

Macquarie Asia New Stars No.1 Fund  
Monthly Report - April 2012

**Investment objective**

The Macquarie Asia New Stars No.1 Fund (Fund) provides investors with exposure to a diverse and actively managed portfolio of securities in any one or more countries in Asia (excluding Japan) by investing in the Macquarie Asia New Stars Fund. The Fund is designed to provide capital growth and some income and is not suitable for short term investment.

**Fund performance to 30 April 2012**

	Gross Fund Returns	Net Fund Returns*	Benchmark Returns **	Net Excess Returns
<b>1 month (%)</b>	-0.61	-0.70	-2.22	1.52
<b>3 months (%)</b>	6.33	6.01	5.22	0.79
<b>1 year (%)</b>	-7.55	-10.05	-13.98	3.93
<b>Since inception (% pa)</b>	5.54	1.56	-5.59	7.15

Past performance is no indication of future performance.

\*Net returns are quoted after the deduction of all fees and expenses. Due to individual investor circumstances, your net returns may differ from the net returns quoted above.

\*\* The benchmark is the MSCI Asia Ex-Japan Small Companies Index (Index).

**Fund highlights**

April saw equity markets retreating slightly after strong gains in the first quarter. The Fund was down for the month by -0.70%, net of fees, outperforming Index returns by 1.52%. Over the past three years, the underlying strategy has achieved net returns of 13.54% per annum net of fees in Australian dollar terms.

The Index is trading on 11.3x forward earnings, approximately 11% below its historical average, continuing the attractive backdrop of valuations across the region.

**Key contributors to outperformance**

- > Guotai Junan (Hong Kong securities broker) – up 12% on the expectation of greater cross boarder capital flow between China and Hong Kong due to regulatory changes.
- > Great Wall Motor (Chinese automobile manufacturer) – up 11% upon announcing strong first quarter results that exceed analyst estimates on strong profit margins.
- > Mitra Adiperkasa (Indonesian department store operator) - up 9% on robust same store sales and new store expansion on track with expectation.

**Key contributors to underperformance**

- > TCC International (Chinese cement producer) - down 9% on slower than expected cement price recovery after a seasonal low.
- > Catcher Technology (a Taiwanese electronic component manufacturer) - down 9% as concerns of a potential slowdown in iPhone sales affecting the supply chain increases.
- > Yes Bank (Indian private bank) - down 8% as tighter regulatory controls in the industry could potentially impact capital requirements.

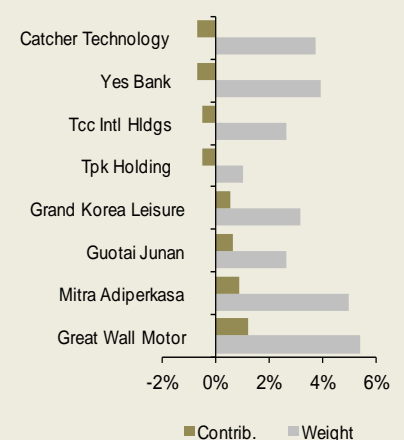
**Top holdings**

Great Wall Motor	5.40%
Mitra Adiperkasa	4.98%
Semirara Mining	4.35%
Shougang Fushan	4.23%
Yes Bank	3.94%

**Sector breakdown**

Consumer Discretionary	33.66%
Consumer Staples	5.16%
Energy	9.59%
Financials	16.50%
Health Care	5.76%
Industrials	2.94%
Information Technology	5.89%
Materials	12.33%
Telco Services	0.00%
Utilities	5.89%
Cash	2.29%

**Key performance contributors**





## Portfolio changes

There were few portfolio changes this month as the portfolio benefits from the effect of positive first quarter earnings announcements in early April. There were modest additions to a few select names that have been lagging in analyst earnings revisions, post result announcements. Korean electronics, autos and Chinese financials reported strong earnings growth in a seasonally low quarter. Valuations remain low in these industries as do analyst expectations. We expect upward earnings revisions to continue as momentum behind these businesses continues to build in the rest of 2012.

The investment team added to the portfolio's exposure to material and energy companies as valuations become more attractive. There was a small reduction to our overall overweight position in the consumer discretionary sector. The portfolio is overweight China, Hong Kong, Philippines and Indonesia and is underweight India, Taiwan, Korea, Malaysia and Singapore. The team's research focus continues to be on domestic consumption driven industries and while maintaining a low exposure to export and capital intensive industries.

## Market review

April saw mixed performance in regional equity markets with the Philippines continuing to be the best performing of our markets, up 2% on resilient domestic demand and strong demographics; while Taiwan was down approximately 5% due to concerns of a possible slowdown of smartphone sales on the electronics supply chain.

The balance between growth and inflation has slightly tilted in the Asian economies in April. The Monetary Authority of Singapore has allowed the Singapore dollar to appreciate slightly to ease inflationary pressure coming from a shortage in labor supply. Likewise, the fuel/electricity price hikes in Taiwan and Hong Kong have generated some concern among the broader population. On the other hand, inflation in China continues to track along at a modest 3.6%. Monetary and fiscal easing is now more likely in China, following lower than expected loan growth in April along with slower economic growth in the first quarter. We see the sequential rebound in industrial production as encouraging and as the transition of administration in the Chinese government approaches, infrastructure projects that have been on hold will gather traction and assist in accelerating economic growth.

## Outlook

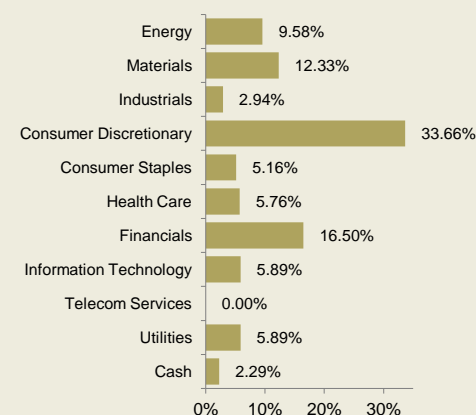
Growth outlook is still robust in Asia with 10% consensus earnings growth for China, 15% for India and 16% for Indonesia, decoupling from the slowdown in Euro zone.

Despite the recent rally, most markets within the Asia ex Japan universe still trade below their respective ten-year average price to earnings ratios. MSCI China's current valuation, for instance, still implies no earnings growth in the coming year. It is clear that even with lowered growth expectations Chinese equities and those of the region continue to be very attractively valued.

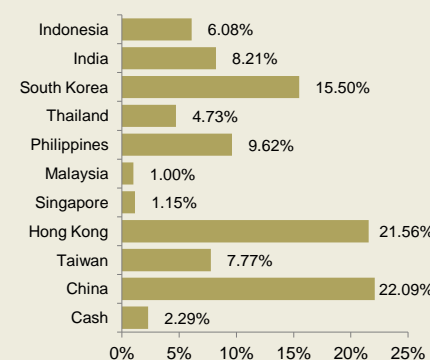
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Investments in the Fund are not deposits with or other liabilities of Macquarie Bank Limited or of any Macquarie Group entity and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither Macquarie Bank Limited nor any member of the Macquarie Group guarantee any particular rate of return or the performance of the Fund, nor do they guarantee the repayment of capital from the Fund.

## Sector weighting



## Geographical weighting



## Unit prices:

**Application price:** \$0.9513

**Redemption price:** \$0.9419

**NAV price:** \$0.9466

## Fund details:

**APIR code:** MAQ0640AU

**Inception date:** 27 May 2010

**Fund size:** \$9.62m

**Distribution frequency:** Annually

**Management fee:** 1.20% pa

**Buy/Sell spread:** +0.50% / -0.50%

**Minimum investment (Direct):** \$20,000

## Platform availability:

Asgard  
BT  
Macquarie  
Netwealth

## Rated by:

Lonsec  
S&P  
van Eyk  
Zenith

For more information, please refer to [macquarie.com.au/mim](http://macquarie.com.au/mim)

## Contact details:

**Phone:** 1800 814 523

**Fax:** +61 2 8232 4730

**Email:** [mim.clientservice@macquarie.com](mailto:mim.clientservice@macquarie.com)

**Mail:** Macquarie Investment Management  
PO Box R1723  
Royal Exchange, NSW 1225