Fund Update - 30 September 2019

Global Emerging Markets Fund

PARADICE
INVESTMENT MANAGEMENT

Fund Objective

The objective of the Fund is to outperform the MSCI Emerging Markets Net Total Return Index (AUD) over a three to five year period (after management costs and before tax).

Performance Net (%)	1 Month	3 Months	Since Inception* p.a.
Global Emerging Markets Fund	1.66	4.72	10.99
MSCI Emerging Markets - Net Return	1.80	-0.37	3.27
Excess Return	**-0.14**	**5.09**	**7.72**

* Inception date - 15 May 2019

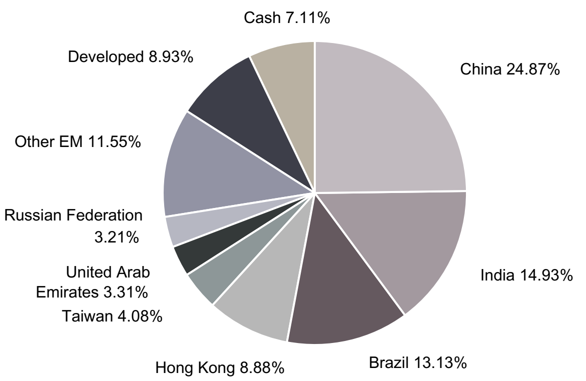
Fund Details

APIR Code	ETL2741AU
Fund Size (AUD m)	$100
Number of Stocks	47
Weighted Average Market Capitalization (AUD)	$125,124
Fund Base Currency	AUD
Distribution Frequency	Semi-Annually
Management Fee	1.25% p.a.
Performance Fee	15% p.a.
Buy Sell Spread	+/-0.40%
Minimum Investment (AUD)	$20,000

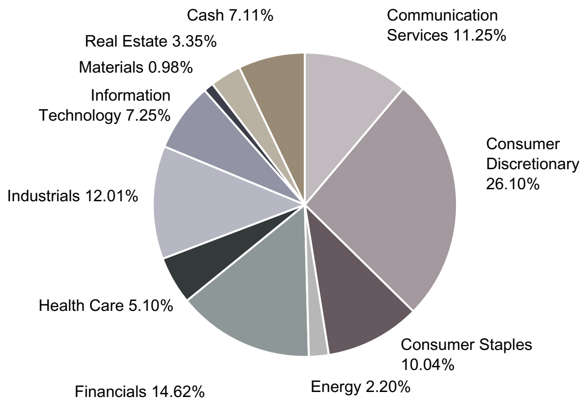
Top 10 Positions

	Weight %
Alibaba Group Holding Ltd. Sponsored ADR	4.15
Taiwan Semiconductor Manufacturing Co.,ADR	4.08
HDFC Bank Ltd. Sponsored ADR	3.83
AIA Group Ltd.	3.75
Tencent Holdings Ltd.	3.42
Hang Lung Properties Ltd.	3.35
B2W Companhia Digital	3.24
PT Telekomunikasi Indonesia (Persero) Tbk...	3.19
New Oriental Education & Technology Group	3.17
Kweichow Moutai Co., Ltd. Class A	3.01

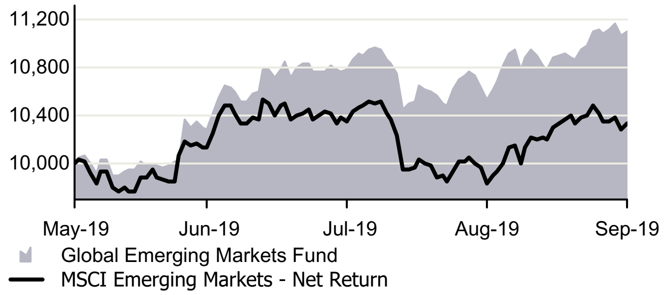
Country Allocation



Sector Allocation



Growth of AUD 10,000



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Commentary

MARKET REVIEW

For the purpose of comparison, commentary is quoted in AUD terms except where stated otherwise.

The Fund returned +4.72% (after fees) in Q3 2019 while its benchmark, the MSCI Emerging Markets Net Total Return Index, returned -0.37%. The market environment remains volatile. Notable events in the quarter include the HK protests, corporate tax reform in India, continued global growth slowdown driving global monetary easing, and the ongoing US-Sino trade war.

During Q3, in terms of the main markets, Taiwan, driven by the Technology sector, delivered the strongest performance up +9.45% while Mexico returned a solid +2.26%. Other markets with lesser representation in the index such as Turkey, Egypt, and Pakistan also performed well. The remaining key markets slightly underperformed including China -0.83%, India -1.32%, and Brazil -0.72%. South Africa and Argentina returned -8.23% and -53.25%, respectively. Sector wise, Information Technology was the standout at +9.91% followed by Consumer Staples +3.20%, while Materials, Real Estate and Financials returned -7.12%, -5.07%, and -4.28%, respectively.

PERFORMANCE

Brazil and China were our two strongest geographic contributors due mostly to stock selection, while other geographies such as India, Indonesia, Poland, and UAE also contributed. Positive performance was partially offset by weakness in Hong Kong, Mexico, and Russia.

From an allocation standpoint, the Fund benefitted from its limited exposure to South Africa, Argentina, and Saudi Arabia but was negatively impacted by its limited exposure to Taiwan.

The top contributors to performance for the quarter are as follows:

B2W Companhia Digital (Brazil) E-commerce retailer B2W showed strong sequential recovery in GMV growth, achieved positive cash generation in the most recent quarter, and also announced the new ownership structure for AME Digital, the company's payment platform in partnership with Lojas Americanas. Post results, the company also announced a rights offering to further enhance its balance sheet allowing it more flexibility to invest for growth.

Taiwan Semiconductor (Taiwan) Leading semiconductor foundry TSMC noted inventory cycle bottoming and strong demand in 7nm which should drive a second half recovery and support 2020 growth. This demand is being driven by high performance computing and build out of 5G infrastructure. The company is also a beneficiary of CPU foundry outsourcing.

Li Ning Company (China) Li Ning, a leading domestic sportswear company, continued to show strong execution in its turnaround which has been underway since 2015. More recently Li Ning has been able to re-accelerate top line growth, helping the company to drive margins higher and outperform peers. Sportswear as a category continues to see strong demand given increasing consumer exposure to a healthier lifestyle and government support.

The bottom detractors from performance for the quarter are as follows:

Health & Happiness (China) H&H is a business in transition as the impact of regulation on its adult nutrition and care segment continues to be a headwind to growth. Competition in the infant milk formula sector in China remains intense and higher marketing expenditures could present a drag on margins in the future.

AIA Group (Hong Kong) Leading pan-Asian life insurer AIA was impacted by the protests in Hong Kong which are likely to weigh on near term results as roughly half of Hong Kong new business growth is driven by mainland China.

HDFC Bank (India) The crisis among non-banking finance companies in India combined with a broad-based macroeconomic slowdown and tight liquidity has introduced uncertainties around the pace of loan growth and asset quality for the banking industry as a whole. HDFC Bank has not been immune to this selling pressure as some concerns around its unsecured retail loan book came into focus during the quarter.

Portfolio Changes

We initiated three new positions in Q3. These purchases include a Chinese testing company, a Russian payment services company, and a Brazilian software company.

OUTLOOK

Short term volatility remains high as there is no shortage of noise and news flow. Our focus remains on compounding over the long term. As a result, the vast majority of our time is still spent on finding business models exposed to structural demand opportunities where we think the moat is resilient or can further expand over time. Our hope is that volatility in the near term can create an attractive entry point. While parts of the market appear fully valued, we remain excited about our research pipeline. Technological advancements continue to create new opportunities for disruptive companies.

That being said, overarching macro themes that continue to drive our asset class to one degree or another include the ongoing trade war/ relationship between China and the US (for which there are winners and losers at the company level), geopolitical tensions across the gulf region, and US monetary policy and its repercussions for EM FX and monetary policy decisions. China remains top of mind for many EM investors and although China's economic growth rate is slowing, the country has tools to stimulate and indeed we have already seen many measures taken to support the domestic economy. As a reminder, we do not allocate capital in a top-down manner. We have a macro framework in place to help us assess the risks, yet ultimately we are bottom-up stock investors.