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## MARKET REVIEW

Global equities declined over the past month, as investors became increasingly concerned about a slower pace of rate cuts and potential inflationary pressures, especially with the possibility of Republican candidate Trump returning to the presidency. The latest US CPI report indicated that inflation eased less than anticipated, which, coupled with strong corporate earnings and a better-than-expected labor market report, has tempered expectations for rate cuts. Additionally, uncertainties in the Middle East have further dampened sentiment. Geopolitical tensions in the region have created a cloud of uncertainty, leading investors to adopt a more cautious stance.

In October, Asian economies slightly outperformed broader emerging markets, with Taiwan and Japan being the better-performing markets on a relative basis, while India and Korea lagged. Taiwanese equities saw a rally, primarily driven by better-than-expected earnings from major semiconductor companies. Japanese equities declined in absolute terms due to the Bank of Japan's hawkish stance and political uncertainties but still outperformed the broader index, supported by a weak yen. On the other hand, Indian equities retreated from their all-time highs as investors sought to take profit. Meanwhile, risk sentiment in Korea ran low owing to a challenging economic backdrop marked by sluggish industrial output. The technology sector, a large component in the Korean market, was volatile as the market looked for leaders and laggards in AI beneficiaries.

The MSCI AC Asia Pacific Technology Custom Sector Net returned -3.9% for the period. Within the index, six out of eight industries declined for the period. Consumer discretionary distribution & retail and media & entertainment were the bottom performing industries, while semiconductors & semiconductor equipment and commercial & professional services were the top performing industries over the period.

## FUND PERFORMANCE AND ATTRIBUTION

- The fund outperformed the index over the month, however delivered negative returns.
- Industry allocation, a result of our bottom-up stock selection process, was the primary driver of relative outperformance. Allocation effect was driven by our overweight to semiconductors & semiconductor equipment, underweight to consumer discretionary distribution & retail and out of benchmark allocation to consumer services, but modestly offset by our underweight to technology hardware & equipment. Stock selection also contributed to returns. Strong selection in technology hardware & equipment, consumer discretionary distribution & retail and consumer durables & apparel was offset by selection in media & entertainment and semiconductors & semiconductor equipment. On a market basis, strong stock selection in Japan and China was modestly offset by selection in Taiwan.
- At the issuer level, our top two relative contributors were not owning Alibaba and an overweight to Advantest, while our top two relative detractors were an underweight to Hon Hai Precision Industry and not owning Xiaomi.
- Shares of Alibaba declined during the period. The stimulus-fueled rally for China-related stocks began to lose steam after a press conference from China's economic planning agency failed to deliver any immediate fiscal stimulus. Shares of Hon Hai Precision, known internationally as Foxconn, rose over the period after the company announced they were collaborating with Nvidia to build the world's largest superchip factory in Mexico amid soaring AI demand.

## FUND POSITIONING AND OUTLOOK

We believe the Asia technology sector is in a multi-year opportunity. Technology has revolutionized traditional industries and economies. We believe every industry will be required to adopt technology to stay relevant. Generative AI in particular has been a dominant theme in tech. We believe AI is a tailwind for Asia tech companies as many of them benefit as AI enablers, platforms, and future applications.

We see Asia, with its burgeoning middle class, as the world's future growth engine. Asia is also the heart of the semiconductor supply chain and has become foundational for tech innovation. In addition to boosting demand for semiconductors and tech hardware, these dynamics provide Asian internet and software companies greater potential to develop into local champions.

Over the long term, we remain focused on identifying high-quality companies with reasonable valuations that are supported by the long-term trends that serve as tailwinds for the Asia technology sector. In the near term, we are assessing how the industry responds to a shifting domestic and international political landscape brought about by elections and its impact on business cycles.

At the end of the period, our largest overweight was semiconductors & semiconductor equipment and we were most underweight to technology hardware & equipment and consumer discretionary distribution & retail. From a market perspective, our largest overweight was Japan. We were most underweight to South Korea and China.

## 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

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