

**SYNOPSIS****PORTFOLIO PERFORMANCE**

	<u>Fund<sup>1</sup></u>	<u>Benchmark<sup>2</sup></u>	<u>Variance</u>	<u>Peer Group<sup>3</sup></u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Past 3 months	8.5	4.3	4.2	4.1
Past 6 months	24.0	16.2	7.8	13.8
Past 12 months	7.9	-8.9	16.8	-9.5
Since inception	-3.3	-11.9	8.6	-13.3

<sup>1</sup> Based on Class R performance return. The Fund was incepted on 27 July 2021.

<sup>2</sup> MSCI All Country Asia ex-Japan Net Total Return Index.

<sup>3</sup> Asia ex-Japan Equity Morningstar category.

**PORTFOLIO VALUE**

\$117.9 million (31/12/2022: \$108.5 million)

**INVESTMENT OUTLOOK**

Corporate margins and earnings to decline  
 Inflationary pressures to persist  
 Recession now expected in base case  
 Central banks remain hawkish and steadfast on reining in inflation  
 Developed market valuations not yet pricing in recession  
 China's PBOC one of few central banks easing monetary policy  
 Asian bourses attractive versus global peers  
 Geopolitical risks remain elevated

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**MARKET BACKGROUND AND OUTLOOK**

- Asia ex-Japan equities (+4.4%) rose but lagged behind global equities (+7.3%) — Chinese stocks continued as a driver of regional performance due to the growing interest in ChatGPT, the Digital China/AI theme also lifted the Information Technology sector and SOE reform unlocked gains in the Communications, Energy and Construction sectors
- Delicately balancing between steadfastly taming inflation and maintaining financial stability, the US Federal Reserve increased short-term interest rates twice during the quarter though at a moderated pace of 25bp — the current dot plot remains ahead of investors' expectations with Powell highlighting at an official press conference that "the committee anticipates that ongoing increases in the target range will be appropriate"
- Though headline inflation has begun to abate as the base effects on the global supply chain constraints continued to normalise, core inflation, particularly that in the services component, remains high — this may well weigh on markets in the coming months
- In testimony to the US Congress in March, Jerome Powell flagged further rate hikes resulting in a spike in interest rate expectations — notwithstanding the rapid interventions required by regulators to extend emergency liquidity and stem a potential banking crisis, investors remain unwilling to price in what is seemingly considerable FOMC resolve
- Despite the previous raising of the yield cap, BOJ officials to date remains resolute in guarding their yield curve control policy — investors anxiously awaited the appointment of new BOJ governor Kazuo Ueda who has, to date, pledged to maintain monetary easing
- Though US/China geopolitical tensions remain elevated and Chinese bourse returns slowed amid a sluggish resumption in consumption, government stimulus coupled with inexpensive valuations create a constructive combination
- Industrial commodities including oil (-7.1%) declined as investors' focus shifted from untamed inflation to the prospects of tepid growth or a potential recession — gold (+8.2%) rose on the back of a tapered pace of interest rate increases and the resultant weaker US dollar
- The US dollar weakened against the British pound (+2.8%), euro (+1.8%), and while strengthening against the Japanese yen (-0.9%) as investors anticipate the peak in interest rate differentials may now be behind them — other currencies once again offer reasonable alternatives to holding the greenback

**MANAGER COMMENTARY (PERCENTAGE RETURNS IN US DOLLAR UNLESS OTHERWISE STATED)****Performance drivers**

The fund outperformed its benchmark over the first quarter of 2023. Stock selection within and asset allocation to the Communication Services sector boosted returns. Stock selection within Consumer Staples also helped returns. Allocation to Information Technology and Consumer Discretionary hampered additional performance but stock selection within both sectors helped.

Sea Ltd was a key contributor over the period. Sea Ltd's strong performance was driven by all its business segments turning profitable during the quarter, substantially ahead of schedule following cost cuts that started in 2H22. The businesses are on a much leaner cost base to tackle continued structural growth across e-commerce, gaming and financial services sectors over the next decade. The Asia ex-Japan fund continues to hold the stock as valuations remain reasonable relative to its long-term growth trajectory.

**Performance drivers (Continued)**

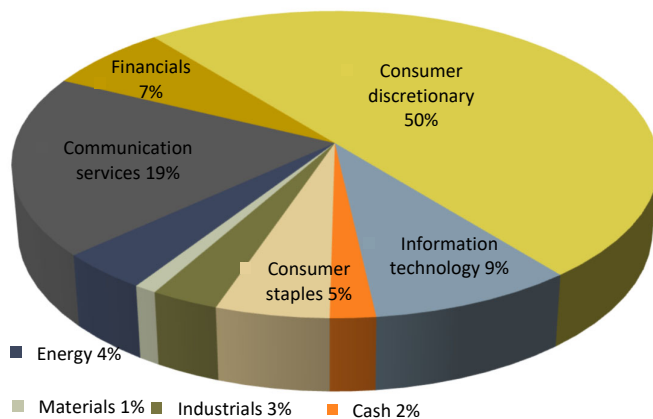
Baidu INC was also a key contributor. Baidu rose over the quarter on the back of both China reopening and renewed interest around potential of artificial intelligence set off by ChatGPT. Baidu will launch its own version of ChatGPT, the Ernie Bot, and will look to roll out more AI related feature set across its cloud solutions business segment. The market continues to undervalue Baidu’s various business units substantially. Its search business alone should be worth more than its current market capitalization and we get its cloud, iQiyi stake, leading autonomous driving business and other cash/investment holdings for free.

Underweighting Taiwan Semiconductor (TSMC) was a key detractor over the period. For 4Q2022, the company reported decreased sales due to softer demand and customer inventory adjustments. TSMC guided 1H23 sales to come in below 1H22’s, but will see sales growth in FY23. While valuations are permitting and we are convinced of TSMC’s technological superiority, we think the recent onshoring efforts and geopolitical tensions remain key considerations. Hence, the Asia ex Japan continues to hold the stock, albeit less than the benchmark.

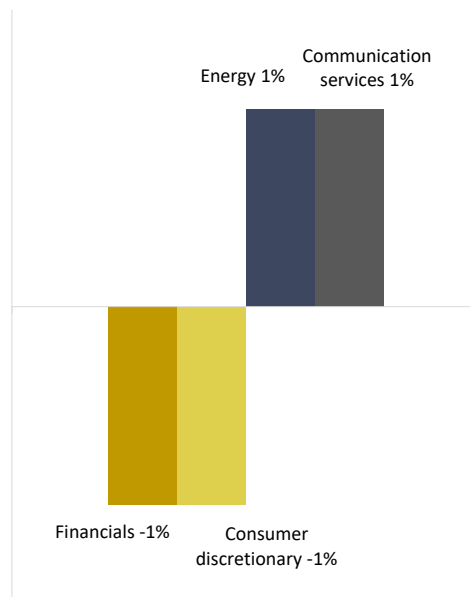
Underweighting Samsung Electronics also detracted from returns. For 4Q2022, the company reported declining sales and revenue dragged by its lower demand its memory products. Management remained confident of longer-term memory demand in servers used for more AI applications. Company also highlighted possible smartphone demand recovery in 2H23. Samsung remains a key player in the consumer and industrial electronic equipment space and valuations are attractive. However, due to the decrease in sales and revenue profitability and the viability of alternative investments, the Asia ex Japan continues to hold the stock, albeit less than the benchmark.

**PORTFOLIO STRUCTURE**

**Exposure Analysis**

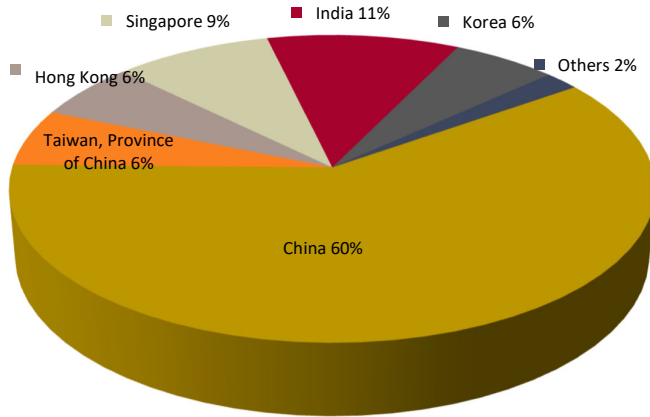


**Changes in composition**

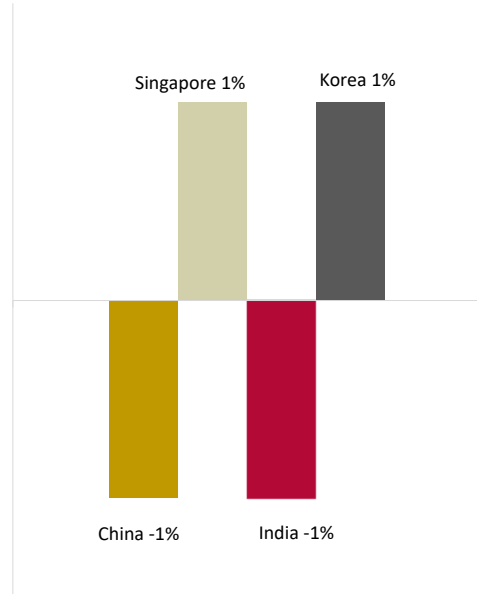


**PORTFOLIO STRUCTURE**

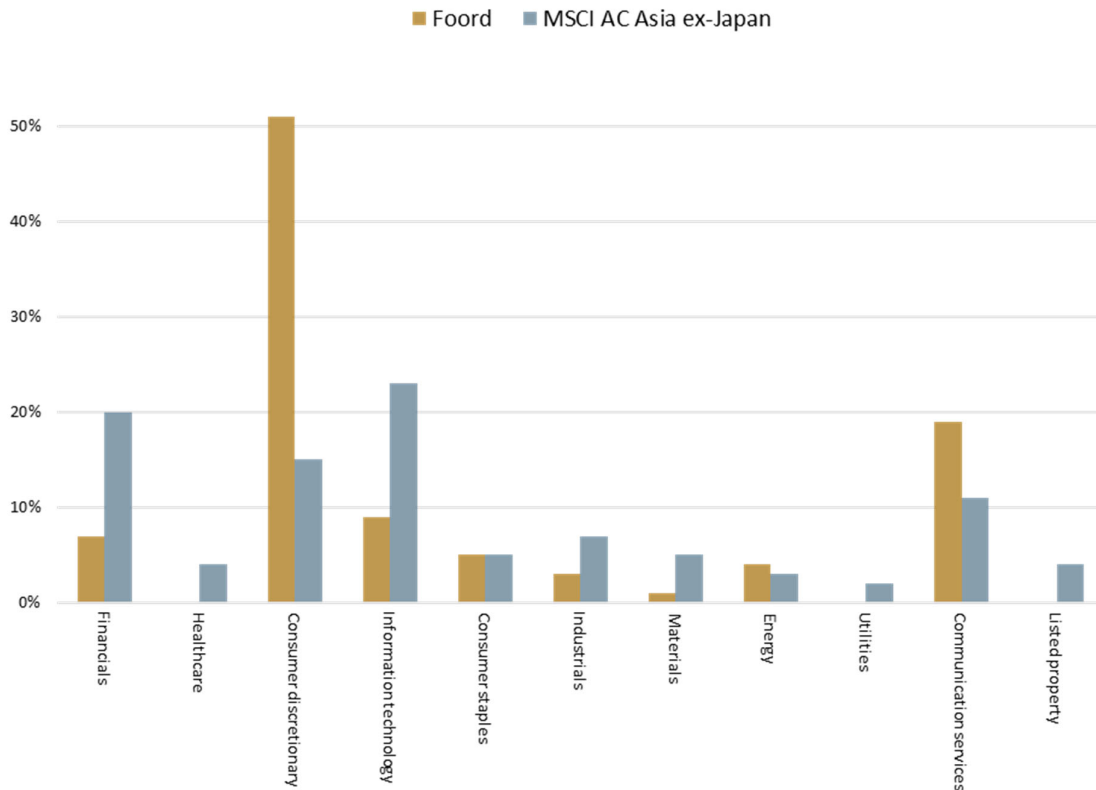
**Geographical Region Exposure Analysis**



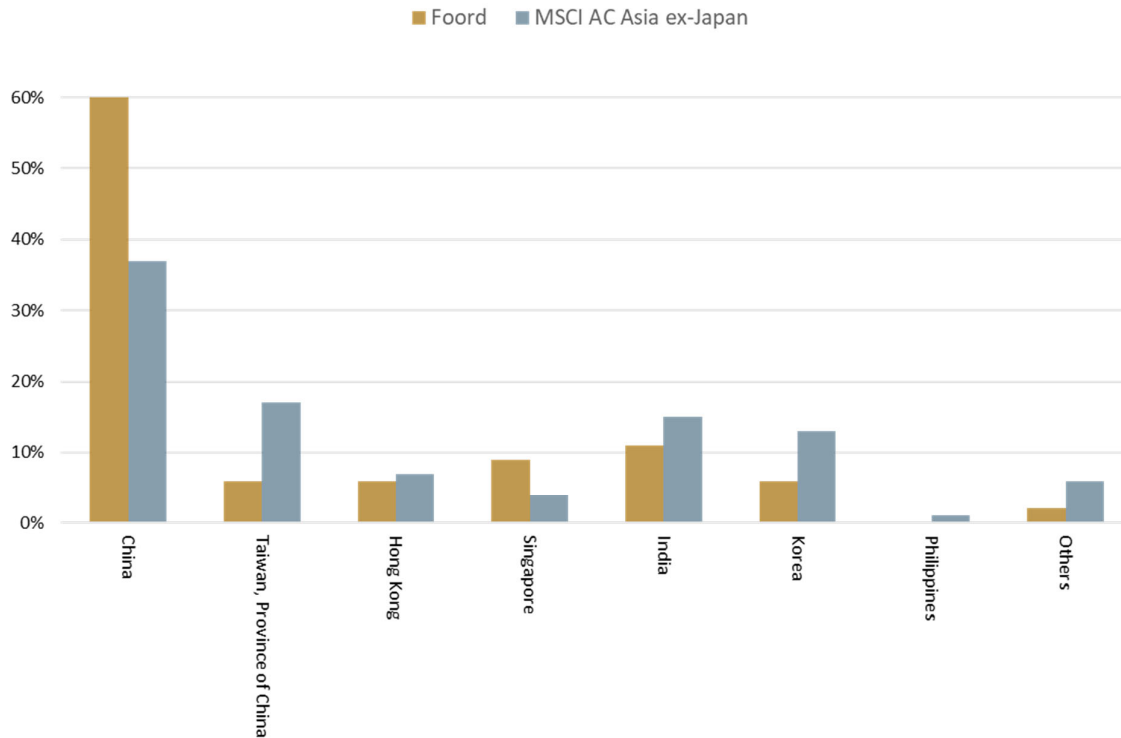
**Changes in composition**



**Relative to Benchmark**



## Relative to Benchmark (Continued)



## FUND CONSTRUCTION

- We maintain a material weight to Chinese equities where corporate valuations are among the most attractive globally and are coupled with some of the highest earnings growth rates — the regulatory headwind felt most acutely in the technology sector over the previous months appears to be abating
- The fund's Chinese investments are concentrated in the technology, consumer discretionary and financials sectors — investments across e-commerce, online travel agencies, gaming and other digital services will continue to see structural growth over the next decade
- Consumer discretionary is the fund's largest sector allocation — these investments are poised to benefit as Asian consumers are set to account for 70% of the world's middle-class cohort in less than a decade
- The fund's holdings are concentrated in best-in-class management teams where good corporate governance and alignment with shareholder interests can be maximised — respect for sound corporate governance in the region has, at times, lagged global peers
- The fund maintains a healthy cash position to take advantage of expected volatility and market dislocations

**VOTING RESOLUTIONS**

We apply our minds to every single resolution put to shareholders. We do not abstain unless it would be for strategic or tactical reasons.

We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of directors, authorising loans and financial assistance to directors, associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion, we have voted in favour of such resolutions, we were able to gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated.

The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings.

	<b>Total count</b>	<b>For (%)</b>	<b>Against(%)</b>	<b>Abstain(%)</b>
Adopt financials	3	100	-	-
Auditor/ Risk/ Social/ Ethics related	2	100	-	-
Re/Elect director or members of supervisory board	11	100	-	-
Remuneration policy including directors' remuneration	1	100	-	-
Signature of documents/ ratification	1	100	-	-

I HASSEN/ JC XUE  
April 2023

**Disclaimer:**

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Performance, net of fees, is calculated for the portfolio on a single pricing basis (i.e. NAV to NAV rolling monthly basis). Since inception, no subscription fees or realisation fees were charges, and no dividend or distributions were declared or made by the fund. Individual investor performance may differ as a result of the actual investment date. Past performance of the fund is not indicative of its future performance.

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