# Walter Scott Emerging Markets Fund

Macquarie Professional Series

Monthly report – 30 November 2022

## Investment objective

Aims to achieve a long-term total return (before fees and expenses) that exceeds the MSCI Emerging Markets Index, in $A unhedged with net dividends reinvested (Benchmark).

The Fund will not invest in 'tobacco' securities as defined by the Global Industry Classification Standard or 'controversial weapons' securities as defined by MSCI, Inc.

## Key information

| Fund details | |
|---|---|
| APIR code | MAQ0651AU |
| Inception date | 23 June 2011 |
| Investment manager | Walter Scott & Partners Limited (Edinburgh, UK) |
| Fund size | $19.0m |
| Distribution frequency | Annually |
| Management fee* | 1.28% pa |
| Minimum investment (Direct) | $5,000 |
| 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 2022

| | Total Fund return (gross) | Total Fund return (net) | Benchmark return | Total excess return (net) |
|---|---|---|---|---|
| **1 month (%)** | 10.91 | 10.80 | 9.64 | 1.16 |
| **3 months (%)** | 2.48 | 2.13 | 0.55 | 1.58 |
| **1 year (%)** | -9.89 | -11.14 | -12.58 | 1.44 |
| **3 years (% pa)** | -0.08 | -1.45 | 0.47 | -1.92 |
| **5 years (% pa)** | 3.14 | 1.73 | 2.11 | -0.38 |
| **7 years (% pa)** | 6.0 | 4.59 | 6.23 | -1.64 |
| **Since inception (% pa)** | 6.47 | 5.02 | 5.35 | -0.33 |

**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.

The management fee was reduced to 1.28% pa from 14 May 2021.

## Top 10 stocks

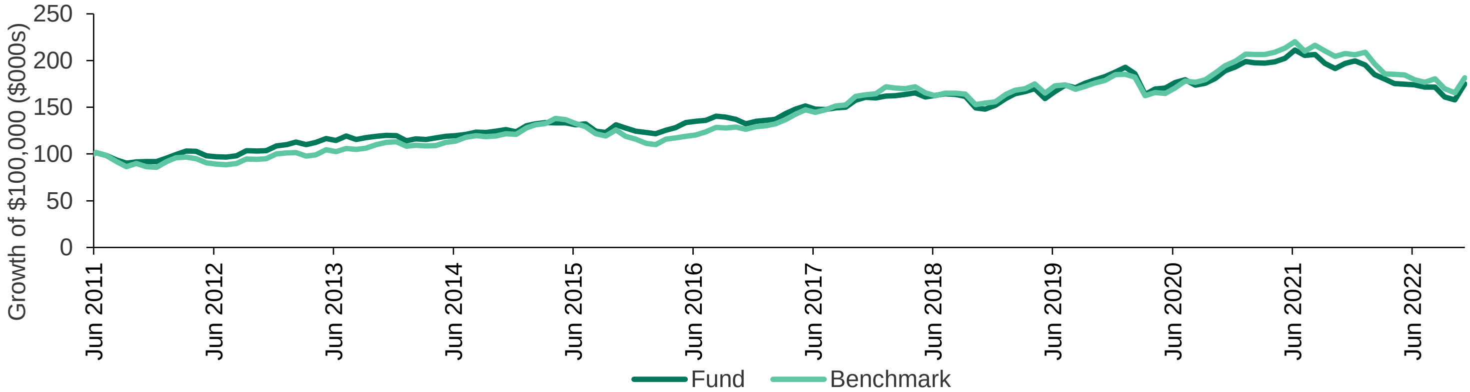
| Stock | Sector | Industry | Holding (%) |
|---|---|---|---|
| Taiwan Semiconductor Manufacturing | Information Technology | Semiconductors & Semiconductor Equipment | 4.15 |
| Aia Group Ltd | Financials | Insurance | 3.48 |
| Tencent Holdings Ltd | Communication Services | Interactive Media & Services | 3.23 |
| Dino Polska Sa | Consumer Staples | Food & Staples Retailing | 3.16 |
| Totvs Sa | Information Technology | Software | 3.00 |
| Samsung Electronics | Information Technology | Technology Hardware Storage & Peripherals | 2.96 |
| Gpo Aero Sureste | Industrials | Transportation Infrastructure | 2.81 |
| Sarana Menara Nusa | Communication Services | Diversified Telecommunication Services | 2.81 |
| Telekomunikasi Indonesia | Communication Services | Diversified Telecommunication Services | 2.80 |
| Gpo Aero Cent Nort | Industrials | Transportation Infrastructure | 2.74 |
| **Total number of stocks** | | | **43** |

# Walter Scott Emerging Markets Fund

Macquarie Professional Series

Monthly report – 30 November 2022

## Growth of $100,000 since inception

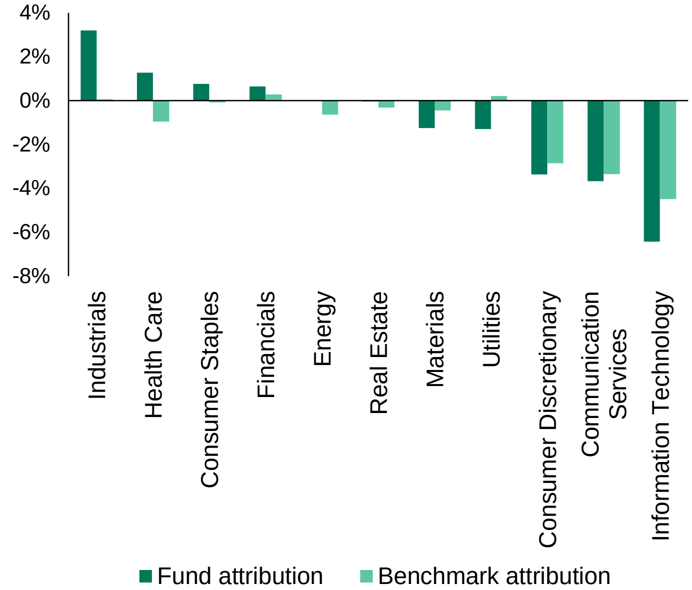



**Past performance is not a reliable indicator of future performance. Data as at 30 November 2022.**

## Sector weights

| Sector | Fund (%) | Benchmark (%) |
|---|---|---|
| Information Technology | 21.15 | 19.62 |
| Industrials | 15.27 | 5.97 |
| Consumer Staples | 13.06 | 6.27 |
| Communication Services | 12.42 | 9.29 |
| Health Care | 8.87 | 3.96 |
| Consumer Discretionary | 7.97 | 13.40 |
| Financials | 7.86 | 22.23 |
| Utilities | 6.12 | 3.01 |
| Materials | 2.12 | 9.06 |
| Real Estate | 1.81 | 2.05 |
| Energy | 0.00 | 5.14 |
| Cash | 3.35 | 0.00 |
| **Total** | **100** | **100** |

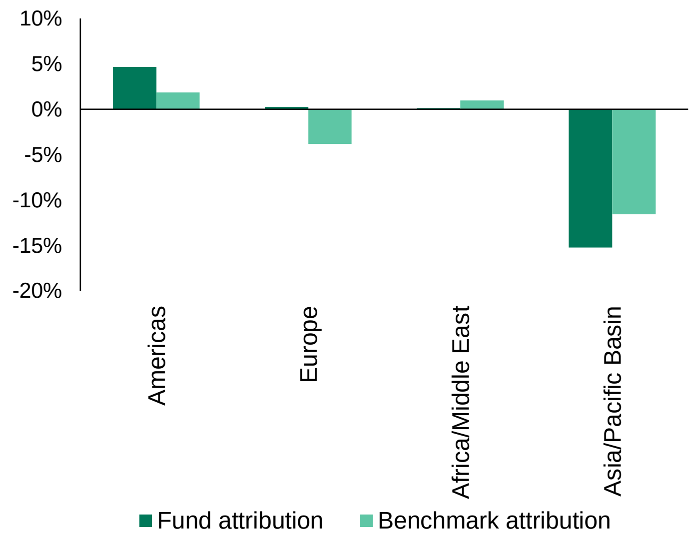
## Sector attribution (12 months to date)




## Region weights

| Region | Fund (%) | Benchmark (%) |
|---|---|---|
| Asia/Pacific Basin | 70.72 | 78.07 |
| Americas | 18.71 | 8.75 |
| Europe | 5.16 | 1.35 |
| Africa/Middle East | 2.07 | 11.84 |
| Cash | 3.35 | 0.00 |
| **Total** | **100** | **100** |

## Region attribution (12 months to date)



# Walter Scott Emerging Markets Fund

Macquarie Professional Series

Monthly report – 30 November 2022

## Performance summary

- The Fund returned 10.80%, net of fees, in November 2022, compared with a return for the Benchmark of 9.64%, as investors flocked to Chinese and Hong Kong equities on news of government support for the debt-laden real estate sector and a very slight relaxation of draconian lockdown regulations.
- All emerging market sectors advanced in November, led by strong bounces in Consumer Discretionary, IT, Communication Services and Real Estate. For the Fund, the largest relative contributors included holdings in Financials, including AIA Group and Ping An Insurance, and an underweight to the sector, and holdings in Utilities, led by Guangdong Investment and ENN Energy. Relative detractors included holdings in Consumer Discretionary, which lagged the rise of the broader sector. During the month, Walter Scott completed the final sale of Ace Hardware, with the company not articulating a clear and credible strategy to combat the risks of intensifying online competition and significant price discounts offered by competitors, which has resulted in sales remaining meaningfully below pre-Covid levels.
- China's rising tide helped lift the broader emerging market boat in November. There were welcome signs of a nascent recovery at both Tencent Holdings and Alibaba Group, two companies that have been at the epicentre of the storm buffeting Chinese equities over the past couple of years. Faster-than-anticipated, Tencent has rightsized its cost base, primarily by pulling back from projects with low profitability and making savings on sales and marketing. This helped support gross margins and sparked a return to positive underlying net income growth for the first time in five quarters. Cost savings are also bearing fruit at Alibaba, although the operating backdrop for the e-commerce giant remains a difficult one. Lockdowns have been highly detrimental for the company at a time of already weak consumer sentiment. Hopes that China's annual Single's Day shopping jamboree would help to lift the gloom were dashed when management announced that sales were flat compared to the previous year. That said, the company's third-quarter results showed incremental signs of improvement and belt-tightening is helping to support the bottom line across most business divisions. As with Tencent, a more stable regulatory environment will be an unalloyed positive for Alibaba going forward.
- With the operating environment likely to remain challenging for the foreseeable future, business models will continue to be subject to a variety of stresses and strains. It will be important to distinguish between those that are the inevitable result of near-term headwinds and those that could structurally impair a company's long-term investment rationale. As buoyant as equity markets have been in recent weeks, vigilance remains vital.

# Walter Scott Emerging Markets Fund

Macquarie Professional Series

Monthly report – 30 November 2022

**For more information speak to your financial adviser, call us on 1800 814 523, email mam.clientservice@macquarie.com or visit macquarieim.com**