

Asia ex Japan Quarterly Update

---

30 June 2024



*This document is solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients.*

## **Important Information and Risk Factors**

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited is authorised and regulated by the Financial Conduct Authority.

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 licence from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.

Baillie Gifford Investment Management (Europe) Ltd (BGE) is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. BGE also has regulatory permissions to perform Individual Portfolio Management activities. BGE provides investment management and advisory services to European (excluding UK) segregated clients. BGE has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. BGE is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

Persons resident or domiciled outwith the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

This document contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is based on a representative portfolio, new client portfolios may not mirror the representative portfolio exactly. As at 30 June 2024, in US dollars and sourced from Baillie Gifford & Co unless otherwise stated.

**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN  
Telephone +44 (0)131 275 2000 [bailliegifford.com](http://bailliegifford.com)**

## **South Africa**

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

## **North America**

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

## **Japan**

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

## **South Korea**

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-Discretionary Investment Adviser.

## **Australia**

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a “wholesale client” within the meaning of section 761G of the Corporations Act 2001 (Cth) (“Corporations Act”). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this document be made available to a “retail client” within the meaning of section 761G of the Corporations Act. This material contains general information only. It does not take into account any person’s objectives, financial situation or needs.

## **Israel**

Baillie Gifford Overseas is not licensed under Israel’s Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This document is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

## **Past Performance**

Past performance is not a guide to future returns. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio. Material market or economic conditions will have an impact on investment results. The returns presented in this document are gross of fees unless otherwise stated and reflect the reinvestment of dividends and interest.

Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction costs and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that recommendations/ transactions made in the future will be profitable or will equal performance of the securities mentioned.

## **Potential for Profit and Loss**

All investment strategies have the potential for profit and loss.

## **Stock Examples**

Any stock examples, or images, used in this paper are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style. A full list of portfolio holdings is available on request.

The commentary relates to the above mentioned strategy and not all stocks mentioned may be held in the portfolio.

## **Financial Intermediaries**

This document is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

Product Overview

Asia ex Japan is a long-term, regional equity strategy adding value through active management by identifying and exploiting inefficiencies in growth companies predominantly listed on the MSCI Asia ex Japan index, or on other exchanges if the company derives most of its revenues from, or have most of their assets in, non-developed markets.

Risk Analysis

Key Statistics

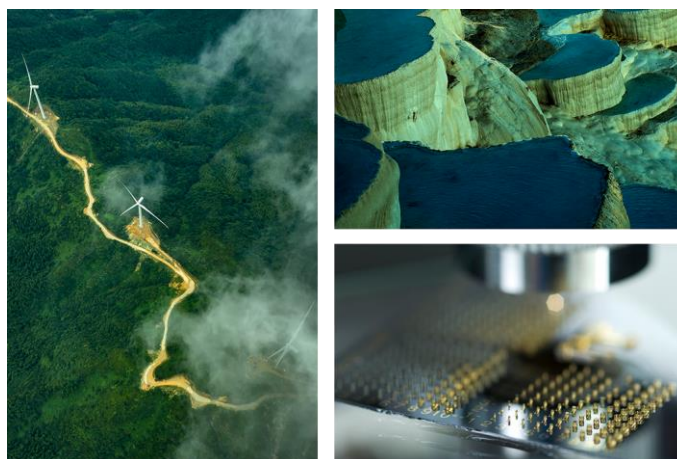
Number of Holdings	58
Typical number of holdings	50-100
Active Share	68%*
Rolling One Year Turnover	26%

\*Relative to MSCI AC Asia ex Japan Index. Source: Baillie Gifford & Co, MSCI.

The macroeconomic environment in Asia looks stronger than it has done for many years, especially relative to Developed Markets

Valuations do not appear to us to be adequately reflecting the strength of the Asian opportunity

The Chinese market has seen better returns so far this year; our commentary discusses our views in more detail



Baillie Gifford Key Facts

Assets under management and advice	US\$283.7bn
Number of clients	649
Number of employees	1738
Number of investment professionals	372

*"We are what we always were in Salem, but now the little crazy children are jangling the keys of the kingdom, and common vengeance writes the law!"*

Arthur Miller, *The Crucible: A Play in Four Acts*

I was recently in Cambodia on holiday and I promised our guide that I would recommend it to all and sundry. It is sandwiched between Thailand and Vietnam and an on/off beneficiary of Chinese investment and so relies on tourism and is well worth a visit. Angkor Wat at dawn is a preternatural experience, the Killing Fields are heartrending while the beaches on the islands are a truly tropical paradise. Many tourists bypass the capital, Phnom Penh, to see the temples at Siem Reap, but this is a mistake. Phnom Penh is a charming city where it is possible to travel just about anywhere for a dollar or two in an air-conditioned Grab (works just like Uber), or for even less in a tuktuk – if you enjoy heat, noise and carbon monoxide. There's plenty to see and do, though my wife dragged me to see a grass clock purely on the basis that it had featured in the BBC's reality show *Race Across the World* a few weeks earlier; this was a bit of a low point. We then had to go to the Elephant Bar at Raffles to 'work on our marriage' over gin and tonic. Nonetheless, Cambodia was a reminder, if any was needed, about how vibrant, dynamic and fascinating developing countries can be.

In previous quarters we have discussed how many Asian economies have pursued conservative fiscal policies and orthodox monetary policies for much of the last decade. This is in stark contrast to many Developed Market economies which have done whatever it takes to avoid the unpleasant effects of a recession, be it covid-induced, or otherwise. This said, large concerns remain. I was recently at a conference and in a poll fully half the attendees cited 'geopolitical risk' as their biggest concern. Given the headlines, this is entirely rational, especially given the rivalry between the US and China.

We are cautious on the longer-term outlook of US-China relations; Washington and Beijing clearly want different things. However, in the medium term we are a little more sanguine; valuations in China are attractive and sentiment remains pretty downbeat, the recent rally notwithstanding. The government has started to act, first by attempting to put a floor under the stock market and next by

removing virtually all the restrictions in residential property. The key test will be the Third Plenum in July when we will see if the government is prepared to do some heavy lifting in terms of policy; without it, it seems likely that Chinese stocks will return to their slough of despond.

However, two thoughts or perhaps speculations: the Chinese government is not as monolithic as it appears. While by no means democratic, popular discontent can provoke a response be it rolling back zero covid overnight, or protecting individual's wealth by supporting the stock and property markets. The second point is that much is made of China's demographics, but typically people save (~US\$ 19 trillion at the end of last year) when they are working and spend when they retire. Forget GenZ or Millennials, China's 'silver surfers' could be the dominant force in domestic consumption for decades to come.

Elsewhere, we have recently seen a smooth transition of power in large Asian democracies; India and Indonesia for example. India has raised more questions from clients, given the loss of the BJP majority. The country's economic fundamentals remain intact, but whether it can keep the momentum depends on the government policy course going forward - the fear is that the BJP, now politically more vulnerable, might seek to reverse its political fortunes with fiscal populism, diverting funds from investments in infrastructure towards more popular social handouts? However, if it can resist the pull of welfarism, as the government has generally done during the previous Modi years, it's likely that India still achieves average real annual growth of 6-7% over the next five years, making its economy surge past Germany and Japan to rank third in the world by the time of the next election. We should remember how important private sector reforms are too though, e.g. Jio's 5G/4G network, which we have talked about several times before. In other words, it's not only government reforms that have been important for the development in the country. Our views remain largely unchanged - be selective and cautious on valuations in large parts of the market.

One of the central tenets of an allocation to Asia ex Japan is it offers the benefits of diversification. This has sometimes been the case; in the first decade of the century, US large cap stocks were essentially flat, while Emerging Asia performed much better. In more recent years, the benefits of diversification have been less apparent; even now,



shares in Asian semiconductor makers are hitting new highs, driven by the very US-centric breakthroughs in AI.

In an era of raised geopolitical tensions it is likely that most countries, including most Asian countries (ex China), will try to chart a middle course; they will not be the 'Them' and they will not be the 'Us'. What they will offer is genuine opportunities and diversification. We have recently been looking at opportunities in as far afield as Kazakhstan and Vietnam. But go see for yourself; perhaps I could recommend Cambodia?

### Performance

It has been a year in which most of the strong performance has come from idiosyncratic stock selection. This is worth highlighting because returns in the wider Asian market have really been dominated by a few large technology stocks, not dissimilar to the US market. Relative sector level fund performance been driven by other areas, such as Energy and Real Estate. At the stock level, the top performance contributors include CNOOC and Sea Ltd.

CNOOC, the Chinese energy company, has delivered strong operating results at the most recent quarter, with net production up 10% yoy. At the same time all in costs have fallen and there have been 2 new recent discoveries and 4 successful appraisals of oil and gas structures.

SEA Ltd has continued to be a robust contributor to performance again this quarter. The share price reached its recent nadir in mid-January since when it has approximately doubled. In truth, there had been some confusion within the market as to whether the company was prioritising growth or profitability. A recent dinner in Edinburgh with the management clarified that ultimately, they were pragmatic when it came to prioritisation. This has manifested itself in two decent quarters which has done much to restore the market's confidence. 1Q24 results saw revenues growing at 23% YoY while the ecommerce business, Shopee showed faster than expected progress towards break-even while the Gaming and the Fintech businesses remain profitable. The company retains an US\$ 8.6 billion cash position which puts it in an enviable position to invest at a time when some of its competitors are constrained by higher capital costs.

It is also worth mentioning Brilliance China. We have long favoured engaging with companies with the aim of getting them to improve rather than using the blunt tool of third party screens to exclude them. A good example of this has been Brilliance. The company was originally BMW's 50/50 joint venture partner in China. A change in domestic foreign ownership regulations meant that BMW paid US\$ 4.1 billion to raise its stake in the joint venture to 75%, while extending the agreement to 2040. Brilliance China then uncovered unauthorised loans to its parent, the accounts were delayed and the stock suspended in May 2021. Through the lengthy period of suspension, we wrote to the Company and its Board seeking clarification on the type and scale of the issues, what investigations were being undertaken and what remedial steps were being proposed. After some delay, the company began to address the issues raised but remained suspended on the Hong Kong Stock Exchange. We therefore contacted the Exchange and queried why, given the company's corrective actions it remained suspended. Brilliance finally re-listed in October 2022 with a reconstituted Board, half of which is now independent. As a result, Brilliance is now paying out the proceeds of its sale of 25% of the BMW joint venture to shareholders in a series of special dividends and the share price responded positively.

Bank Rakyat in Indonesia has been amongst the detractors this quarter. Rather against the run of play in Emerging Markets, the Bank of Indonesia raised its benchmark interest rates 25 basis points to 6.25% in April. This was unwelcome for Bank Rakyat which was already suffering from rising credit costs in its small business and micro loan portfolio. Correspondingly, management lowered guidance for its loan growth, margins and credit costs for 2024. We regard these as relatively short term issues, as micro-lending is by its very nature a volatile business. The bank has moved quickly, hiring approximately 1,000 additional loan officers (to about 27,000) to improve collection and has significantly tightened credit controls. While these process improvements are welcome, micro loans make up almost half of its loan book, a high proportion of which are fixed-rate loans. Accordingly the Bank should benefit when the Indonesian rate cycle turns.

Samsung Electronics has also been a short term performance detractor, though after a recent discussion in the team, our enthusiasm remains high. We believe the memory business will be the main value creator for the company. It will allow the company to continue outgrowing the broader semiconductor market over the long term. Memory will remain cyclical but it could be, on average, more profitable than historically, as supply remains consolidated. We could also see growth in the foundry business too after heavy investment (Samsung is increasingly thought to be a highly reliable supplier to many large tech businesses) and we also could see High-Bandwidth-Memory really take off (they are in a near duopoly with SK Hynix (also held)). The large cash pile could also be profitably deployed. There are a number of potentially significant growth drivers here and more broadly, Korean support for Samsung remains strong.

Taking a step back, it's important to reiterate that we continue to believe that the prospects for a range of Asian companies are very strong, because of a number of trends that are globally significant. These are as diverse as technology hardware growth and the green transition. The portfolio is deliberately well diversified to benefit from a range of these opportunities. In a more polarised world (which could become even more so depending on the US election outcome), we could point to three potential country level growth drivers to consider: a) geographically contiguous countries who have picked 'both sides' over one, b) countries with the hard resources no one else can boast, or c) countries with large enough domestic markets of their own. Against this backdrop, we think Asia ex Japan is very well positioned.

## Performance Objective

To outperform the MSCI AC Asia ex Japan Index.

The performance objective is aspirational and is not guaranteed. We don't use it to compile the portfolio and returns will vary. A single performance objective may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour, or we misjudge the long-term earnings growth of our holdings.

## Periodic Performance

<b>GBP</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	5.7	7.2	-1.5
1 Year	20.8	13.9	6.9
3 Years	-3.5	-2.6	-0.9
5 Years	11.8	4.0	7.9
10 Years	11.8	7.7	4.1
Since Inception	10.0	7.2	2.8
<b>USD</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	5.8	7.3	-1.5
1 Year	20.1	13.3	6.9
3 Years	-6.3	-5.4	-0.9
5 Years	11.7	3.8	7.9
10 Years	8.4	4.5	4.0
Since Inception	9.2	6.5	2.7
<b>EUR</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	6.6	8.1	-1.5
1 Year	22.3	15.3	7.0
3 Years	-3.1	-2.2	-0.9
5 Years	13.0	5.1	7.9
10 Years	11.1	7.1	4.1
Since Inception	9.4	6.7	2.7
<b>CAD</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	7.0	8.5	-1.5
1 Year	24.2	17.1	7.1
3 Years	-3.2	-2.2	-0.9
5 Years	12.7	4.8	7.9
10 Years	11.2	7.1	4.1
Since Inception	9.7	7.0	2.7
<b>AUD</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	3.4	4.8	-1.5
1 Year	19.7	12.9	6.8
3 Years	-2.6	-1.7	-0.9
5 Years	12.8	4.9	7.9
10 Years	12.3	8.2	4.1
Since Inception	9.7	7.0	2.7

Annualised periods ended 30 June 2024. 3 Month & 1 Year figures are not annualised.

Inception date: 31 December 1989

Figures may not sum due to rounding.

Benchmark is MSCI AC Asia ex Japan Index (MSCI AC Far East ex Japan Index prior to 31 January 2011).

Source: FE, Revolution, MSCI.

The Asia ex Japan composite is more concentrated than the MSCI AC Asia ex Japan Index.



## Discrete Performance

<b>GBP</b>	<b>30/06/19- 30/06/20</b>	<b>30/06/20- 30/06/21</b>	<b>30/06/21- 30/06/22</b>	<b>30/06/22- 30/06/23</b>	<b>30/06/23- 30/06/24</b>
Composite Net (%)	28.9	51.2	-19.5	-7.7	20.8
Benchmark (%)	5.0	25.2	-14.4	-5.2	13.9
<b>USD</b>	<b>30/06/19- 30/06/20</b>	<b>30/06/20- 30/06/21</b>	<b>30/06/21- 30/06/22</b>	<b>30/06/22- 30/06/23</b>	<b>30/06/23- 30/06/24</b>
Composite Net (%)	25.2	69.0	-29.2	-3.3	20.1
Benchmark (%)	2.0	40.0	-24.8	-0.8	13.3
<b>EUR</b>	<b>30/06/19- 30/06/20</b>	<b>30/06/20- 30/06/21</b>	<b>30/06/21- 30/06/22</b>	<b>30/06/22- 30/06/23</b>	<b>30/06/23- 30/06/24</b>
Composite Net (%)	26.9	60.1	-19.7	-7.4	22.3
Benchmark (%)	3.4	32.6	-14.7	-4.9	15.3
<b>CAD</b>	<b>30/06/19- 30/06/20</b>	<b>30/06/20- 30/06/21</b>	<b>30/06/21- 30/06/22</b>	<b>30/06/22- 30/06/23</b>	<b>30/06/23- 30/06/24</b>
Composite Net (%)	30.5	53.7	-26.3	-0.8	24.2
Benchmark (%)	6.3	27.3	-21.6	1.8	17.1
<b>AUD</b>	<b>30/06/19- 30/06/20</b>	<b>30/06/20- 30/06/21</b>	<b>30/06/21- 30/06/22</b>	<b>30/06/22- 30/06/23</b>	<b>30/06/23- 30/06/24</b>
Composite Net (%)	27.6	55.0	-22.7	-0.1	19.7
Benchmark (%)	3.9	28.4	-17.9	2.5	12.9

Benchmark is MSCI AC Asia ex Japan Index (MSCI AC Far East ex Japan Index prior to 31 January 2011).

Source: FE, Revolution, MSCI.

The Asia ex Japan composite is more concentrated than the MSCI AC Asia ex Japan Index.

## Stock Level Attribution

## Top and Bottom Ten Contributors to Relative Performance

## Quarter to 30 June 2024

Stock Name	Contribution (%)
CNOOC	0.9
Phoenix Mills	0.4
Silergy	0.3
SK Hynix	0.3
SEA Limited	0.3
Indiabulls Real Estate	0.2
PB Fintech	0.2
Accton Technology	0.2
Indiabulls Real Estate P Note	0.2
Li Auto	0.1
Samsung Electronics	-0.5
Bank Rakyat Indonesia	-0.5
Koh Young Technology	-0.5
Eo Technics	-0.4
Bank Mandiri	-0.4
DLF	-0.3
Luckin Coffee	-0.3
Hon Hai Precision	-0.3
Military Commercial Joint Bank	-0.2
Tencent	-0.2

## One Year to 30 June 2024

Stock Name	Contribution (%)
CNOOC	2.8
Phoenix Mills	1.5
Tata Motors	1.1
SK Hynix	0.8
Indiabulls Real Estate	0.8
AIA	0.8
Mediatek	0.7
DLF	0.7
ZiJin Mining	0.6
PB Fintech	0.6
Samsung SDI	-0.8
Ping An Insurance	-0.8
Merdeka Copper Gold	-0.6
Baidu.com	-0.6
PDD Holdings	-0.5
Hon Hai Precision	-0.5
TSMC	-0.5
Bank Rakyat Indonesia	-0.5
JD.com	-0.4
Samsung Engineering	-0.4

Source: Revolution, MSCI. Asia ex Japan composite relative to MSCI AC Asia ex Japan Index.

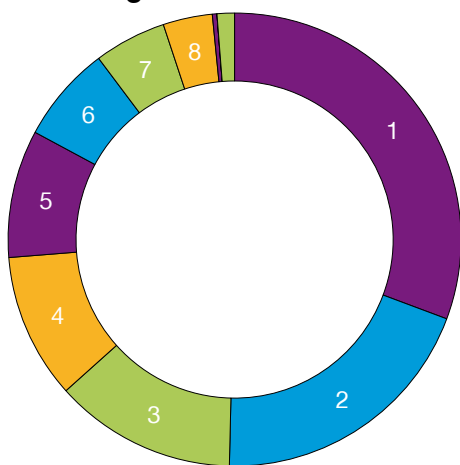
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated is available on request. Some stocks may not have been held for the whole period. All attribution figures are calculated gross of fees, relative to the index from stock level up, based on closing prices. As attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio.

**Top Ten Largest Holdings**

Stock Name	Description of Business	% of Portfolio
TSMC	Semiconductor manufacturer	9.7
Samsung Electronics	Producer of consumer and industrial electronic equipment	8.2
CNOOC	Chinese oil and gas explorer and producer	5.5
Tencent	Technology conglomerate	5.4
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	4.1
SK Hynix	Korean manufacturer of electronic components and devices	3.3
Kaspi.kz	Kazakh fintech ADR line	2.6
MediaTek	Taiwanese electronic component manufacturer.	2.4
Zijin Mining	Chinese mining company	2.3
Phoenix Mills	Commercial property management	2.3
<b>Total</b>		<b>45.8</b>

Totals may not sum due to rounding.

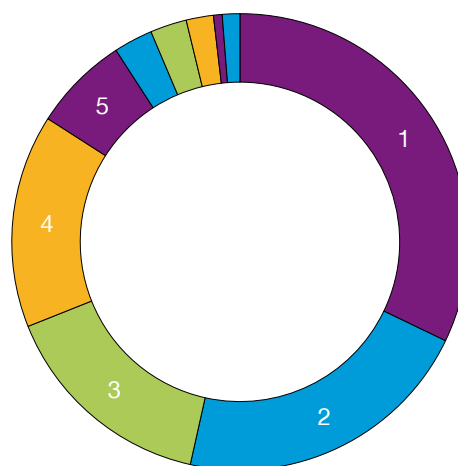
**Sector Weights**



	%
1 Information Technology	30.7
2 Financials	19.7
3 Consumer Discretionary	13.0
4 Energy	10.4
5 Communication Services	9.1
6 Real Estate	6.9
7 Materials	5.2
8 Industrials	3.5
9 Consumer Staples	0.3
10 Health Care	0.0
11 Cash	1.2

Totals may not sum due to rounding

**Geographical Location Weights**



	%
1 China	32.1
2 India	21.4
3 South Korea	15.5
4 Taiwan	15.1
5 Vietnam	6.8
6 Indonesia	2.8
7 Kazakhstan	2.6
8 Singapore	1.9
9 Hong Kong	0.6
10 Cash	1.2

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	43	Companies	17	Companies	8
Resolutions	419	Resolutions	28	Resolutions	41

Company Engagement

Engagement Type	Company
Environmental	Airtac International Group, Samsung Electronics Co., Ltd., Sea Limited, Taiwan Semiconductor Manufacturing Company Limited
Social	PT Bank Rakyat Indonesia (Persero) Tbk, Samsung Electronics Co., Ltd., Taiwan Semiconductor Manufacturing Company Limited
Governance	Airtac International Group, HDFC Bank Limited, Kingdee International Software Group Company Limited, PT Bank Mandiri (Persero) Tbk, Samsung Electronics Co., Ltd., Sea Limited, Taiwan Semiconductor Manufacturing Company Limited
Strategy	Kingdee International Software Group Company Limited

Company	Engagement Report
Airtac International Group	<p><b>Objective:</b> To determine whether the company's emissions approach will move beyond disclosure and get an update on the segregation of executive roles.</p> <p><b>Discussion:</b> We were delighted to hear from the chief financial officer that Airtac is now in the process of setting emission targets (it has reasonable disclosure but has not set targets thus far) with external help this is an area that we have engaged on previously. We discussed how responsibilities are split among the top executives/co-founders and were glad to hear about the planned separation of the chair and chief executive officer roles.</p> <p><b>Outcome:</b> We received positive news on both discussion points.</p>
HDFC Bank Limited	<p><b>Objective:</b> Over the past year, we have held several meetings with multiple members of HDFC's senior management (chief executive officer, chief financial officer, head of mortgages and head of commercial rural banking). This included a visit to its Mumbai offices, to understand the impact of the merger between HDFC Corp and HDFC Bank, particularly on its growth prospects, governance and culture.</p> <p><b>Discussion:</b> When India's largest mortgage lender, HDFC Corp, merged with its subsidiary HDFC Bank in 2023, it was the largest merger in India's corporate history. Our discussion focused on the merger's impact on the newly merged HDFC Bank's deposit and loan growth, particularly given additional reserve requirements and unexpected liquidity tightening across the Indian banking system. As branches are the central deposit engines for Indian banks, we discussed the company's branch expansion plans to understand how HDFC Bank plans to support growth in the face of these challenges. The location of the branch is an important factor, and HDFC Bank has been expanding into smaller towns and cities, which generate lower growth rates. While there are clear strategic intentions behind the expansion and evidence of some success in deposit growth, we will continue to monitor the realistic pace of deposit and loan growth in the future.</p> <p>Given the importance of the cultural pillar to our investment thesis, we also discussed how leadership managed the integration of two distinct corporate cultures and its impact on employee engagement and attrition, especially at the management level. Management has identified this as a priority. There has also been a noted shift in work culture preferences among the younger generation, favouring a flat versus hierarchical working environment, to which management is responding.</p> <p><b>Outcome:</b> While substantial hurdles exist, HDFC Bank is making strategic adjustments. We were reassured that asset quality remains excellent, and we continue to see the old conservatism on display. The reality post-merger has highlighted the difficulties in integrating two distinct cultures; however, HDFC Bank's management acknowledges this and places a strong focus on creating a supportive working environment and reducing attrition.</p>
Kingdee International Software Group Company Limited	<p><b>Objective:</b> We organised a call with Rex Wu (Head of Investor Relations) to discuss financial reporting, strategic initiatives and board composition. On the latter point, we sought to understand what skills and experience the Nomination Committee values most to raise concerns over the board's lack of non-executive software business expertise.</p> <p><b>Discussion:</b> The conversation turned to customer acquisition discipline after discussing financial reporting. Rex highlighted that the company is increasingly willing to turn away customers without a clear pathway to profitability in a reasonable timeframe. Different considerations feed into decisions, but the upshot should be a better use of R&amp;D resources and improved return on investment for each partnership. Finally, the dialogue shifted to board composition. We noted that the board currently has independent directors with significant experience in hardware businesses but that there is perhaps a lack of non-executive software business expertise on the board. Rex said that he would relay this feedback to the board.</p> <p><b>Outcome:</b> We were encouraged to hear that the company is more deliberately approaching customer acquisition. We were also pleased by the company's willingness to take on board feedback relating to board composition. We appreciate that board planning and evolution are long-term endeavours so we will monitor changes here over the coming years.</p>

Company	Engagement Report
Sea Limited	<p>Objective: We met with Sea Ltd to continue discussing board composition and remuneration and hear an update on the company's developing climate strategy.</p> <p>Discussion: Our engagement focused on board recruitment, including management's considerations and efforts in recruiting new board members, focusing on finding individuals with the correct skill set. We also discussed remuneration, particularly a recent executive compensation cap. Sea Ltd clarified its remuneration approach and reassured us that employee pay is competitive. The meeting also provided an opportunity to question the company's climate change strategy. While there are no immediate plans to set decarbonisation targets, Sea Ltd has considered climate and has published scope 1 and scope 2 emissions data, indicating relatively low emissions. Future emissions reductions are expected to result from broader operational improvements.</p> <p>Outcome: Overall, our engagement highlighted ongoing efforts and challenges in board recruitment, which we will continue to monitor. Sea Ltd's actions reflect responsiveness to investor concerns and a willingness to improve governance and environmental stewardship.</p>



Votes Cast in Favour

Companies	Voting Rationale
Accton Technology, AirTac International Group, Brilliance China Automotive, CNOOC, China Oilfield Services Ltd 'H', Coupang, DLF Ltd, Equinox India Developments, Guangzhou Kingmed 'A', HDBank, HDFC Bank, Hoa Phat Group, Hong Kong Exchanges & Clearing, ICICI Prudential Life Insurance, JSC Bank for Foreign Trade of Vietnam, Jadestone Energy P 50p, Jio Financial Services Ltd, KE Holdings (HK Line), KE Holdings ADR, Kaspi.Kz JSC GDR, Kaspi.kz ADR, Kingdee Int'l Software Group, Kuaishou Technology, Li Ning, Lufax Holding Ltd, MMG Ltd, Mediatek, Meituan, Midea Group 'A', Military Commercial Joint Bank, Mobile World Investment, Ping An Insurance, Reliance Industries Ltd, Silergy, TSMC, Tata Motors Ltd, Techtronic Industries, Tencent, Vietnam Enterprise, Viglacera Corp, Vinh Hoan, Zhejiang Supor, Zijin Mining Group Co Ltd 'H'	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
China Oilfield Services Ltd 'H'	AGM 28/05/24	6, 10	We opposed two resolutions to approve the provision of guarantees which together with existing guarantees would exceed the company's net assets and pose a risk to shareholders.
HDBank	AGM 26/04/24	7	We opposed the plan for increasing charter capital due to concerns with the significant discount at which shares are to be offered to employees under the employee share plan.
HDBank	OTH 27/06/24	1	We opposed the amendment to the articles of association which sought to lower the maximum foreign investment threshold as we do not believe that this is in the best interests of foreign minority shareholders.
Military Commercial Joint Bank	AGM 19/04/24	4	We opposed the plan to increase charter capital due to ongoing concerns with the potential level of discount shares could be issued at.
Ping An Insurance	AGM 30/05/24	11	We opposed the amendments to the articles of association because one amendment would give the board full discretion to decide on the issuance of shares and convertible bonds. We would prefer that shareholders are able to assess the appropriateness of these issuances on a case-by-case basis.
Ping An Insurance	AGM 30/05/24	7.07	We opposed the re-election of a non-executive director as he is a shareholder representative and sits on the Audit Committee, which should be comprised entirely of independent directors.
Techtronic Industries	AGM 10/05/24	4	We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Tencent	AGM 14/05/24	5	We opposed the resolution which sought authority to issue equity because of concerns with the level of discount.

Companies	Voting Rationale
HDBank, Hoa Phat Group, JSC Bank for Foreign Trade of Vietnam, Military Commercial Joint Bank, Mobile World Investment, Viglacera Corp, Vinh Hoan	We opposed the request to authorise other business. We do not believe this is in the best interests of clients who vote by proxy.
CNOOC, China Oilfield Services Ltd 'H', KE Holdings (HK Line), KE Holdings ADR, Kuaishou Technology, MMG Ltd, Zijin Mining Group Co Ltd 'H'	We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Accton Technology	AGM 13/06/24	4.1	We abstained on the election of one director as the candidate was not disclosed ahead of the meeting.
HDBank	AGM 26/04/24	9	We abstained on the appointment of the auditor as the fees paid to the external auditor are not disclosed.
Hoa Phat Group	AGM 11/04/24	1	We abstained on changes to the composition of the company's management due to lack of disclosure of the changes.
Hoa Phat Group	AGM 11/04/24	14, 15	We abstained on two resolutions to elect board members due to lack of disclosure of the changes.
JSC Bank for Foreign Trade of Vietnam	AGM 27/04/24	5	We abstained on the remuneration of the board and supervisors due to a lack of disclosure.
JSC Bank for Foreign Trade of Vietnam	AGM 27/04/24	6	We abstained on the auditors of the board and supervisors due to a lack of appropriate disclosure and breakdown of auditor's remuneration.
JSC Bank for Foreign Trade of Vietnam	AGM 27/04/24	7	We abstained on the capital increase due to a lack of disclosure.
JSC Bank for Foreign Trade of Vietnam	AGM 27/04/24	8	We abstained on the plan regarding debt handling due to a lack of disclosure.
Military Commercial Joint Bank	AGM 19/04/24	10-26	We abstained on seventeen resolutions to elect directors to the board of supervisors and board of directors due to no disclosure regarding these items from the company.
Mobile World Investment	AGM 13/04/24	9	We abstained on the appointment of the auditors due to non-disclosure of the detailed breakdown of the auditors' remuneration during the year. We abstained rather than opposed due to it being our first time voting.
Viglacera Corp	AGM 29/05/24	11	We abstained on a resolution to award employees a bonus as there was no disclosure on the amount or terms under which the bonus would be paid.
Viglacera Corp	AGM 29/05/24	12	We abstained on the approval of the auditors because the fee paid to the auditor has not been disclosed.
Viglacera Corp	AGM 29/05/24	14	We abstained on a resolution that would give the company a blanket authority to enter into transactions with interested persons in 2024 as no details of the related parties were disclosed, and so we were unable to assess whether these transactions are in the best interest of shareholders.
Viglacera Corp	AGM 29/05/24	16, 17, 19-26	We abstained on the election of ten directors as the candidates were not disclosed ahead of the meeting.

Company	Meeting Details	Resolution(s)	Voting Rationale
Vinh Hoan	AGM 17/04/24	8	We abstained on the approval of the external auditor because the fee paid to the auditor is not disclosed.

**Votes Withheld**

We did not withhold on any resolutions during the period.

**Votes Not Cast**

Companies	Voting Rationale
Bizlink	We did not vote this meeting as we no longer hold the instrument
Genius Electronic Optical Co Ltd	We did not vote this meeting due to selling out of the stock.
Han's Laser Technology 'A'	We did not vote this meeting due to selling out of the stock.

## New Purchases

Stock Name	Transaction Rationale
Chroma ATE	Chroma ATE is a Taiwanese manufacturer of testing equipment, and a beneficiary of growth in many new industries, spanning from electric vehicles to compound semiconductors. With customer relationships based on reliability and consistency with performance benchmarks, they have earned high and durable market shares. While there is inherently uncertainty about levels of growth over the next year or two, we believe that they have an appealing position within industries of growing relevance and so have taken a new holding.
SG Micro	SG Micro is China's largest domestic analogue chip designer. It has demonstrated operational resilience during the recent industry downturn and is both accelerating product development while increasing operating margins. Despite this progress, valuations have fallen by over half over the past two years. It is gaining share within a very fragmented domestic marketplace and with foreign firms struggling to compete, we are confident that they should be able to demonstrate years of profitable growth ahead of them. Given the disconnect between weak investor sentiment for the sector and the company's strong underlying performance, we felt this was an opportune time to take a new holding.

## Complete Sales

Stock Name	Transaction Rationale
Alibaba	Growth in Alibaba's core e-commerce business has significantly slowed, as the company faces rising penetration and increased competition. This is well understood.. The investment case has increasingly been predicated on success in new initiatives, notably cloud computing. While we believe there remains a large opportunity from the under-penetration of cloud services in China, as we have seen with AWS in other markets, the competitive landscape is less favourable. This combination of slower growth in the core and tougher competition in the cloud business means that the skew of potential investment returns is less favourable. We have used the proceeds to invest in other stocks in China.
Bizlink	While the company's operations continue to have potential, we have decided to sell the holding in Bizlink following recent meetings with the company in Taiwan which highlighted a lack of focus on minority shareholder returns and weakening alignment.
Genius Electronic Optical	We have sold the holding in Genius Electronics Optical as we see a maturation of their core phone lens market and uncertainty about whether they will be competitive in adjacent growth areas.
Guangzhou Kingmed	Kingmed was sold due to the challenging industry backdrop that we envisage persisting, which is likely to subdue profits for the foreseeable future.
Han's Laser Technology	Hans Laser was sold due to the challenging domestic market, combined with geopolitical issues that appear to be making it less likely that Hans Laser will become a global leader.
Hong Kong Exchanges & Clearing	We have sold the small position in Hong Kong Exchange after observing a period of slowing growth, coupled with a lack of dynamism from company management. The investment case is increasingly reliant on investor sentiment towards China, and there are other, more innately higher-growth ways, to maintain that exposure in the portfolio.
Koh Young Technology	We have sold the investment in Koh Young because of declining confidence in their commercial strategy. The company continues to be founder-led with high levels of R&D investment. However, sales of their newest products have been weak, calling into question either their sales strategy or the incremental customer benefit. Further research has failed to show a viable plan to improve this, and competition is intensifying both in the Chinese market and for newer technologies, so we have decided to use this as a source of funds for new ideas.
Ping An Bank	Given broader sectoral challenges, we have sold the holding in Ping An Bank, as we believe growth will be muted for many years, even for higher-quality private banks such as this.
Samsung Engineering	Samsung Engineering is one of the global leaders in engineering, procurement and construction (EPC) contracts. The company has performed better under new management, with a stronger balance sheet, better technology and a far more conservative business structure. We bought the holding when activity was depressed during Covid, since then operational performance and returns have improved as global demand picked up. With competition intensifying again, we sold the holding.

MSCI Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.