

Macquarie Asia New Stars No.1 Fund

Monthly report – 31 July 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	\$43.7m
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 July 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.48	0.37	0.53	-0.16
3 months (%)	-7.71	-8.00	-7.10	-0.90
1 year (%)	-15.22	-16.06	-12.99	-3.07
3 years (% pa)	3.23	2.36	8.55	-6.19
5 years (% pa)	4.06	3.04	6.58	-3.54
10 years (% pa)	12.37	10.25	9.85	0.40
Since inception (% pa)	9.96	7.57	6.40	1.17

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	4.65
BGF retail	4.54
Wiwynn	4.19
Sinbon Electronics	4.11
TIME dotCom	4.09
UPL	4.05
Bank Tabungan Pensiunan Nasional Syariah	3.96
MakeMyTrip	3.89
Samsung SDI	3.84
Fusheng Precision	3.82

Geographical weighting

	%
China	13.91
Hong Kong	1.75
India	22.89
Indonesia	8.61
Malaysia	4.09
Pakistan	0.00
Philippines	1.71
Singapore	0.00
South Korea	18.47
Taiwan	23.26
Thailand	1.69
Cash	3.62

Sector breakdown

	%
Consumer Discretionary	15.84
Consumer Staples	6.58
Energy	1.50
Financials	14.22
Health Care	7.88
Industrials	1.71
Information Technology	32.34
Materials	7.51
Real Estate	2.53
Communication Services	4.72
Utilities	1.54
Cash	3.62

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What happened in July?

- Asian small and mid-cap companies outperformed large caps this month, lifted by a dovish Fed rate hike outlook in the final week of July.
- The portfolio performed in line with its benchmark this month as it kept pace with the rally. The largest contribution to performance came from India, where the portfolio companies comfortably outperformed the rallying market.
- China was the region's worst performing market on concerns ranging from property, subdued second half growth outlook, to low visibility over re-opening of its borders. The resurfacing of US listing concerns added some selling pressure on certain names, particularly the large-cap technology companies.
- While the portfolio and small and mid-caps more broadly remain somewhat resilient to these risks the overall market sentiment was negative and China was home to all 5 of the portfolio's largest individual stock detractors over the month.
- From a sectoral perspective, it was pleasing to see Samsung SDI and Sinbon Electronics, which are both leading the transition to greener energy solutions, continue to appreciate in value as their structurally advantaged revenue streams continue to deliver.

Inflation observations

As more personal and business travel returns across the region this has afforded the team the benefit of a broader return to in-person company meetings outside of our Hong Kong base, with members of the team meeting with corporates across India, Indonesia, Malaysia, Philippines, Singapore, South Korea and Thailand during recent months.

We have been hearing from portfolio companies of continued operational execution and resilience, as well as received some interesting insight on inflation. We perceive Asia to be relatively well positioned from an inflation perspective, relative to its own history and emerging markets outside Asia.

Although leading into these trips our expectation was opening was occurring, we were surprised with how well controlled inflation has been across the region.

For example, in India and Indonesia we have heard inflation is a muted factor as interest rates haven't affected consumption due to the low levels of household debt across these populations.

The main driver of differences across the region has been food inflation, with importers generally seeing high single digit inflation. Escalations in energy prices have put it a close second.

In China, however where the nation's zero-COVID policy has prevented travel, we believe the consumer price index (CPI) may be too weak and is likely to rise as the easing of lockdowns leads to higher consumption demand.

From a global perspective we believe Asia is relatively well positioned. We continue to see higher inflation prints and forecasts in many developed nations and, as we so often caution, the tendency to paint Emerging Markets with a broad brush should also be resisted from an inflation perspective as Asia appears to be navigating inflationary pressures well compared to emerging markets outside the region, as summarised in the table below.

Consumer Price Index (CPI) by portfolio weight

	Headline CPI	Portfolio weight ¹
Taiwan	3.4	23%
India	7.0	23%
China & Hong Kong	2.1	16%
ASEAN	4.7	16%
Asia ex Japan	3.6	96%
US	8.6	0%
Emerging Markets ex Asia	14.7	0%

Source: Macquarie, National statistics, J.P. Morgan forecasts. Shaded denotes forecast. 1 Portfolio weights for the Macquarie Asia New Stars No.1 Fund as at 31 July 2022. Positions are shown for illustrative purposes only and may not reflect future portfolio characteristics.

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For more information speak to your financial adviser, call us on 1800 814 523, email mam.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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