



Manager
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Capital is at risk.
Please read full risk
warning at the end
of this document.

Monthly Commentary: November 2024

Far East Growth

- ▶ Portfolio of 50-70 companies in the Asia Pacific ex-Japan region
 - ▶ Team are free to invest across the market cap range as they identify exceptional but undervalued companies
 - ▶ They consider valuation, management quality and business fundamentals when assessing investment opportunities
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Performance

Asia ex-Japan equities fell in October, as expectations of “higher for longer” interest rates led to foreign fund outflows and the short-term rally in Chinese equities stalled on the back of underwhelming policy announcements. Taiwan was the only market with positive returns for the month. Malaysia and India were the worst performers.

The outperformance of Taiwan was mainly led by the Information Technology sector on upward earnings revisions following stronger-than-expected Q3 earnings due to strong AI demand. Taiwan equities also enjoyed strong foreign fund inflows during the month. The underperformance of Malaysia and India was partly due to foreign fund outflows. India was also affected by soft macro data and China stimulus concerns.

Portfolio Activity

At country level, we added to Taiwan, South Korea and Singapore, and trimmed China and Hong Kong exposure.

Sector wise, we added to Information Technology, Industrials and Banks, and trimmed Real Estate, Consumer Discretionary and Materials.

Investment Outlook

We believe the macro backdrop will continue to be challenging as markets seek confidence in China’s policy response; as well as monitor the pace of US monetary policy easing and inflation path. Geopolitical tensions – be it trade restrictions or war - will add to market volatility. Near term, we monitor further policy announcements from China, US election fallout and repositioning into 2025.

At country level, we are overweight in India and in off-index Australia and the United States. We are underweight in Taiwan, Hong Kong and South Korea. The Fund is positive on India for its structural growth – rise in middle class, rise in domestic investor, rise in private capex and government reform. The Fund remains cautious on China due to its weak economic recovery, unclear policy guidance and execution and continued geopolitical tensions. However, owing to the potential policy pivot and strong liquidity momentum, the Fund has de-risked and narrowed its underweight position in China.

At sector level, we are overweight Industrials, Energy and Utilities, and underweight Consumer Staples, Health Care and Communication Services. The Fund is most positive on the Industrial sector on the back of the strong capex cycle and local centric policy support. We are also positive

Data source:
Morningstar and BEA
Union Investment

on the IT sector, on the back of AI as a new secular trend. However, near term, the Fund has been locking in profits and using the proceeds to narrow our underweight in China.

The Fund continues to prefer market leaders with strong balance sheet and free cashflow, with potential for capital management and company specific catalysts.

Risk Warnings

Capital is at risk. The value and income from investments can go down as well as up and are not guaranteed. An investor may get back significantly less than they invest. Past performance is not a reliable indicator of current or future performance and should not be the sole factor considered when selecting funds. Our funds invest for the long-term and may not be appropriate for investors who plan to take money out within five years. The Fund will be exposed to emerging markets which are typically riskier than more established markets. Difficulty in trading may arise, resulting in a negative impact on your investment. The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of your investment. In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner. In extreme market conditions redemptions in the underlying funds or the Fund itself may be deferred or suspended. The insolvency of any institution providing services, such as safekeeping of assets or holding investments with returns linked to financial contracts (known as derivatives), may expose the Fund to financial loss. The Fund may enter into various financial contracts (known as derivatives) in an attempt to protect the value of the Fund's assets or to reduce the costs of investing, although this may not be achieved.

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Copies of the Prospectus and Key Investor Information Documents are available from www.ifslfunds.com or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL at the registered office above.

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