombinant thrombopoietin (rhTPO) in China, used for treatment of low platelet levels (thrombocytopenia). It is approved for two main treatments, firstly to manage cases of chemotherapy-induced thrombocytopenia caused by serious complications from chemotherapy and secondly for immune thrombocytopenia, an autoimmune disease.

While some in the market are questioning TPIAO's future growth profile, it's a view we do not share and believe it has ample room to grow through increased penetration over the coming years. Somewhat contrary to the market our thesis for 3SBio is that TPIAO and other current products will continue to provide stability in revenues to support its innovative pipeline, which include significant revenue opportunities including dialysis treatments and a growing contract development and manufacturing (CDMO) business.

We expect 3SBio will build further upon its track record of delivering high efficacy drugs to manage serious symptoms and the market's dismissal of its future prospects have seen the stock trade at what we believe is a highly attractive price, making it our highest conviction healthcare position.

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**For more information speak to your financial adviser, call us on 1800 814 523, email [mam.clientservice@macquarie.com](mailto:mam.clientservice@macquarie.com) or visit [macquarieim.com](http://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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