Warakirri Global Emerging Markets Fund Quarterly Report
31 December 2024

Warakirri
ASSET MANAGEMENT

INVESTMENT OVERVIEW

The Warakirri Global Emerging Markets Fund ("WGEMF" or the "Fund") offers investors access to a high conviction portfolio of 20-40 high quality global emerging market stocks diversified by geography, industry and size of market capitalisation. Warakirri has appointed the high calibre global emerging market equities team at Northcape Capital as the underlying manager of WGEMF.

PERFORMANCE SUMMARY – NET OF FEES

Performance Period	1 month	3 Months	FYTD	1 Year	2 Years (p.a)	3 Years (p.a)	Since Inception (p.a.)*
Net of Fees							
Fund	+2.67%	+1.97%	+0.01%	+4.40%	+9.95%	+0.29%	+3.23%
Benchmark	+5.07%	+3.08%	+7.88%	+18.48%	+13.72%	+3.47%	+5.70%
Relative Return	-2.40%	-1.11%	-7.87%	-14.08%	-3.77%	-3.18%	-2.47%

^ Benchmark: MSCI Emerging Markets Total Return Index in Australian Dollars. Returns shown are net of fees.
* Fund inception date was 22 July 2020.

NORTHCAPE PERFORMANCE TRACK RECORD - EMERGING MARKETS

Performance Period	1 month	3 months	FYTD	1 Year	3 Years (p.a)	5 Years (p.a)	10 Years (p.a)	Since Inception (p.a)*
Gross of Fees								
Northcape Emerging Markets	+2.82%	+2.26%	+0.57%	+5.46%	+2.00%	+8.23%	+10.15%	+10.67%
Benchmark^	+5.07%	+3.08%	+7.88%	+18.48%	+3.47%	+4.31%	+6.57%	+5.13%
Relative Return	-2.25%	-0.81%	-7.32%	-13.02%	-1.48%	+3.91%	+3.58%	+5.54%

^ Benchmark: MSCI Emerging Markets Total Return Index in Australian Dollars
* Inception date Northcape Global Emerging Markets is 1 July 2008. Returns shown are gross of fees and taxes.

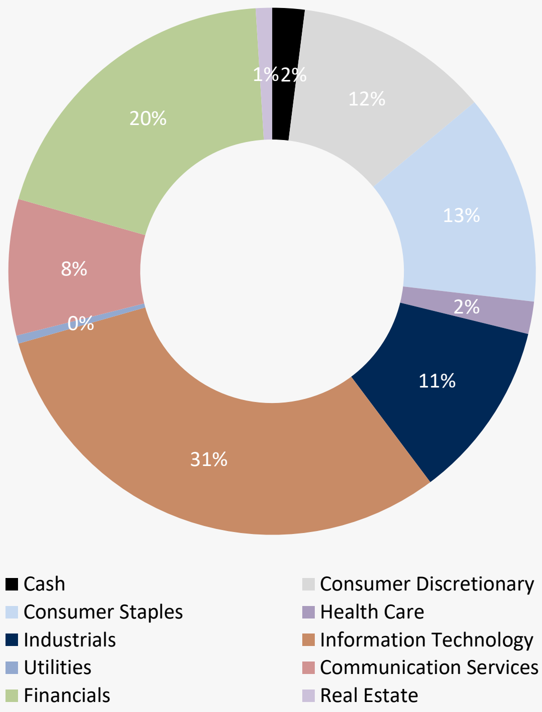
Warakirri Global Emerging Markets Fund
Quarterly Report
31 December 2024

Warakirri
ASSET MANAGEMENT

FUND FACTS

Fund Facts	
Investment Objective	Outperform benchmark over the long-term
Investment Time Horizon	5 Years +
Portfolio Managers	Patrick Russel, Tom Pidgeon, Ross Cameron & Cameron Robson
Risk Level	High
Distribution Frequency	Semi-Annually
Minimum Investment	$25,000
APIR Code	WRA4779AU
ARSN Code	642 392 863
Fund Size	$127,305,202
Research Ratings	Zenith: Recommended Lonsec: Recommended
Platform Availability	BT Panorama, HUB 24, Netwealth, Praemium, Powerwrap, Macquarie Wrap, AMP North
Further Information	www.warakirri.com.au

INDUSTRY EXPOSURE

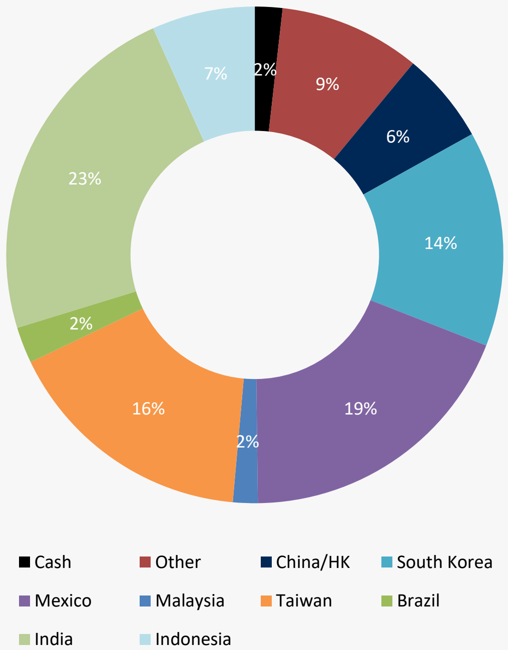


TOP 10 HOLDINGS

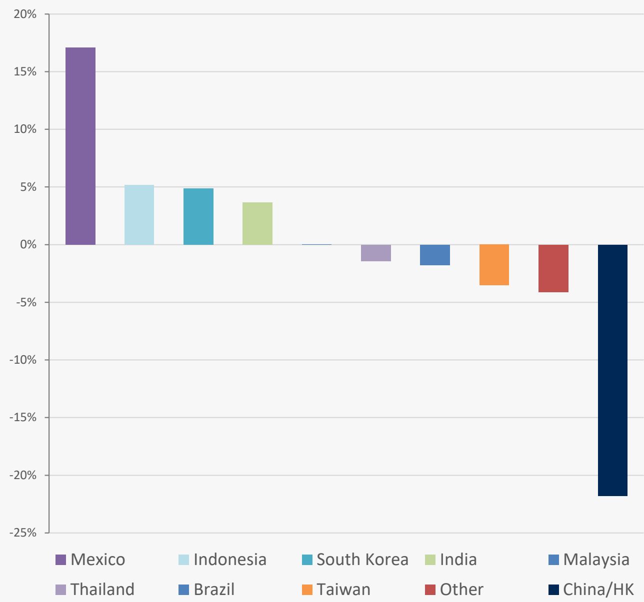
Security	Fund	Country	Sector
Taiwan Semiconductor Manufacturing company	10.7%	Taiwan	Information Technology
Hdfc Bank	7.9%	India	Financials
Tata Consultancy	5.8%	India	Information Technology
Maruti Suzuki India	5.5%	India	Consumer Discretionary
Bank Central Asia	5.4%	Indonesia	Financials
Sk Hynix	4.6%	South Korea	Information Technology
Samsung Electronics Co	4.6%	South Korea	Information Technology
Dino Polska	4.5%	Poland	Consumer Staples
Grupo Aerop Pacifico B	4.3%	Mexico	Industrials
Femsa Unit Ubd	4.2%	Mexico	Consumer Staples
Total	57.5%		

Portfolio holdings are subject to change.

GEOGRAPHIC EXPOSURE



GEOGRAPHIC EXPOSURE RELATIVE TO INDEX



HOLDINGS BY MARKET CAPITALISATION

Size	Market Capitalisation	Exposure
Mega	Greater than US$100bn	32.90%
Larger	US$50bn - US$100bn	14.70%
Large	US$10bn - US$50bn	31.90%
Mid	US$2bn - US$10bn	19.70%
Small	Less than US$2bn	0.80%

INSIGHTS FROM THE MANAGER

MARKET REVIEW

December saw Emerging Markets (EM) treading water as the MSCI US$ EM index declined by -0.3% and brought the 2024 calendar year US$ return to +5.1%. Developed Markets (DM) underperformed EM in December, with the MSCI US$ DM index down -2.5%. Despite the fall in December, DM outperformed EM by +14.1% in 2024. DM markets in 2024 were led by the large US tech stocks exposed to emerging AI technologies, however, if we look at US small and midcap stocks, represented by the Russell 2000 Index, the outperformance of the US market versus EM was much lower at +4.9% over 2024.

The major event for EM during December was the declaration of martial law on 3 December by the president of South Korea, Yoon Suk Yeol. Yoon reportedly ordered the arrest of various political opponents, including the leaders of the opposition Democratic Party (DPK) and his own People Power Party (PPP).

Despite attempts by the Republic of Korea Army Special Warfare Command to prevent the vote, legislators who had arrived at the National Assembly Proceeding Hall unanimously passed a motion to lift martial law on 4 December. Yoon was impeached on 14 December by the National Assembly and suspended from office pending a final ruling by the Constitutional Court on whether to confirm his removal from the presidency. Prime Minister Han Duck-soo briefly served as acting president until he was also impeached on 27 December, making Finance Minister and Deputy Prime Minister Choi Sang-mok acting president.

It is highly likely that the constitutional court will rule in favor of impeaching President Yoon at some point in the future, opening the way for snap elections. Whilst the outcome of any election is highly uncertain, the return of the DPK is likely to see a less business friendly administration, as well as a closer relationship between China and South Korea. Given this backdrop, South Korea was one of the worst performing markets in EM during December, falling -2.3% (-7.9% in US$). The team at Northcape expect the political uncertainty in South Korea to reduce as we progress through 2025, with the impeachment process concluding and national elections taking place.

Brazil's President Luiz Inacio Lula da Silva ("Lula") had emergency brain surgery in December that sought to address problems resulting from a head injury he suffered after a fall in October. Lula's health concerns have raised questions about whether he would be able to continue leading Latin America's largest economy and comes at a tenuous time for a government that is facing mounting investor concerns about public spending and the country's high government debt levels.

During December, the manager downgraded their sovereign risk rating on Brazil due to concerns about the government's ability to rein in the fiscal deficit (currently 9% of GDP). To add to concerns, in early January Lula appointed a new central bank governor raising the prospects of looser monetary policy to accommodate the growing fiscal problems. Brazil was the weakest EM during December falling -9.9% in USD.

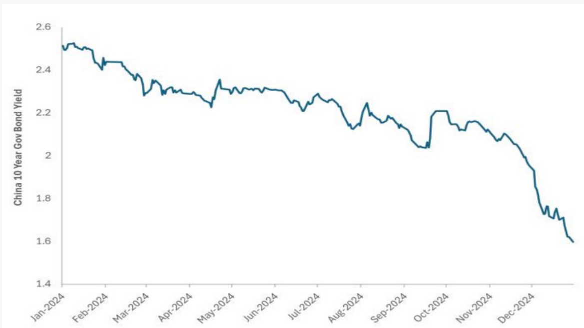
The main policy announcement during the month was on 9 December when China's Politburo signaled support to boost growth, vowing to embrace a "moderately loose" monetary policy in 2025, with more rate cuts ahead. The 24-member body also pledged "more proactive" fiscal policy, raising expectations for Beijing to widen the fiscal deficit from 3% at the annual parliamentary session in March.

These proclamations initially saw China's equity market rise in early December, with the Hang Seng China Enterprises Index up +6%; however, this exuberance faded such that this market started to fall by month end (and has continued to drop in 2025).

Over the medium term, the manager expects market participants to focus on the deep structural problems facing China's economy. These challenges include extremely low volumes of new housing starts, which have fallen back to 2008 levels, no improvement in consumer confidence, and CPI weaking further into deflation (CPI in November was -0.6% MoM). These observations highlight how weak the underlying economy in China is at present.

Additionally, Northcape have grave concerns around the impact Trump's tariffs will have on China's last remaining growth engine – exports – as well as long-term effects of its unfavorable demographics and shrinking population on domestic demand. The result being expectations about China's growth potential will continue to deteriorate in the years ahead. Reflecting economic weakness and deflation, we have seen a steep decline in China's bond yields (see Chart below) since mid-November as worries about "Japanification" and a lost next decade for China have steadily grown.

China 10 Year Government Bond Yield



Source: Bloomberg

INSIGHTS FROM THE MANAGER (continued)

Apart from China H-shares (up +4.9% in CNY and +2.6% in USD), the other major EMs to gain during the month were Taiwan (+3.5% in TWD, +4.2% in USD) and Malaysia (+3.0% in MYR, +2.6% in USD). The Taiwan market benefited from a +7.9% rise in semiconductor manufacturing company TSMC over December. TSMC remains a key holding in Northcape's EM strategy.

Noting that Brazil and South Korea were two of the weakest markets during December, the other soft EMs over December were South Africa (-0.5% in ZAR, -6.0% in USD) and Indonesia (-0.5% in IDR and -4.9% in USD).

The EM currencies (EMFX Index) fell -2.1% in December, underperforming the US Dollar (DXY Index) which gained +2.6%. The best performing EM currencies in December were the Philippines Peso (PHP +1.1%), the Colombian Peso (COP +0.6%), and Peruvian Sol (PEN +0.1%). In contrast, the Korean Won (KRW -5.5%), South African Rand (ZAR -4.2%), and Brazilian Real (BRL -3.3%) were the weakest performers.

Crude oil prices experienced a recovery in December, with Brent increasing +2.3% and WTI increasing +5.5%. Whilst Trump's "Drill, baby, drill" energy policies introduce potential downside risks to oil prices through deregulation and much increased US production, instability in the Middle East positively impacted prices in December.

PORTFOLIO PERFORMANCE

The Warakirri Global Emerging Markets Fund was up +2.0% over the December quarter, underperforming the benchmark by -1.1%. Positive contributions came from our holdings in HDFC Bank (+12%) and Grupo Aeroportuario del Pacifico (+15%). Our main detractors for the quarter were our holdings in Maruti Suzuki India (-10%) and Samsung Electronics (-13.4%).

CONTRIBUTORS & DETRACTORS DECEMBER QUARTER

Top 5 Contributors to Relative Performance	Sector	Return	Average Weight	Contribution
HDFC Bank Ltd	*Financials*	+12.3%	7.7%	+0.7%
Grupo Aeroportuario del Pacifico SAB de CV	*Industrials*	+15.3%	4.5%	+0.5%
Dino Polska SA	*Consumer Staples*	+15.7%	4.2%	+0.5%
Alibaba Group Holding Ltd *(Not Held)*	*Consumer Discretionary*	-16.1%	0.0%	+0.5%
Delta Electronics, Inc.	*Information Technology*	+22.4%	2.3%	+0.4%

Top 5 Detractors from Relative Performance	Sector	Return	Average Weight	Detraction
Maruti Suzuki India Ltd	*Consumer Discretionary*	-10.0%	5.7%	-0.8%
Samsung Electronics Co., Ltd.	*Information Technology*	-13.4%	5.4%	-0.5%
Xiaomi Corp. *(Not Held)*	*Information Technology*	+71.8%	0.0%	-0.4%
Rede D'Or Sao Luiz SA	*Health Care*	-18.3%	1.4%	-0.3%
Samsung SDI Co., Ltd	*Information Technology*	-34.7%	0.8%	-0.3%

HDFC Bank was our top contributor in the December quarter. Performance for 2024 year to date was initially negatively impacted by the fallout from the December quarter result, where the company guided for a slowdown in loan growth in the short-term. The lower growth is required to reduce its loan to deposit ratio (LDR) post the merger with its parent HDFC Ltd. However, over the December quarter we saw an improved stock price performance from HDFC Bank. This reflected the September quarter result highlighting a further improvement in HDFC Bank's LDR, and with continued low credit costs, reflecting its high-quality loan book. This combined with a more attractive valuation assisted the stock price over the past two months. The manager's long-term outlook for the HDFC is very favourable, as India remains one of the most under banked economies in EM. Mortgages are deeply under penetrated at just 11% of India's GDP (versus 90% in Australia), and post-merger, HDFC Bank has become one of leading mortgage providers. Despite the short-term slowdown, over the long-term Northcape anticipate loan growth of 15-20% pa, whilst retaining a ROE at a similar attractive level.

Grupo Aeroportuario del Pacifico SAB (GAP Airports) was our second largest contributor for the quarter. It has a very diversified network of airports which cater for the tourism industry and visiting friends and family markets. A better-than-expected regulatory decision saw the stock rise over the December quarter. Specifically, under its next five-year plan (2025-29), GAP Airports will be retaining the important "Dual Till" framework, which allows the company to earn uncapped returns on its commercial activities (retail, F&B, car parking, etc). Assisting performance over the December quarter were improving passenger volumes. The outlook for GAP Airports is positively underpinned by its quality runway and terminal infrastructure and ability to monetarise traffic through its expanding array of commercial activities. Note, Mexico remains one of the most under penetrated aviation markets in Latam as measured by flights per capita, highlighting GAP's long-term potential for passenger growth.

Warakirri ASSET MANAGEMENT

INSIGHTS FROM THE MANAGER (continued)

Maruti Suzuki India Limited was our top detractor in the December quarter. The stock has continued to perform well over 2024; however it became subject to some profit taking over the quarter in reaction to the September quarter result, which was a touch below expectations. This reflected softer margins due to increased discounts to remove some excess vehicle inventory. This happens from time to time, as such is a transitory impact. The long-term sales growth outlook remains excellent for Maruti based on the deep under penetration of cars (only 3% of India's pop. own a vehicle) and rising per capita incomes. Maruti is the number one player by market share, reflecting its unrivalled production, sales dealership, and servicing scale – its key competitive advantages. Increased investment will see production double to over 4m units by 2032 and herald a material expansion in Maruti's dealership and servicing platform. The company has a transparent and credible business plan, with good technology partners which will assist the migration to EVs as the market demand shifts over time.

Samsung Electronics was our second largest detractor this quarter. The high computer processing requirements of AI means that Samsung is expecting an acceleration in demand for the highest specification DRAM memory chips over the next 5 years. Samsung, however, has encountered some technical difficulties with its chips which has led to low yields and falling market share. Samsung's stock price has reacted to these issues, falling 10% over the December quarter. Whilst the manager continues to monitor the situation, they believe that Samsung will be able to overcome these issues over the medium term.

PORTFOLIO POSITIONING

Over December, the manager added to our Mexico retail consumer sector exposure, which was funded by trimming exposure to select other Mexican positions. Additionally, the manager exited a financial sector position in Brazil, and a consumer stock, largely exposed to Thailand.

With respect to Brazil, the team at Northcape downgraded the country in their recent EM sovereign risk review and lifted the cost of capital for investing in the market. This led to some reduction in our Brazil exposure over the December quarter.

2024 PERFORMANCE REVIEW

2024 proved to be a difficult year for our EM strategy on a relative basis, underperforming the MSCI EM Index by -14.1% in AUD. The primary drivers of the 2024 underperformance were our underweight to China (up +16% in USD during 2024) and our overweight to Mexico (down -30% in USD during 2024).

Our Mexican stock exposures did indeed suffer from the general equity market decline despite no major stock specific setbacks during the year and continued good results. The Mexican equity market (and peso) fell immediately following the presidential election victory in June of Claudia Sheinbaum. Sheinbaum's MORENA party won 61% of the vote giving it a near supermajority. Investors appear to have feared the result will herald a lack of fiscal discipline and legislative restraint on the incoming administration. To date the manager has seen no evidence of the incoming administration being fiscally irresponsible, although they continue to monitor this closely. There was a similar impact post the 2018 election in Mexico which was the first victory for the MORENA party in its history. The Mexican market fell -16% during 2018 in USD, then recovered in 2019 (+13% USD). As discussed, the team have seen no change in the underlying and profound structural problems in China, nor seen an improvement in the governance or underlying low returns earned by Chinese companies. The manager continues to apply a very high risk rating for investing in China given political, economic and capital markets stability risks. Therefore, they do not expect the rebound in China's equities to be sustainable, unless there is material reform.

Northcape's has been managing this EM strategy since 2008 and since then they have only had one other year (2016) of underperformance relative to the EM Equity index of similar magnitude as 2024. Whilst the specifics were different it does offer some insight into their performance in 2024. In 2016 the two best performing major EM markets were Russia (up +44% in USD) and Brazil (up +66% in USD), fuelled by a commodities boom spurred by China's stimulus efforts. At the time the team held no stocks in either market given the governance and political risks of Russia, and financial instability risks of Brazil.

Conversely markets we were overweight in 2016 included:

1. India which fell -4% (in USD) during 2016 following the Modi government's demonetisation policy causing a temporary liquidity crunch; and

2. Mexico which fell -12% (in USD) following the election of the first Trump administration.

The issues for India and Mexico proved to be transitory and as such had an immaterial impact on the long-term performance of these markets, given the solid economic fundamentals of the countries, and the high-quality companies Northcape invest in. Conversely their identified risks in Russia and Brazil played out over the medium to long term, seeing these markets reverse and underperform. Indeed, as we well know Russia was expelled from the EM equity asset class in 2022, following its invasion of Ukraine.

INSIGHTS FROM THE MANAGER (continued)

MARKET OUTLOOK

We continue to favour sectors with structural growth such as information technology, banks and financials, telecoms, consumer, and infrastructure. These tend to grow at the rate of GDP (or even higher) but with relatively lower volatility.

In our view the days of zero interest rates (free money) are gone for a few years at least, which will place limits on the supply of capital to start-ups and/or businesses with negative free cashflows. This is especially the case in EM where interest rates are generally higher than in US, Europe and Japan.

This will enhance the competitive position of leading EM companies which have strong cashflows and fully funded business models. These leaders are now in a good position to grow their market share by reinvesting in their business at a higher rate than their poorly funded competitors, which will increasingly become locked out of capital markets. This should drive industry consolidation, raise sector barriers to entry and improve pricing power and returns on capital for the market leaders.

We believe the North Asian semiconductor stocks are well placed to benefit as mission critical suppliers of AI semiconductor chips. TSMC is the undisputed leader in logic chips, with only one main foundry competitor, Samsung Electronics. TSMC will also likely continue to take market share from Intel, due to the fact it has superior logic chip technology, supported by its unmatched R&D and operating scale. Indeed, it is possible over the long run Intel may abandon its logic chip making and outsource to TSMC. Samsung Electronics and SK Hynix, likewise, will continue to benefit from the AI boom.

The COVID pandemic was a seminal event in which companies recognised the fragilities of having their supply chains overly exposed to China. This coupled with the economic, investment and trade 'divorce' between the US and China, means we are in the midst of a shift to more distributed global supply chains, which are much less dependent on any one country. In our view the key beneficiaries of the redistribution of supply chains from China will be Vietnam, Malaysia, Indonesia, India, and Mexico. This will assist technology transfer and growth of these countries and act as a further constraint on China's growth.

80% of our total EM portfolio comprises companies which are the number one operator by market share in their respective industries. Taking everything into consideration (including the very recent US election result), selecting high-quality, well capitalised, leading companies in the EM sovereigns offering the best risk-adjusted returns remains key moving forward.

NORTHCAPE GLOBAL EMERGING MARKETS TEAM

Patrick Russel

Director | Portfolio Manager | Analyst

34 years investment experience

Tom Pidgeon

Portfolio Manager | Analyst

21 years investment experience

Cameron Robson

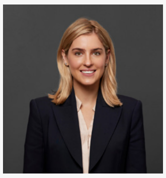
Portfolio Manager | Analyst

15 years investment experience

Ross Cameron

Portfolio Manager | Analyst

16 years investment experience



Aimee Jordan

Senior Analyst

4 years investment experience

Oliver Johansson

Research Analyst

5 years investment experience

For more information, please contact us on 1300 927 254 or visit www.warakirri.com.au