Fund Update

# Man GLG Asia Opportunities Fund

APRIL 2024

## Fund Overview

### ABOUT THE FUND

The Fund is a long only, style agnostic, fundamentally driven strategy. The team's core philosophy is to identify stocks with the best potential to deliver earnings surprises relative to expectations, which has historically been a persistent source of alpha in the region. The majority of risk relative to the benchmark and the majority of returns are expected to be achieved through idiosyncratic, stock specific risk taking. It will invest in Asia ex Japan companies across all market capitalisations and will typically be concentrated across 35-45 stocks. It will invest in equity securities (excluding securities convertible into equity securities) of issuers with a registered office in Asia ex Japan or of issuers which derive the majority of their revenues from activities in Asia ex Japan. Typically, it will invest predominantly in transferable securities, including ordinary shares, preference shares, common stocks, depositary receipts (including ADRs and GDRs), rights, warrants and other similar equity like securities.

**GLG Asia (ex-Japan) Equity Strategy**

**A bottom-up long-only strategy focused on the Asia (ex-Japan) region**

**Investment philosophy**

| Fundamental | Concentrated | Flexible |
|---|---|---|
| Bottom-up analysis focused on relative earnings revisions | High conviction all-cap portfolio with preference for mid-caps | Style agnostic with flexibility to shift in/out of styles |

### 30 April 2024

| | |
|---|---|
| FUNDS UNDER MANAGEMENT | $11.85M |
| NAV PER UNIT (A$) | 1.2020 |
| REDEMPTION VALUE PER UNIT (A$) | 1.1996 |

## Fund Characteristics

### TOP 10 EQUITY HOLDINGS

| Company Name | Fund |
|---|---|
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD | 9.43% |
| TENCENT HOLDINGS LTD | 6.71% |
| SAMSUNG ELECTRONICS CO LTD | 5.98% |
| ICICI BANK LTD | 4.59% |
| MAHINDRA & MAHINDRA LTD | 4.49% |
| SK HYNIX INC | 4.28% |
| BHARTI AIRTEL LTD | 4.10% |
| XIAOMI CORPORATION | 3.81% |
| BANK MANDIRI | 3.11% |
| TECHTRONIC INDUSTRIES CO | 2.99% |

### HEADLINE EQUITY EXPOSURE

No. of positions: 30

Active share: 69.17%

### EQUITY EXPOSURE BY MARKET CAP

| | Fund | Benchmark |
|---|---|---|
| $0 - $0.25Bn | 0.00% | 0.10% |
| $0.25Bn - $2Bn | 1.79% | 0.34% |
| $2Bn - $10Bn | 6.83% | 19.08% |
| $10Bn - $50Bn | 32.47% | 36.67% |
| $50Bn + | 53.02% | 43.83% |

## Performance at 30 April 2024

| | 1 month % | 3 months % | 6 months % | 1 year % pa | 3 years % pa | 5 years % pa | Since Inception % p.a. [1] |
|---|---|---|---|---|---|---|---|
| **Fund** [2] | 1.98 | 12.97 | 13.80 | 6.31 | N/A | N/A | 12.96 |
| **Benchmark** [3] | 2.04 | 11.60 | 11.89 | 9.42 | N/A | N/A | 13.77 |
| **Excess Return** | (0.06) | 1.37 | 1.91 | (3.11) | N/A | N/A | (0.81) |

*Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations*

1. Inception date: 19 October 2022
2. Fund returns are calculated net of management fees and assume distributions are reinvested
3. MSCI All Country Asia ex Japan Net Index (A$)

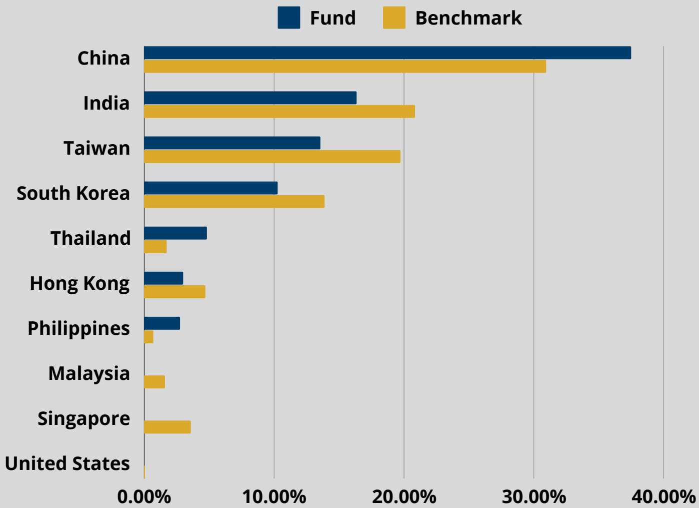
*The data presented in these tables and graphs is unaudited and may change at any time. The data is shown for informational purposes only and is not indicative of any future portfolio characteristics..*

## TOP AND BOTTOM CONTRIBUTORS

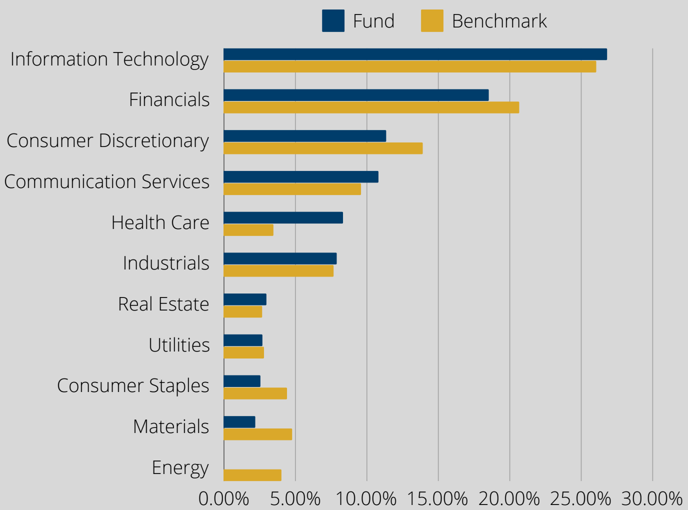
| Top 5 Contributors | Contribution to Total Return % |
|---|---|
| TENCENT HOLDINGS LTD | 0.78% |
| XIAOMI CORPORATION | 0.53% |
| MAHINDRA & MAHINDRA LTD | 0.46% |
| TRIP.COM GROUP LTD | 0.33% |
| KE HOLDINGS INC | 0.27% |

| Bottom 5 Contributors | |
|---|---|
| PARADE TECHNOLOGIES LTD | -0.45% |
| SAMSUNG ELECTRONICS CO LTD | -0.39% |
| NEW ORIENTAL EDUCATION AND TEC | -0.31% |
| SK HYNIX INC | -0.28% |
| SM PRIME HOLDINGS INC | -0.25% |

## TOP 10 COUNTRY EXPOSURE




## SECTOR EXPOSURE




## PERFORMANCE STATISTICS (SINCE INCEPTION)

| | Fund |
|---|---|
| Sharpe Ratio | 0.74 |
| Correlation | 97.39% |
| Beta | 0.96 |
| Information Ratio | 0.33 |
| Tracking Error | 4.1% |

## TOP ACTIVE EQUITY POSITIONS

| Top 5 Overweights | Relative Exposure |
|---|---|
| MAHINDRA & MAHINDRA LIMITED | 4.11% |
| BHARTI AIRTEL LIMITED | 3.53% |
| ICICI BANK LIMITED | 3.45% |
| XIAOMI CORPORATION | 3.26% |
| SK HYNIX INC | 3.18% |

| Top 5 Underweights | Relative Exposure |
|---|---|
| ALIBABA GROUP HOLDING LIMITED | -2.47% |
| RELIANCE INDUSTRIES LIMITED | -1.71% |
| AIA GROUP LIMITED | -1.34% |
| PDD HOLDINGS INC | -1.20% |
| MEITUAN | -1.14% |

## Manager Commentary

MSCI Asia ex Japan continued its upwards trajectory in April, adding +2.12% in AUD led by a recovery in Chinese equities. MSCI China closed +7% as economic growth came in ahead of expectations for Q1, with the market now almost +20% off the lows in January. The enthusiasm around the equity market recovery has come from a low base but is also underpinned by the anticipation of further stimulus from policymakers. China's GDP deflator is now at its lowest level since 2009 as data was reported for Q1, suggesting more is required to support the economy. Price action was mixed in the rest of the region. Most notably, Indonesia underperformed following a surprise interest rate hike as the Bank of Indonesia aims to protect the IDR amidst tighter financial conditions in the US and inflation proving to be stickier-than-anticipated. Indonesia and the rest of ASEAN has suffered from multiple compression this year as a higher-for-longer scenario has been priced into equity markets despite strong earnings. However, in our view the region remains well positioned to benefit once the policy pivot in the US finally arrives.

The Fund continued its run of positive excess returns last month with stock selection in communication services, industrials and healthcare partially offset by financials, consumer discretionary and utilities holdings. We have alluded to a more fundamentally driven market recently, and it has been pleasing to see this reflected in performance as share prices have traded more in line with EPS revisions. The portfolio's loadings to earnings revisions have also moved notably higher, with over 85% of the portfolio benefitting from superior revisions versus the index on a 3-month, 6-month and 12-month basis. At a stock level, our top performer was consumer electronics stock Xiaomi which added +16% following positive takeaways from its investor day. In a highly contested market, Xiaomi's EV range continues to show strong momentum and a move to profitability faster than anticipated. Similarly, company management reiterated its strong guidance and focus on premiumisation within its smartphone segment as the market shows signs of improvement. Autos manufacturer Mahindra & Mahindra also outperformed, rising +12% as strong sales growth has seen the company become the revenue leader in the Indian SUV sector. The stock was also supported by the release of its new compact SUV which alongside news of market share gains led its share price to all-time highs. Online travel agent Trip.com also contributed positively, rallying +10% following positive earnings revisions as travel volumes remain robust.

Turning to detractors, fabless semis manufacturer Parade Technologies lost nearly -20% on the month as concerns around market share losses persisted through Q1 results. This was despite positive guidance from company management relating to demand for AI PCs and the new iPad model over the remainder of the year. Staying upstream within the AI value chain, Sk Hynix pared back part of its strong performance YTD, falling just under -5% on results. We believe this weakness was driven by an increase in capex although in our view this should not have come as a surprise to the market. Earnings beat expectations for Q1, and guidance remains strong, however we have started to grow a bit concerned about valuations in the sector so decided to trim the position with its share price having doubled over the past 12-months. New Oriental Education, another recent outperformer, was also a drag following a miss to earnings which saw the stock drop -11%.

China is facing its largest deflationary threat since the Global Financial Crisis all while policy options to address the current threat are significantly more limited than the last time we saw such deflationary forces. Thus far, policymakers have seemed focussed on avoiding the mistakes of 2015, keeping real interest rates high in the face of deflation. Given high levels of debt and over-investment, we believe that policy in China needs to shift away from investment and start encouraging consumption. This means reducing the incentive to save and increasing the incentive to consume. This is extremely difficult to achieve in an environment where currency stability is prioritised and as such, we believe there is a growing chance that China engages in a large one-time currency devaluation. The magnitude required would be much larger than the low single digit devaluations seen in 2015 and is not without risk, however if history is a guide we know that if China is about to embark on a major devaluation, most investors are not positioned for reflation and that market moves can be aggressive.

To hedge this tail risk, we have been gradually reducing our momentum exposure in our portfolios. We think momentum as a factor is most at risk if a devaluation were to occur as it implies a potential economic regime shift, not just for China but also regionally and potentially globally. We ended the month +8% overweight in China while actively reducing our exposure to China-related stocks that have done well in 2024 and increasing exposure to sectors that benefit from rising Chinese bond yields, such as insurance and property. As always, we do not want macroeconomic factors to be the major driver of returns in any of our strategies. Instead, we prefer to be on the right side of these moves, or at the very least, neutralise the impact of macro on outcomes on portfolio returns.

Stock-specific risk ended the month at 71% of total risk with tracking error at 4.1%.

## Fund Facts

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|---|---|
| **INVESTMENT MANAGER**<br>GLG Partners LP | **RESPONSIBLE ENTITY**<br>GSFM Responsible Entity Services Limited |
| **APIR CODE**<br>GSF6910AU | **MANAGEMENT FEE**<br>0.95% p.a. |
| **INCEPTION DATE**<br>19 October 2022 | **PERFORMANCE FEE**<br>15.0% of the amount by which the return of the Units exceeds the Benchmark, subject to HWM p.a. |
| **DISTRIBUTIONS**<br>Generally annually | **BUY / SELL SPREAD**<br>Buy 0.20% / Sell -0.20% |

**ANDREW SWAN**

Head of Asia (ex-Japan) Equities

**iMPORTANT INFORMATION**