

Walter Scott Emerging Markets Fund

Macquarie Professional Series

Monthly report – 31 July 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	\$73.1m
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 July 2023

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.00	-0.11	4.93	-5.04
3 months (%)	1.57	1.23	6.32	-5.09
1 year (%)	11.30	9.79	12.20	-2.41
3 years (% pa)	2.99	1.58	3.59	-2.01
5 years (% pa)	4.16	2.74	3.73	-0.99
7 years (% pa)	6.19	4.74	6.94	-2.20
Since inception (% pa)	6.83	5.37	5.81	-0.44

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

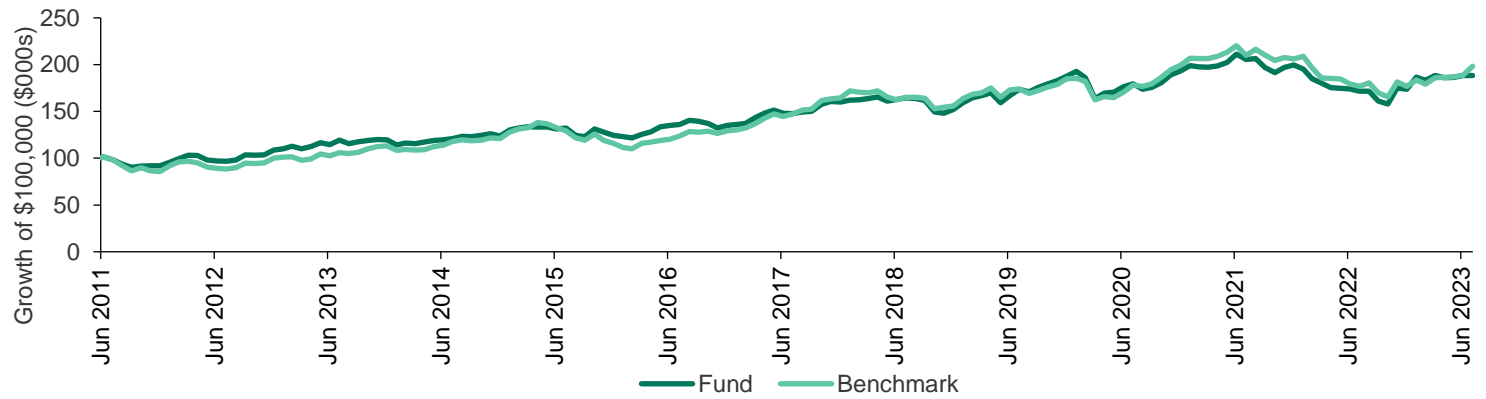
Stock	Sector	Industry	Holding (%)
Taiwan Semiconductor Manufacturing	Information Technology	Semiconductors & Semiconductor Equipment	3.32
Tencent Holdings Ltd	Communication Services	Interactive Media & Services	3.22
Leeno Industrial	Information Technology	Semiconductors & Semiconductor Equipment	3.06
Totvs SA	Information Technology	Software	2.96
AIA Group Ltd	Financials	Insurance	2.94
Wuxi Biologics (Cayman)	Health Care	Life Sciences Tools & Services	2.85
Capitaland India	Real Estate	Real Estate Management & Development	2.84
Naver Corp	Communication Services	Interactive Media & Services	2.82
Samsung Electronics	Information Technology	Technology Hardware Storage & Peripherals	2.78
Dino Polska SA	Consumer Staples	Consumer Staples Distribution & Retail	2.70
Total number of stocks			43

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Growth of \$100,000 since inception

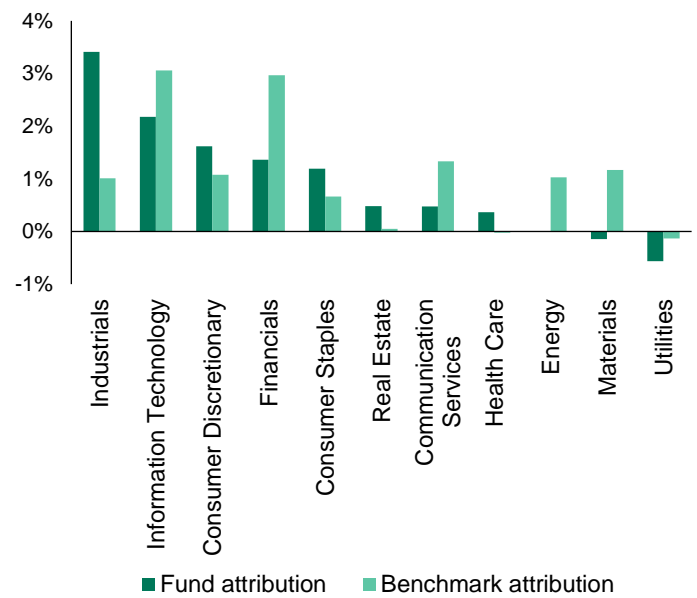


Past performance is not a reliable indicator of future performance. Data as at 31 July 2023.

Sector weights

Sector	Fund (%)	Benchmark (%)
Information Technology	23.18	20.27
Industrials	13.29	6.70
Communication Services	13.06	9.85
Consumer Staples	10.57	6.23
Health Care	9.72	3.78
Consumer Discretionary	8.28	14.19
Financials	7.54	21.60
Utilities	6.39	2.57
Real Estate	2.84	1.78
Materials	1.95	7.99
Energy	0.00	5.06
Cash	3.17	0.00
Total	100	100

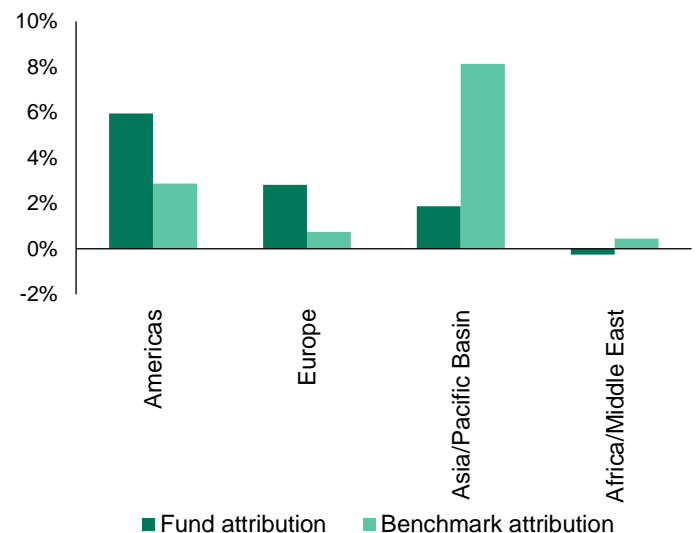
Sector attribution (12 months to date)



Region weights

Region	Fund (%)	Benchmark (%)
Asia/Pacific Basin	71.95	77.92
Americas	17.98	9.15
Europe	4.82	1.77
Africa/Middle East	2.08	11.15
Cash	3.17	0.00
Total	100	100

Region attribution (12 months to date)



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Performance summary

- The Fund returned -0.11%, net of fees, in July 2023, compared with a return for the Benchmark of 4.93%, with ongoing concerns around the health of the Chinese economy remaining a source of negative market sentiment towards some of the portfolio's Chinese and China-related businesses, impacting relative performance.
- All emerging market sectors advanced in July, with Consumer Discretionary, Financials and Materials making the largest contributions to index returns. For the Fund, holdings in Industrials, including AirTAC International and Zhejiang Sanhua, in Materials, namely Hansol Chemical, and in Consumer Discretionary, which lagged the rise of the broader sector, were the largest relative detractors. During the month, Walter Scott completed the initial purchase of Sinbon Electronics, a Taiwanese manufacturer of cables and connectors for specialist applications, with around 35% exposure to green industries, such as renewable energy, smart grids, e-bikes, and electric vehicles. Global trends towards decarbonisation and electrification will be material drivers of future growth.
- A broadly pessimistic view of China's prospects appears to have become embedded in the collective psyche of investors of late. A barrage of negative headlines around insipid consumer spending, youth unemployment and the travails of the once-mighty real estate sector have further cemented the bearish narrative. Undoubtedly the economy has some serious challenges that need to be addressed, but fixating solely on these challenges risks overlooking the country's very real strengths, as well as the robust long-term fundamentals of many excellent Chinese and China-related companies. Silergy, for example, has been in the midst of a particularly painful downturn in the inventory cycle of its core analogue semiconductor market, but there are signs that this cyclical headwind is now starting to dissipate, which should bring its compelling long-term opportunities back into focus. The business is particularly excited about the opportunity in automotives, as electric vehicle adoption increases demand for analogue semiconductors. Taiwanese pneumatic component manufacturer AirTAC International, meanwhile, is seeing demand improve month-on-month, despite some weaker manufacturing data in its core Chinese market. On a call in June, AirTAC's CFO explained that the market was too optimistic about China's post-Covid recovery, but that today's slow-but-steady recovery is in line with the company's expectations.
- While the portfolio's underperformance in July has been disappointing, Walter Scott sees little correlation between this and the fundamentals of the investee companies. Walter Scott will, as always, monitor closely each company for evidence of a deterioration in their long-term investment case, and in time fully expect these fundamentals to reassert themselves and for investors to again recognise the merits of market-leadership, consistent cash generation, pricing power, cost discipline and excellent management.

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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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