

# Eastspring Investments – Asia Low Volatility Equity Fund



A Prudential plc company 

## Market review

Global equities continued to rise in March. The end of 2023 witnessed the US Federal Reserve ("Fed") pivot towards an easier policy stance - signaling that rate cuts were due to happen in 2024 - a view that was reiterated at the March meeting. Policy rates have likely peaked for this cycle, with equities moving to all-time highs and credit spreads approaching their cycle highs. Emerging Markets ("EM") equities posted modest gains in March, but continued to underperform Developed Markets equities amid a dovish Fed but a likely shallower trajectory. The likelihood of a soft landing has increased, with PMIs firming up and stickier inflation. China saw a pullback from February's robust performance as US-China tensions soared due to greater congressional scrutiny on US investments into China. Though AI optimism lifted Tech markets such as South Korea and Taiwan, the boost to US markets was stronger.

Asia Pacific ex Japan markets returned 2.6% in USD terms in March. Chinese equities returned 0.9% in USD terms over the month, as companies accelerated their activities following the Chinese New Year holiday. China's manufacturing activity expanded for the first time in six months in March, signaling a strengthened momentum of economy recovery. Its official manufacturing PMI rose from 49.1 in February to 50.8 in March. The MSCI Hong Kong ("HK") declined 7.0%. By sector, under MSCI HK, Consumer Staples (+9.4%) led while Financials (-12.2%) lagged.

ASEAN markets underperformed both the broader Asian region and EM during the month, but posted a positive absolute return on a USD basis. Singapore outperformed, whilst Thailand was the worst performing market during March. Singapore's February headline CPI rose 3.4% year-on-year on the back of higher services and food inflation, partly linked to Chinese New Year spending. Price pressures are expected to intensify in March, with the full impact of the recent Taylor Swift concerts in Singapore likely to give both core and headline inflation an added boost. According to the World Bank, Thailand's economy is expected to grow at 2.8% this year before accelerating to 3.0% in 2025. The growth outlook for 2024 and 2025 was reduced from 3.2% and 3.1% respectively due to weak exports and a delayed budget.

Separately, India underperformed the broader Asian region and EM during the month, but posted a positive absolute return on a USD basis. The Indian market was largely dragged by Tech, Property and mid-caps in March. As we head into the general election season, volatility may persist but the market correction seen in March - particularly in the SMID space - is unlikely to signify the start of a downtrend.

In other markets, Australia returned 3.0% on a total return, USD basis, in March.

## Performance

In March, the Fund outperformed its benchmark, the MSCI AC Asia Pacific ex Japan Minimum Volatility index.

The major contributors to relative performance were Stock Specific component as well as Country and Currency factors. Among Countries, the overweight to Indonesia aided relative returns the most.

Against this, the major detractors from relative performance were Style factors and Industry factors. Among Style factors, the overweight to Value hampered relative returns the most. Among Industries, the overweight to Marine weighed on relative performance.

## Strategy and outlook

Global share prices remain volatile with continued uncertainties around the conflict between 1) Russia and Ukraine and 2) Israel and Palestine, as well as lingering concerns around inflation given disruption in the oil and broader commodities supply chains. Though Asian valuations remain cheap relative to other regional markets, we remain cognisant of the impact of the US Federal Reserve's interest rate policy, along with tensions around US-China relations, labour shortages and commodity and goods inflation, which are contributing drivers of global volatility. There are also fears that corporate earnings are challenged, and that growth is slowing globally. Risk assets have further room to grow in the short-term given a still robust US economy and increasing market expectations of a soft landing. However, recession risk is higher over the next 6-12 months, especially on the back of tighter financial conditions. This mixed picture suggests choppiness in the near-term.

We continue to construct a portfolio targeting lower volatility and drawdown, which could provide protection against choppy markets. We also consider valuation as an input for the process to avoid investing in overvalued and overcrowded stocks, along with other measures to avoid stocks with weaker characteristics.

The Fund adopts a systematic equity strategy that aims to generate total returns in line with Asia Pacific ex Japan equity markets via a combination of capital growth and income, but with lower volatility.

**Market attribution (one month)**

Market (%)	Average weights			Effects		
	Fund	Benchmark	Relative	Allocation	Selection	Total
TAIWAN	15.9	14.6	1.4	0.03	1.04	1.08
AUSTRALIA	11.6	11.0	0.7	0.01	0.29	0.30
CHINA	20.8	22.2	-1.4	0.01	0.28	0.30
HONG KONG	2.8	6.5	-3.7	0.14	0.00	0.14
INDIA	22.2	20.9	1.2	-0.01	0.06	0.05
MALAYSIA	5.2	3.9	1.4	0.01	0.03	0.04
NEW ZEALAND	-	0.7	-0.7	0.02	0.01	0.03
SINGAPORE	2.7	5.9	-3.2	-0.05	0.03	-0.02
THAILAND	1.0	4.1	-3.1	-0.05	0.02	-0.02
PHILIPPINES	1.3	1.5	-0.3	-0.01	-0.02	-0.03
INDONESIA	6.6	1.8	4.8	-0.05	-0.18	-0.23
SOUTH KOREA	7.0	6.9	0.1	0.00	-0.41	-0.42
CASH AND EQUIVALENTS	2.9	-	2.9	0.01	-0.04	-0.03
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>0.05</b>	<b>1.13</b>	<b>1.18</b>

**Sector attribution (one month)**

Sector (%)	Average weights			Effects		
	Fund	Benchmark	Relative	Allocation	Selection	Total
INFORMATION TECHNOLOGY	14.2	16.1	-1.9	0.02	1.28	1.30
CONSUMER DISCRETIONARY	6.3	8.1	-1.8	0.00	0.35	0.35
ENERGY	7.8	2.9	4.8	0.02	0.10	0.12
HEALTH CARE	2.3	10.4	-8.2	0.08	-0.04	0.03
FINANCIALS	27.6	22.6	4.9	0.05	-0.02	0.02
REAL ESTATE	0.2	-	0.2	0.00	0.00	-0.01
INDUSTRIALS	9.0	8.4	0.6	0.02	-0.03	-0.01
CONSUMER STAPLES	13.8	9.0	4.8	-0.06	0.04	-0.02
UTILITIES	8.8	5.7	3.2	-0.12	0.01	-0.10
MATERIALS	2.3	3.1	-0.7	-0.03	-0.13	-0.16
COMMUNICATION SERVICES	4.8	13.6	-8.9	-0.06	-0.26	-0.32
CASH AND EQUIVALENTS	2.9	-	2.9	0.01	-0.04	-0.03
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>-0.08</b>	<b>1.25</b>	<b>1.18</b>

**Top 10 contributors (one month)**

Holdings (%)	Average weights		Contribution to relative performance
	Fund	Benchmark	
CHICONY ELECTRONICS CO LTD	1.0	-	0.35
BAJAJ AUTO LTD	2.6	0.3	0.34
POWERTECH TECHNOLOGY INC	1.0	-	0.31
PEGATRON CORP	1.7	-	0.29
RADIANT OPTO-ELECTRONICS COR	2.4	-	0.28
BRAMBLES LTD	2.5	0.5	0.17
CHIPBOND TECHNOLOGY CORP	1.8	-	0.14
PETROCHINA CO LTD-H	2.4	0.7	0.13
COLGATE PALMOLIVE (INDIA)	1.8	0.1	0.09
BANK MANDIRI PERSERO TBK PT	0.9	-	0.07
<b>Total</b>	<b>18.1</b>	<b>1.7</b>	<b>2.18</b>

**Top 10 detractors (one month)**

Holdings (%)	Average weights		Contribution to relative performance
	Fund	Benchmark	
TELKOM INDONESIA PERSERO TBK	1.7	0.4	-0.22
SAMSUNG ELECTRONICS CO LTD	-	1.3	-0.13
BHARTI AIRTEL LTD	-	1.5	-0.12
SK HYNIX INC	-	0.6	-0.09
POWER GRID CORP OF INDIA LTD	2.4	-	-0.07
SHANDONG GOLD MINING CO LT-H	-	0.3	-0.07
MALAYSIA AIRPORTS HLDGS BHD	-	0.4	-0.07
SAMSUNG LIFE INSURANCE CO LT	0.9	-	-0.07
TAIWAN SEMICONDUCTOR MANUFACTURING	-	0.7	-0.07
SINGAPORE TELECOMMUNICATIONS	-	1.1	-0.07
<b>Total</b>	<b>5.0</b>	<b>6.4</b>	<b>-0.99</b>

## Top 10 contributors (year to date)

Holdings (%)	Average weights		Contribution to relative performance
	Fund	Benchmark	
BAJAJ AUTO LTD	2.5	0.3	0.68
OIL & NATURAL GAS CORP LTD	2.4	-	0.64
POWERTECH TECHNOLOGY INC	1.0	-	0.41
CHICONY ELECTRONICS CO LTD	1.4	-	0.40
RADIANT OPTO-ELECTRONICS COR	1.8	-	0.38
PETROCHINA CO LTD-H	2.1	0.7	0.34
STATE BANK OF INDIA	1.9	-	0.32
POWER GRID CORP OF INDIA LTD	2.1	-	0.32
INDIAN OIL CORP LTD	1.3	-	0.25
PEGATRON CORP	1.3	-	0.24
<b>Total</b>	<b>17.7</b>	<b>1.0</b>	<b>3.98</b>

## Top 10 detractors (year to date)

Holdings (%)	Average weights		Contribution to relative performance
	Fund	Benchmark	
TELKOM INDONESIA PERSERO TBK	1.4	0.4	-0.26
BHARTI AIRTEL LTD	-	1.5	-0.23
SUN PHARMACEUTICAL INDUSTRIES	-	0.8	-0.20
INNER MONGOLIA YITAI COAL-B	-	0.5	-0.18
WOOLWORTHS GROUP LTD	2.3	1.3	-0.18
COROMANDEL INTERNATIONAL LTD	0.7	-	-0.17
INTERNATIONAL CONTAINER TERMINAL SERVICES	0.1	0.6	-0.15
CIPLA LTD	-	0.9	-0.14
TAIWAN SEMICONDUCTOR MANUFACTURING	-	0.6	-0.14
ASTRA INTERNATIONAL TBK PT	0.9	-	-0.13
<b>Total</b>	<b>5.4</b>	<b>6.8</b>	<b>-1.79</b>

## Statistics

Characteristics	Fund	Benchmark
Number of holdings	105	292
Price to earnings (number of times)	11.6	17.5
Price to book (number of times)	1.4	2.0
Forward 12-month dividend yield (%)	4.8	3.5
Active share (%)	76.9	N/A
Tracking error (%)	3.7	N/A

**Additional notes**

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**Representative Agent:** First Independent Fund Services Ltd, Klausstrasse 33, 8008 Zurich

**Paying Agent:** NPB-New Private Bank Ltd, Limmatquai 1/am Bellevue, 8024 Zurich

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