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## MARKET REVIEW

Global and Asian equity markets retreated in early August, triggered by a confluence of events including the BOJ raising interest rates, a string of weak economic readings in the US, and market participants unwinding the Yen carry trade. However, the market rebounded after a softening labor market and further cooling of inflation fueled expectations that the US Federal Reserve would implement interest rate cuts more aggressively. Asian economies performed in line with broader emerging markets over the month with ASEAN economies performing better on a relative basis, while Korea and China lagged.

Over the course of the month, Thai equities rebounded on the back of a stronger-than-expected GDP print in the second quarter of 2024, boosted by a positive contribution from improved trade surpluses, a recovery in tourism and resilient private consumption. On the flip side, despite regaining most of the earlier losses, Korean markets ended the month lower as the country's quarterly GDP shrunk by 0.2% dragged by waning incomes. The Chinese equity market also underperformed as investment sentiment remained weak due to softer domestic demand, lower economic forecasts and corporate earnings missing expectations.

The MSCI AC Asia ex Japan Net returned 1.9% for the period. Within the index, 10 out of 11 sectors rose over the month. Health care and real estate were the top performing sectors, while materials and utilities were the bottom performing sectors for the period.

## FUND PERFORMANCE AND ATTRIBUTION

- The fund underperformed the index over the period, however delivered overall positive returns.
- Security selection was the primary driver of relative underperformance. Weak selection in real estate, information technology and industrials was partially offset by selection in consumer discretionary. Sector allocation, a result of our bottom-up stock selection process, contributed to returns. Allocation effect was driven by our overweight to real estate and lack of exposure to materials, but partially offset by our lack of exposure to health care and overweight to industrials. On a market basis, weak stock selection in India and South Korea was partially offset by selection in China.
- At the issuer level, our top two relative contributors were not owning PDD Holdings and an overweight to Bank Negara Indonesia, while our top two relative detractors were overweights to Samsung Electronics and HD Hyundai Heavy Industries.
- Shares of PDD Holdings, a Chinese-based e-commerce company, fell over the period. The stock price fell after the company reported revenue for the second quarter that fell short of expectations and warned that revenue growth could face headwinds going forward due to increased competition. Shares of Samsung Electronics fell during the period as Asian equities tumbled in early August amid fears of a deeper US economic slowdown and a volatile rout in Japanese indices, made worse by a sharp rotation away from large cap technology stocks. It was also reported during the month the US is weighing restrictions on chip exports to China, leading to some Chinese firms stockpiling Samsung's high bandwidth memory chips.

## FUND POSITIONING AND OUTLOOK

From an outlook perspective, we remain constructive on the outlook for Asian equities although performance divergence across markets have been significant. We continue to observe a range of attractive bottom-up opportunities in India, supported by the country's more favorable economic backdrop, younger demographics and rising importance in the context of the global supply chain. Conversely in China, despite earnings have improved gradually, we have continued to see a compression in equity valuation driven by rising geopolitical concerns, a struggling property market and more importantly, a lack of confidence in both consumers and business owners to spend and invest. In the long run, we continue to be focused on finding attractive high-quality companies, which are able to sustain higher returns on capital at undemanding valuations, and we are optimistic on the outlook for portfolio alpha. We believe that over time, high-quality businesses trading at reasonable valuations have good potential to outperform the broader market on the strength of their stock-specific fundamentals.

At the end of the period, our largest overweights were real estate and industrials. We were most underweight to materials, energy and health care, all of which we had no exposure to. From a market perspective, our largest overweights were India and Indonesia. We were most underweight to China and Taiwan.

## RISKS

**CAPITAL:** Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CONCENTRATION:** Concentration of investments within securities, sectors or industries, or geographical regions may impact performance. **CURRENCY:** The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. **EMERGING MARKETS:** Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **MANAGER:** Investment performance depends on the investment management team and their investment strategies. If the strategies do not perform as expected, if opportunities to implement them do not arise, or if the team does not implement its investment strategies successfully; then a fund may underperform or experience losses.

## PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

Fund performance is based on USD S Acc share class and are net of fees and expenses. Other share class performance may differ. | Index used in the calculation of attribution data: MSCI All Country Asia ex Japan. | Fund performance is net of actual (but not necessarily maximum) withholding and capital gains tax but are not otherwise adjusted for the effects of taxation and assume reinvestment of dividends and capital gains. | If an investor's own currency is different from the currency in which the fund is denominated, the investment return may increase or decrease as a result of currency fluctuations. | The views expressed are in the context of the investment objective of the Fund only and should not be considered a recommendation or advice.

**SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

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