COOPER INVESTORS ASIAN EQUITIES FUND
QUARTERLY COMMENTARY REPORT

COOPER INVESTORS

Cooper Investors Pty Limited AFS Licence Number 221794 ABN 26 100 409 890

For current performance information please refer to the Monthly Performance Report.

MARCH 2021

"Imagination is everything. It is the preview of life's coming attractions." – Albert Einstein

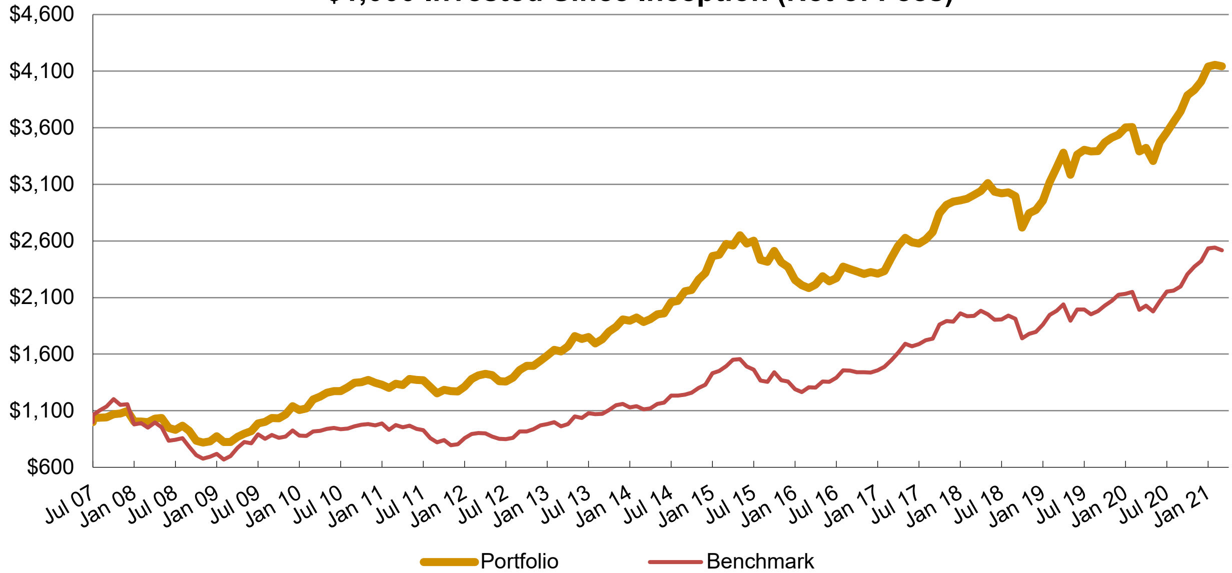
"Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful." – Albert Schweitzer

"The best investment is in the tools of one's own trade." – Benjamin Franklin

	**PORTFOLIO	#BENCHMARK	VALUE ADDED
ROLLING 3 MONTH	3.38%	4.05%	-0.67%
ROLLING 1 YEAR	22.16%	26.41%	-4.25%
ROLLING 2 YEAR	12.92%	12.68%	0.24%
ROLLING 3 YEAR	11.28%	9.13%	2.15%
ROLLING 5 YEAR	13.67%	14.01%	-0.34%
ROLLING 7 YEAR	11.90%	12.39%	-0.49%
ROLLING 10 YEAR	11.97%	9.97%	2.00%
SINCE INCEPTION*	10.89%	6.95%	3.94%
SINCE INCEPTION^	314.21%	151.76%	162.45%

*Annualised
^Cumulative (2 July 2007)
** Historical figures are derived from the historical returns of the existing Cooper Investors Asian Equities Fund Wholesale Class, net of fees and costs that are applicable to Retail Class units.
# MSCI AC Asia ex Japan Net Divs in AUD
Past performance is not necessarily a reliable indicator of future performance

Cooper Investors Asian Equities Fund - Retail Class
$1,000 Invested Since Inception (Net of Fees)



Source: NAB Asset Servicing

For current performance information please refer to the Monthly Performance Report.

MARCH 2021

Market and Portfolio Performance

The Portfolio gained 3.4% over the March quarter, slightly lagging the Benchmark which rose by 4%. In a volatile quarter rocked by noise and debates from all fronts – rising long term yields, vaccine rollouts, resurgence of covid-19, complex US-China relationships, etc. – we are pleased to see that our management teams kept their heads down, focusing on delivering the best products and services to their customers, and delivering solid operating results.

The lingering impact of Covid-19 varies by different regions in Asia. In China, domestic life has largely returned to normal. Restaurants, malls and even movie theatres are full again. In the most recent Qingming holidays (early April), flights and attractions were packed. Furthermore, businesses and consumers have learned to live with regional breakouts of Covid-19. For example, lockdowns in the Northern provinces during January and February created little disruptions, as people swiftly moved back to working from home and shopping online.

India, on the other hand, saw a sharp rise in Covid-19 cases again in April, resulting in lockdown in Mumbai. But similar to what we observed in China, people have adapted to lockdowns and disruptions are much less than the first or second wave. Vaccine rollout is also accelerating in India, with over 80,000 centers administering over three million doses per day.

Our portfolio holdings fared far better than their peers in 2020, and we believe they are well positioned to return to the original growth path before the crisis.

Our China and Hong Kong holdings detracted 65bps of outperformance in the March quarter. Share prices of portfolio holdings such as New Oriental were impacted by concerns around regulations which we will elaborate further in the later part of this letter. A number of strong performers in 2020 such as GDS and China Mengniu also saw their share prices retreat as short-term investor preferences shifted to other market segments. We believe the operating trends of these companies remain solid and our conviction in them remains high.

A recent development in China is the rise of patriotism. This sentiment was manifested in March 2021, when the controversy around H&M's supply chain policy led to a nationwide boycott of the brand. Other successful international brands such as Nike and Fast Retailing were also dragged into similar, albeit much lighter in scale, controversy on social media. Domestic apparel companies such as our portfolio company Li Ning, on the other hand, saw sudden surges in consumer interest.

We have been investing in best-in-class domestic brands in both China and elsewhere in Asia for over a decade. Examples of portfolio holdings include China Mengniu (dairy), Li Ning (sportswear), Feihe (infant formula), Blue Moon (laundry detergent), and Huazhu (hotels). Our investment thesis in these companies is long term in nature and does not count any short-term swings in consumer sentiment. In the long run, consumers choose products and services based on quality, design aesthetics, and value for money. We are particularly excited about the substantial management quality upgrades in these winning domestic companies.

Unlike the old-fashioned Chinese managers with a typical background in state-owned enterprises, the new-era management teams often have extensive international experience. For example, the CEO of China Mengniu, Mr. Lu Minfang, worked in Danone for over a decade, and the Co-CEO of Li Ning, Mr. Qian Wei, was a long term Fast Retailing veteran. These managers combined the best practices of international companies with the innovative spirit and fast execution that are hallmarks of local companies. As a result, the new type of domestic companies are aggressively gaining share from both international and their smaller local peers. These companies do not compete on price. They differentiate themselves with high quality and innovative products, sophisticated sales distribution system, and strong digital capabilities.

On the product side, long gone are the days when domestic companies only produce products that are inferior in quality. Their CEOs and founders are laser-focused on product quality, and in many instances lead product development themselves. We have observed in many cases the domestic products have vaulted past their international peers in quality and design. Take Li Ning for example. Its new product line, China Li Ning, frequently appears in global fashion shows in Paris, Milan and New York. Many Li Ning products command the same prices as the international brands. A few of its products have even become collectors' items and trade at multiples of their original price on various online auction sites.

The domestic companies have also digitized and localized their sales and marketing organizations over the past few years. It is not uncommon to spend over half of their marketing budgets online. They are also progressive in establishing membership and loyalty programs. Members not only contribute significantly to revenues, but also provide valuable data to refine and better target marketing campaigns. At the same time, these brands are quickly penetrating into lower tiered cities and even rural areas by hiring a large sales force. Sophisticated sales management systems are implemented to ensure the efficiency of the sales team. Take Feihe as an example. It went from a largely unknown brand to the undisputed market leader in infant formula with nearly 20% market share. One of the keys to its success is its extensive and efficient sales network. Whilst most international brands rely on distributors to sell into a few hundred retail points-of-sales in each province, Feihe sells into 3000-4000 stores mostly through its own sales team. Data on all sales activities is carefully collected and analysed, providing a feedback loop for the sales team to continuously improve its performance.

For the large technology platforms, regulation remains the center of focus over the past few months. Regulatory scrutiny on anti-competitive behaviour and over-monetization puts near term pressure on revenue growth. For example, Meituan, the largest food delivery company, plans on lowering the merchant commission rates and providing more disclosure on fee structure. We believe these headwinds are short term in nature. In the longer term, companies such as Alibaba, Tencent and Meituan are digitizing an increasing portion of value chain in large industries such as retail, entertainment and local services. Their economic value-add is expanding, so is the potential for new revenue streams.

Our Indian portfolio contributed 38bps of outperformance over the March quarter. This was mostly driven by the strong performance of our healthcare services holdings such as Apollo Hospitals and Dr. Lal.

We have observed very strong growth from rural economies in India. A step-up in government infrastructure investments and regulatory reforms have created long term tailwinds for rural India. For example, over half of all villages are connected to optical fiber network today, compared to near nil five years ago. In the short term, rising agricultural prices and good monsoon harvests have further accelerated rural economic growth.

Our portfolio companies are actively pursuing opportunities in rural areas. For example, Jubilant Foodworks expanded its city and town coverage by 50% over the past five years. Over one third of the new Apollo hospitals are in tier 2 cities. Half of all HDFC Bank branches are also in lower tiered cities or rural areas.

Our portfolio holdings in Southeast Asia contributed 28bps to outperformance while holdings in Korea and Taiwan detracted 50 bps of performance.

Cooper Investors Pty Limited | AFS Licence Number 221794 | ABN 26 100 409 890

For current performance information please refer to the Monthly Performance Report.

MARCH 2021

The biggest contributors to performance in terms of total shareholder return in AUD included:

- Momo.com (positive operating results with both strong topline growth and better-than-expected margin expansion)
- Techtronic (strong operating performance; share gain during the pandemic continues as US / Europe economy opens up)
- Apollo Hospitals (positive operating results and faster expansion of hospital footprint)
- Huazhu Group (fast recovery of leisure travel in China; accelerated hotel network buildout)
- Bilibili (impressive progress in user growth and monetization; management gave a confident target of doubling monthly active users in two years)

The biggest detractors to performance in terms of total shareholder return in AUD included:

- New Oriental (concerns around potential regulatory impact)
- Blue Moon (worse-than-expected operating results during the second half of 2020. Trends are turning more positive into the first half of 2021)
- China Mengniu (concerns on rising dairy prices. We are confident that the Company can ameliorate the raw materials price increases with product mix upgrades)
- GDS (concerns around heightened industry competition. We believe GDS' leading competitive position remains solid)
- Jiangsu Hengrui (continued concerns around government mandated price cuts on generic drugs)

For current performance information please refer to the Monthly Performance Report.

MARCH 2021

Portfolio Review

Portfolio by Industry Sectors	
Consumer	40.2%
Information Technology	23.0%
Financials	13.5%
Telecommunication Services	10.0%
Health Care	6.2%
Industrials	3.3%
Real Estate	0.0%
Utilities	0.0%
CASH	3.8%

Portfolio by Country	
China and Hong Kong	53.0%
Korea & Taiwan	20.2%
India	12.5%
Japan & Other	6.0%
ASEAN	4.5%
CASH	3.8%

Portfolio Attributes[1]	
Number of stocks	43
Number of stocks outside of benchmark	11
Beta	0.91
P/E (x)	25.7
Dividend Yields	1.4
Historical EPS Growth %	14.7
ROE %	16.0
Tracking Error vs Benchmark	4.3

The portfolio is positioned around four subsets of values as follows:

- **Stalwarts (35%)** - sturdy, strong and generally larger companies with world class privileged market and competitive positions. (Singapore Exchange)
- **Growth (46%)** – growing companies with identifiable value propositions using traditional value metrics and run by focused, prudent and experienced management (WNS)
- **Cyclicals (9%)** - stocks showing upside leverage to the cycle with experienced and contrarian managers who can allocate capital prudently and with good balance sheets. (Huazhu Group)
- **Low Risk Turnarounds (7%)** - sound businesses with good management in place and good balance sheets. We especially like spin offs and government to private turnarounds. (Dabur India)

We believe the management types that produce the most attractive investment opportunities in Asia are 1) Founder-led, where the original founder aligns his/her interest with investors and remains committed to leading the business to bigger successes; or 2) owner operator, where the strong and unique culture permeates the organization, and 'thinking like an owner' becomes second nature to the management team. Together these two management types account for nearly 60% of our portfolio.

[1] Source: UBS PAS

For current performance information please refer to the Monthly Performance Report.

MARCH 2021

Portfolio by Management Type	
Family & Founder-Linked	43.1%
Specialist Focussed Managers	39.9%
Owner Operator Cultures	13.2%
CASH	3.8%

Recent Portfolio Changes

The Fund initiated a position in Feihe (6186.HK), the largest Chinese infant formula (IMF) company.

Feihe was established in 2001 when its passionate founder, Mr. Leng You Bin, acquired and privatized the assets of its state-owned predecessor. In less than 20 years, Feihe emerged from a largely unknown brand to the undisputed IMF leader, commanding a market share of 17%. Impressively, this was achieved in a market that had been dominated by international companies for decades. Feihe's flagship premium product, Astrobaby, was launched in 2010 and dethroned the reigning champions such as Iluma by Wyeth within a few years.

Unlike most of its international and domestic peers that import milk powder from overseas, Feihe sources and manufactures its products in the northern province of Heilongjiang. Strict selection of upstream farms and a highly automated 'wet blend' spray dry process ensure the quality and freshness of its milk powder.

Feihe's marketing and distribution system is highly innovative, well managed and digitally savvy. It pioneered running grass-root offline promotional events in mom-and-baby stores. These events focus on new moms' skill training and community building (e.g. mom and baby classes), and are well received in all communities. In 2020, its sales team hosted a staggering 700,000 events all over the country (that's nearly two thousand events per day). All of these events are tracked and analysed in Feihe's digital system, recording conversion % from participants to buyers, % of repeat purchases, % of new purchases, etc. Its sales team use this data to continuously improve and refine their activities.

Feihe's culture is focused, energetic, and competitive. We found its management team down to earth, knows every miniature detail of operations by heart, and has a very long term strategic outlook. Feihe's famous sales team has a flat structure and empowers the local teams to operate its own marketing budgets and events, with clear and challenging key performance metric goals. We did not observe a whiff of bureaucracy that is often expected from domestic or international conglomerates.

At ~20x P/FCF, we observe a lot of value latencies in Feihe. We believe it can deliver free cash flow growth of 15-20% over the next few years, driven by continued market share gains in infant formula and new products such as children's milk formula and adult nutrition.

We initiated a position in Dutch semiconductor production equipment company **ASML**. ASML specialises in tools for photolithography, which is a key process step of semiconductor manufacturing. ASML is the clear leader with over 80% market share in photolithography tools and is also the sole supplier of the next generation of photolithography scanners utilising an Extreme Ultraviolet ('EUV') light source - an area which competitors Nikon and Canon have decided not to enter.

ASML's EUV technology is critical in enabling the manufacture of smaller features on chips, leading to increased chip density and ultimately better computing performance. For example, Intel recently announced that its solution for its delayed and problematic next generation 7nm manufacturing process was to more than double the use of EUV in its manufacturing process.

Demand for ASML's products remains highly robust as ASML's key customers such as TSMC and Samsung are enjoying strong demand. We remain confident that the long-term growth in computing driven by the development of 5G, artificial intelligence and the Internet of Things will continue driving demand for the ecosystem. China's increased investments in domestic chip manufacturing in the next decade will provide an additional source of value latency for ASML.

Stock News

Over the past few months, speculation of another round of regulatory tightening has affected the share price of our holding **New Oriental Education** (EDU). We have held multiple discussions with various companies in the sector. We believe similar to previous rounds of regulatory tightening, the operators that are likely to be impacted the most are the small, independent schools. As the nation's largest after-school tutoring chain operator, EDU has been very quick to comply fully with all regulatory changes. As for the recent speculations, our channel checks indicated that the regulators are simply enforcing the regulation measures announced in 2018, rather than changing any rules meaningfully. As a result, EDU should see little impact. Over the longer term, the costs of complying with further regulatory changes will place heavy burdens on independent schools and make it harder to stay in business and compete against well-resourced large companies such as EDU.

We are observing signs of a strong cyclical upturn in DRAM memory which will benefit portfolio holding **Samsung**. Demand is strong and broad-based across smartphones, cloud, and enterprise. Meanwhile, supply is tight as major DRAM players had been disciplined in adding capacity over the last few years. As a result, the DRAM price has been rising through the start of 2021. We believe that this is the start of a prolonged cycle, and is positive to Samsung's earnings and free cash flow**.**

Shenzhou announced an impressive set of 2020 results in a tough operating environment. Core original equipment manufacturer revenue recorded positive growth for the full year, despite volatile end demand for its main customers such as Nike, Adidas and Uniqlo during the height of Covid-19. As we have written extensively in the past, Shenzhou's founder-led management team and the resilient, innovative and focused culture is exactly the type that we look for. The company adapted quickly to the breakout of a global pandemic by re-organizing worker schedules and facilities to ensure compliance with social distancing requirements. Its entrepreneurial management team also proactively discovered new business opportunities and quickly executed on them. For example, Shenzhou was a key supplier of Uniqlo's popular Airism facemasks. Looking into 2021, operating trends are improving with increased demand coming from all major customers and Shenzhou's order books are filling up quickly. The company is confident in growing its capacity by more than 15% to meet the demand surge. In addition, continuous investment in automation will also keep enhancing Shenzhou's operating efficiency.

Trip and Meeting Notes

We hosted a video call with **YUM China (YUMC)**. We had extensive discussions around the company's digital strategy, especially on delivery and memberships. On delivery, its previous investment in building in-house delivery capabilities paid off, allowing uninterrupted service during the lockdowns. Delivery and takeaway accounted for half of total sales over the December quarter in 2020. On membership, YUMC's 300 million strong members is one of the largest loyalty programs in the country. Members not only spend more on average, but also provide YUMC with a wealth of data. YUMC is working on using AI algorithms to customize menus and promotions for different customer profiles. We believe YUMC is far ahead of all its peers on the digital journey, and has a long runway for future growth. The Company also provided a confident guidance of adding another 10,000 stores over the medium term.

We met with management of **Poya,** the leading operator of variety stores in Taiwan. We continue to be excited about the value latency in both its core Poya stores and the new hardware concept "Poya Home". For the core stores, management is confident in doubling the existing store footprint in the medium to long term. The market is consolidating faster after the pandemic, as smaller competitors did not survive the drop in tourism. Further benefits to Poya include the availability of attractive real estate locations and lower rent. In 2020, Poya also created a successful smaller store format, which enables Poya to open more stores in downtown areas and malls going forward.

Poya Home, the company's newer hardware concept, is also showing encouraging signs as these stores continue to ramp up their sales productivity and are nearing profitability. Management continues to be confident that Poya Home could have over 200 stores by 2025 which would be another meaningful source of value latency.

We had an initial meeting with the management of **Nongfu Spring**, the dominant natural water company in China. We found the management passionate about the business and closely connected to its consumers. Nongfu's product development is very innovative, and we are particularly optimistic on its new products in tea. Nongful also operates an extensive sales system that covers over two million points of sales across the country. Combined with its creative and effective marketing campaigns, its sales organization has been highly effective at distributing both its core water products and cross-selling the newer products.

We caught up with Korean video game company **NCSoft**. NCSoft has, like other holdings in our interactive entertainment cluster such as Tencent and Netease, successfully adapted its rich portfolio of PC games to mobile. Since 2017, NCsoft has launched two highly successful mobile titles based on their long running PC versions, and together they already represent 70% of the company's revenues. We believe NCsoft is just getting started. There are multiple existing PC titles that are well suited to porting to mobile. Furthermore, several new projects are also in the works that are targeted at addressing a more diverse international audience across different platforms such as console. Another latency is potential opportunity in China, where NCsoft already has an extensive partnership with Tencent.

We had our initial meeting with Mr. Niraj Basur, CFO of **BlueStar,** a long standing and successful air conditioner ("AC") company in India. Founded in the 1940s, BlueStar remains family-owned but is operated professionally. It has built a solid reputation in the industry, with the BlueStar brand being identified with cooling across the country. Its air conditioner business is a leading player focusing on lower tiered cities. BlueStar also built up an extensive servicing team that covers over four thousand towns in India with a quick turnaround time of 18 hours. This is important to the sales of AC, as the machines operate in very hot weather and need constant servicing and repairs. Operating trends are strong, as housing demand in lower tiered cities remains buoyant. The upgrading from fans and coolers to ACs in existing homes also provides further boost to demand. We are also impressed with BlueStars' culture that places upmost importance in customer experience.

We had a helpful meeting with **Infosys**. We continue to observe good traction in technology spending and acceleration of demand. The pipeline is full and the deals are getting larger. Clients of IT services companies are becoming comfortable with large deals, where multiple projects such as upgrading IT architecture, building apps, migrating to cloud and rationalizing data centers are combined. We are particularly excited about the cloud opportunity for IT service companies. Migrating the IT infrastructure from on-premise to the cloud for large global organizations is a complex and multi-year journey, with frequent and deep customization work required. Regarding Infosys' management team, we are impressed with its turnaround by the current CEO, Mr. Salil Parekh, who has re-focused the organization after a volatile period three years ago.

We had an initial meeting with the founder and chairman of **Westlife**, the master franchise of McDonald's in the west and southern states of India. Similar to our portfolio holding Jubilant Foodworks, Mr. Jatia observed change in consumer behaviors as millennials are eating out much more than previous generations, and are more comfortable with western food such as burgers and pizzas. The scale of fast food chains in India remains miniscule compared to that in China and the US, leaving large runway to grow for the next 10 years. Westlife, for example, currently only operates 100 stores. Similar to our conversation with YUMC, Westlife has also started to build up its delivery capabilities and membership programs.