

Walter Scott Emerging Markets Fund

Macquarie Professional Series

Monthly report – 31 August 2023

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	\$74.1m
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 31 August 2023

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-2.94	-3.04	-2.36	-0.68
3 months (%)	-1.73	-2.05	3.39	-5.44
1 year (%)	7.92	6.47	7.18	-0.71
3 years (% pa)	3.12	1.71	3.07	-1.36
5 years (% pa)	3.62	2.21	3.23	-1.02
7 years (% pa)	5.25	3.82	6.03	-2.21
Since inception (% pa)	6.52	5.06	5.56	-0.50

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

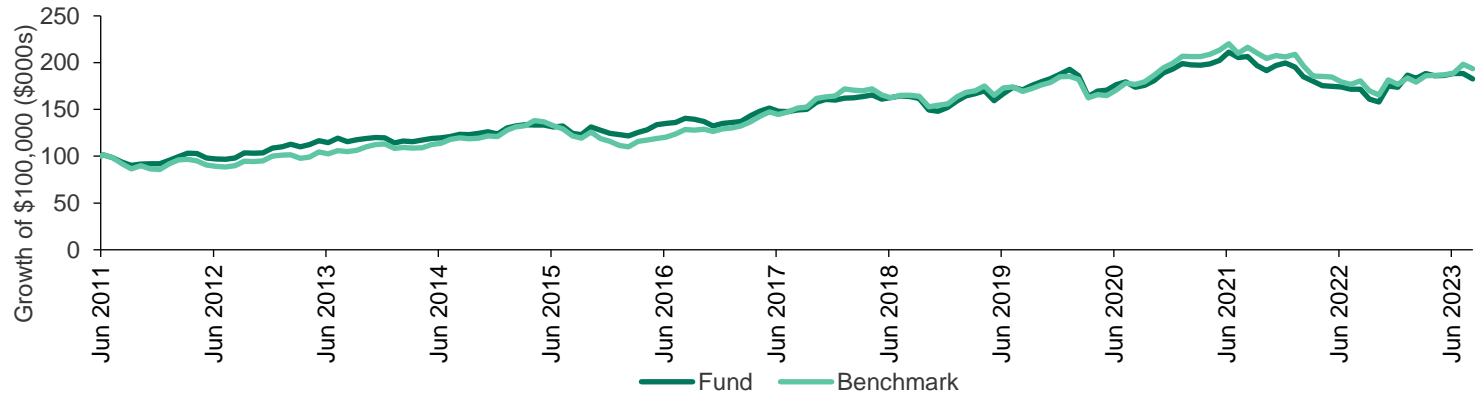
Stock	Sector	Industry	Holding (%)
Taiwan Semiconductor Manufacturing	Information Technology	Semiconductors & Semiconductor Equipment	3.98
Tencent Holdings Ltd	Communication Services	Interactive Media & Services	3.02
Leeno Industrial	Information Technology	Semiconductors & Semiconductor Equipment	3.02
Telekomunikasi Indonesia	Communication Services	Diversified Telecommunication Services	3.00
Capitaland India	Real Estate	Real Estate Management & Development	2.92
Wuxi Biologics (Cayman)	Health Care	Life Sciences Tools & Services	2.91
Gpo Aero Cent Nort	Industrials	Transportation Infrastructure	2.77
AIA Group Ltd	Financials	Insurance	2.76
Totvs SA	Information Technology	Software	2.74
Zhejiang Sanhua In	Industrials	Machinery	2.65
Total number of stocks			43

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Growth of \$100,000 since inception

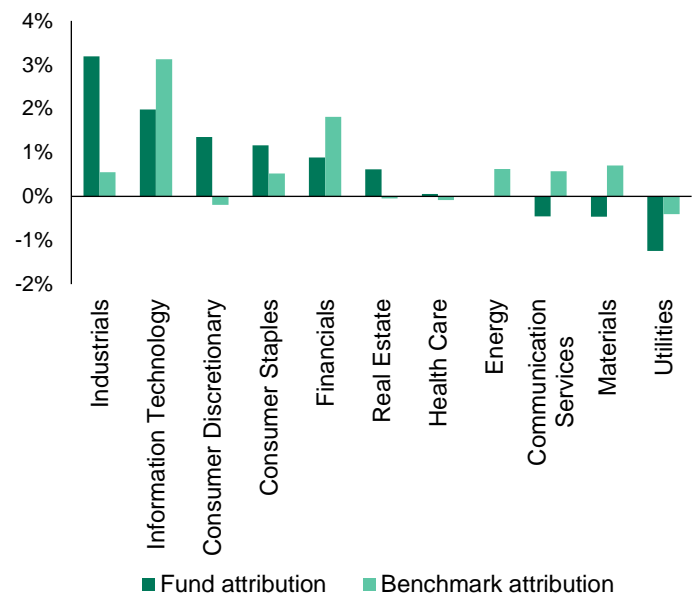


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Sector weights

Sector	Fund (%)	Benchmark (%)
Information Technology	25.27	20.63
Industrials	13.55	6.62
Communication Services	13.40	9.68
Consumer Staples	9.94	6.28
Health Care	9.27	3.79
Consumer Discretionary	7.88	13.93
Financials	7.32	21.79
Utilities	5.23	2.53
Real Estate	2.92	1.78
Materials	1.83	7.88
Energy	0.00	5.09
Cash	3.39	0.00
Total	100	100

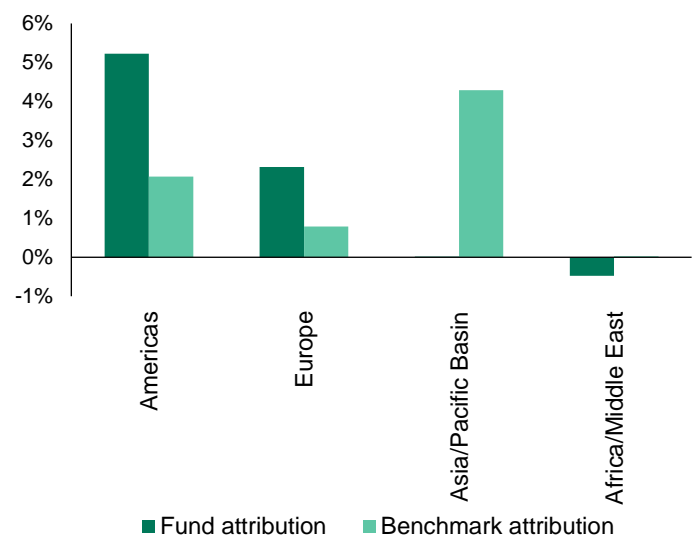
Sector attribution (12 months to date)



Region weights

Region	Fund (%)	Benchmark (%)
Asia/Pacific Basin	72.24	77.98
Americas	18.16	9.00
Europe	4.25	1.78
Africa/Middle East	1.95	11.23
Cash	3.39	0.00
Total	100	100

Region attribution (12 months to date)



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Performance summary

- The Fund returned -3.04%, net of fees, in August 2023, compared with a return for the Benchmark of -2.36%, with another challenging month for emerging market equities driven by a familiar culprit – the dire economic data coming out of China, which continued to spook investors and saw calls for the authorities to do more to stimulate activity and shore-up confidence than the relatively piecemeal measures announced so far by Beijing.
- Energy was the sole market sector to advance in August, with Consumer Discretionary and Communication Services leading the index lower. For the Fund, the largest relative detractors were holdings in Utilities, led by ENN Energy, and in Financials, such as Ping An Insurance and AIA Group. These were partially offset by holdings in Industrials, such as Zhejiang Sanhua and OMA, and in Communication Services, including Sarana Menara Nusantara. There were no initial purchases or final sales within the portfolio during the month.
- It appears that investors' aversion to all things China will continue to result in some exaggerated share price responses to news flow. ENN Energy, for example, posted a set of disappointing but far-from-disastrous first-half results, pushing its shares sharply lower during the month. Key to the fall was an unexpectedly large decrease in gas volumes over the period. Whereas management had guided for an increase of 10%, the unwelcome reality was a decline of 7% due primarily to shrinking demand from industrial customers. Whilst the scale of the disparity between expected and actual gas volumes was certainly a major disappointment, the market reaction suggests little attention was paid to the positives in the numbers. Not only were connection fees (~20% of profits) better than feared, but margins were strong, cash flow was robust and new business continued to grow well. Add in recent good news around regulatory changes to residential gas pricing in China and the extension of the company's gas concession in the city of Changsha, and it's safe to say that the current environment for ENN is far from universally bad. Longer term, China's ambitious environmental targets will drive a continued increase in the consumption of natural gas, to the benefit of ENN's extensive network of assets.
- Caught in a vice between US Federal Reserve rate rises and economic slowdown in China, emerging market equities may continue to underperform their developed market peers in the near term. From a longer-term fundamental perspective, however, this disparity is unlikely to persist. Many emerging economies continue to perform well, and many have ample scope to cut interest rates sharply should inflationary pressures continue to ease. Walter Scott would expect these strong fundamentals, and those of the companies in the portfolio, to be recognised once investor sentiment improves.

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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

Weights and attribution breakdown for sector, stocks and region is sourced from Macquarie and FactSet.

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