



Asian Dynamic Equity Strategy

Why invest in Asia ex Japan equities

We are firm believers in the long-term growth potential of Asia. Although Covid-19 has caused a reset in the region’s growth trajectory, our investment thesis centered on Asia’s middle-income growth, attractive demographics, technological innovation, and export growth continues to hold true. This heterogeneous region benefits from cultural and sector diversity and offers investors varied exposures to Asia’s developed and emerging economies.

Despite these attractive demographic and fundamental growth drivers, Asian equity indices have lagged their global peers by a wide margin over the last decade. Rising equity risk premiums due to geopolitics and regulations, higher exposure to emission-sensitive industries and more recently, slower re-opening post Covid-19 have all led to lagging earnings per share growth for Asian companies and lackluster returns. This challenging backdrop has led to market indifference to Asian equities, low expectations for future returns, and hence light positioning by global investors.

While Asia’s long-term investment attributes have not changed from the last decade, future expectations and starting valuations are different. At the current 1.5x trailing price-to-book ratio, we believe Asian equities provide an attractive risk/reward profile. See Fig 1.

Another growth driver which we believe will be transformative for Asian companies is the strategic shifts toward decarbonization, diversification of global supply chains and the higher cost of doing business. We are confident the resulting economic cycle from these strategic shifts are starting to revert investors’ focus back to corporate profits and cashflows.



While the value style has more recently outperformed growth within the Asia ex Japan universe, we are confident there is considerable potential for further outperformance for value stocks in Asia; they remain attractively priced relative to growth and quality stocks within Asia. See Fig 2. The main driver of this valuation dispersion over the past decade has been a strong focus by investors in the e-commerce sector within Asia, which inflated valuations within growth and quality stocks beyond their underlying fundamentals.

Fig 1: Asia equity markets are below long-term averages on absolute terms¹

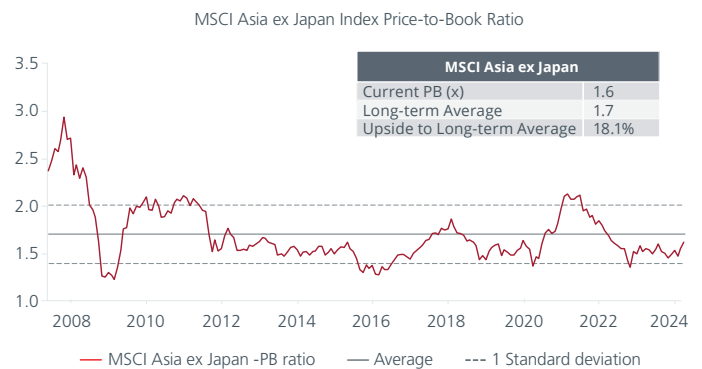
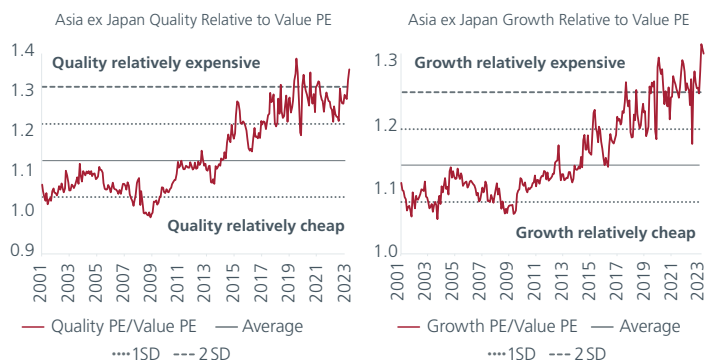


Fig 2: Asian Value names substantially undervalued compared with Quality and Growth stocks²



Why Eastspring Investments

Eastspring Investments, a Prudential plc company, is one of the largest Asia-based global asset managers, with Asia at its core. Since 1994, we have built an unparalleled local investment presence across in 11 Asian markets and distribution offices in North America and Europe.

Our Regional Asia focus team is comprised of six highly experienced investment professionals based in Singapore, with diverse nationalities and backgrounds and in-depth understanding of regional Asian markets. This small, dedicated team leverages the broader research expertise and infrastructure of our Singapore based equity team and applies our valuation focused investment process to both developed and emerging Asia opportunities. The team seeks to build less correlated, high conviction portfolios of bottom-up opportunities where they have uncovered companies whose valuations diverge considerably from what we believe are their medium to longer-term intrinsic valuation.

In a snapshot: Asian Dynamic Equity Strategy

- ▶ Generate competitive risk-adjusted returns by consistently applying a disciplined valuation-based approach to identify mis-priced stocks which we believe will outperform the market over the medium to long term.
- ▶ Construct a high conviction, concentrated portfolio of 30-40 best ideas across Asia ex Japan.
- ▶ Rather than following the herd and being influenced by behavioural biases, our longer-term mindset allows us to focus on normalised earnings and potentially capture sizeable, mispriced opportunities.
- ▶ Our Regional Asia focus team consists of a diverse set of highly experienced managers with clearly defined responsibilities. They work within a unique culture that maximises challenge and debate.
- ▶ These factors are vital to executing our strategy and delivering repeatable performance to investors.

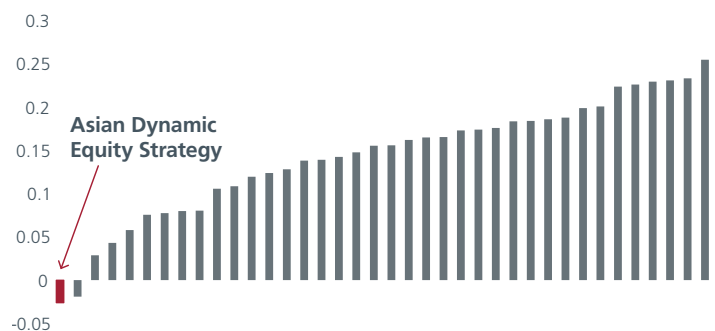
Our Value approach to unlocking alpha in Asia ex Japan equities

We believe that the next five years are likely to be very different from the last decade as global market valuations and global central bank policies normalize. In response to the Global Financial Crisis, central banks and governments focused on easing monetary policy and strengthening the banking system. With no inflation, cheap money and excess liquidity, the market favoured the services, technology and other “new economy” sectors and companies which had capex/asset light business models. However, post COVID-19, what we see going forward are policy responses focused on productive assets, more capex spending, reshoring of manufacturing, supply chain diversification, and decarbonization – all which favour “real economy” sectors and companies. Against this dynamic, we are also seeing substantial inflationary pressures along with rising interest rates which historically are positive for value stocks while presenting headwinds for expensive growth and quality stocks.

A Value approach to Asian investing has delivered outperformance over the long term, taking a differentiated approach can also give diversification benefits to clients.

With 95% of our Asian equity peer group portfolios biased towards growth / quality investing, we believe our Strategy's portfolio of attractive Value stocks can offer prospects the compelling proposition of both potential upside capture and diversification away from their exposure to expensive growth / quality stocks. This diversification benefit is evidenced in Fig. 3.

Fig 3: Average correlation of active returns versus peer (July 2006 - March 2024)³



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How we build the strategy



Investment philosophy

We believe that:

- ▶ Value style can generate superior long-term returns in Asian equities.
- ▶ Behavioural biases create a structural opportunity for us to exploit over time and we have seen a substantial valuation opportunity created in Asian equities over the last few years.
- ▶ Prices frequently move more than is justified due to shifts in investors' risk perceptions. True underlying value is not always reflected in stock prices. By detaching ourselves emotionally and with rigorous analysis and discipline over a longer time frame, we can exploit these opportunities.



An ethical mantle

We believe the best investment decisions are made when environmental, social, and governance (ESG) factors are incorporated into our investment process.

- ▶ Eastspring Investments has an established responsible investing framework which includes stewardship and ESG policies that inform and govern our business and investment teams. Against this overarching stewardship framework, we have empowered each investment team to integrate these policies into their distinct investment approach and strategies, as we do believe there is a one size fits all approach to ESG application.
- ▶ We embed ESG impact into company valuations. We assess material ESG risks to sustainable earnings and monitor the progress of such risks and opportunities in our "ESG dashboard".
- ▶ We believe that engaging with investee companies on ESG issues is essential to understanding and protecting the portfolio from financial and non-financial risks. As such, we vote on all resolutions (except when it is not in the best interests of our clients).

Strategy details

Product style: Value

Inception date: 5 July 2006

Strategy AUM: USD 237 Million (as at 31 March 2024)

Benchmark: MSCI AC Asia ex Japan Net Div Index (USD)



Our investment process

Our bottom-up, valuation-driven investment process has been designed to target mispriced equities in a disciplined and repeatable manner. It consists of four stages:

- ▶ **Idea generation:** We use proprietary screens to identify valuation outliers and to systematically exploit behavioural mispricing. In identifying these outliers, we can focus our research resources on only the best ideas.
- ▶ **Fundamental analysis:** We conduct extensive fundamental research to understand key drivers of normalised earnings and valuations, as well as what is being priced by the market. Stocks with the highest shared team conviction and best upside potential make it to our conviction list.
- ▶ **Portfolio construction:** We construct the portfolio with our highest conviction ideas while taking into account stock correlations and unintended risks. Stocks from this conviction list become the core positions in our Asian strategies.
- ▶ **Risk control and review:** Ongoing review of the portfolio helps instill process integrity and sell discipline. Our robust risk framework is conducted by the Asian focus team, senior management, and our independent risk oversight team.

Lead Portfolio Manager



Sundeep Bihani

Portfolio Manager, Eastspring Singapore

All investment decisions and outcomes are shared across the Regional Asia focus team. However, Portfolio Manager Sundeep Bihani has the ultimate responsibility for the daily monitoring of the portfolio, overseeing trades and position sizing.

Strategy characteristics

Portfolio characteristics (as at 31 March 2024)⁴

Active Share	78.2%
Estimated Portfolio Risk	15.1%
Cash Weight	1.8%

Sector breakdown	Portfolio	Benchmark
*PB (F12m)	1.11	1.54
*PE (F12m)	9.83	13.14
*Dividend yield (F12m)	3.64%	2.69%
#EV/EBITDA(Last)	8.9	13.9
Sales growth (3 year history)	24.1%	22.7%
EPS growth (1 year estimate)	18.8%	29.4%

⁴The forward looking aggregate valuation ratios are all derived from publicly available data from Refinitiv Datastream. #EV/EBITDA: Enterprise Value (EV) to its Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). The information provided herein are subject to change at the discretion of the Investment Manager without prior notice.

Sources: ¹Eastspring Investments, Refinitiv Datastream, MSCI, as at 31 March 2024. Total returns in USD. Please note that there are limitations to the use of such indices (index) as proxies (a proxy) for the past performance in the respective asset classes/sector. The historical performance or forecast presented is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Strategy. ²Eastspring Investments. Macquarie Quantitative Research, 31 March 2024. Relative PE (price-to-earnings) of top quintile of quality and growth (by Macquarie quality score) versus top quintile of value (by Macquarie value score) stocks in MSCI Asia Ex Japan. PE: Price-to-Earnings. AxJ: Asia ex-Japan ³eVestment, Eastspring Investments, as at 31 March 2024. Correlation of active returns calculated on all eVestment Asia Ex Japan All Cap universe for all 42 strategies with track records spanning July 2006 (Asian Dynamic Composite Inception) to date shown. Asian Dynamic = Asian Dynamic Composite. Chart is for illustrative purposes only ⁴Eastspring Investments. As at 31 March 2024. Benchmark/Index: MSCI Asia ex Japan Index.

Important information

The **MSCI AC Asia ex Japan Index** captures large and mid cap representation across 2 of 3 Developed Markets (DM) countries* (excluding Japan) and 8 Emerging Markets (EM) countries* in Asia. With 1,185 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. *DM countries include: Hong Kong and Singapore. EM countries include: China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

This Strategy Overview is to complement Eastspring capabilities. This Supplemental information provides additional analysis and summarizes an Eastspring strategy and is not an offer or solicitation for any specific securities or vehicles.

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The representative accounts chosen best represent guidelines, objectives and restrictions for this strategy and not based upon investment performance.

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Upside/downside capture ratio show you whether a given representative account strategy has outperformed-gained more or lost less than-a broad market benchmark during periods of market strength and weakness, and if so, by how much. Upside capture ratios are calculated by taking the representative account strategy monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the representative account strategy monthly return during the periods of negative benchmark performance and dividing it by the benchmark return.

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All investments involve risks, including possible loss of principal. Security prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Investments in securities of issuers in Asian countries involve risks that are specific to Asia, including certain legal, regulatory, political and economic risks. Because the fund invests its assets primarily in companies in a specific country or region the strategy may also experience greater volatility than a fund that is more broadly diversified geographically.

Eastspring Investments Inc. ("Eastspring US") primary activity is to provide certain marketing, sales servicing, and client support in the US on behalf of Eastspring Investment (Singapore) Limited ("Eastspring Singapore"). Eastspring Singapore is an affiliated investment management entity that is domiciled and registered under, among other regulatory bodies, the Monetary Authority of Singapore (MAS). Eastspring Singapore is also registered with the US Securities Exchange Commission (SEC) as a registered investment adviser. Eastspring US seeks to identify and introduce to Eastspring Singapore potential institutional client prospects. Such prospects, once introduced, would contract directly with Eastspring Singapore for any investment management or advisory services. Additional information about Eastspring Investments is also available on the SEC's website at www.adviserinfo.sec.gov.

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