# New Capital
# Asia Future Leaders Fund

Monthly Commentary | As of 31 October 2026

## Executive summary

**Key events in market**

October was a difficult month for Asia ex Japan investors, with the MXASJ returning-8.21% - its worst month since March 2026. The sell-off was almost entirely driven by the Technology sector-12.37%, with semiconductor names TSMC, Samsung and SK Hynix accounting for over half of that despite better than expected quarterly results. Not surprisingly the non-artificial intelligence (AI) countries such as India outperformed significantly as did the financial sector across most countries.

**Key performance & positioning updates**

The Fund marginally underperformed relative to its benchmark in October, returning -9.07%. The positive contribution from the significant overweight to Banks was insufficient to offset weakness in Information Technology (-1.14%), driven by the semiconductor sell-off. The Fund also modestly reduced its exposure to smaller-cap stocks to help manage overall portfolio volatility.

## House view

In October, the global stock market continued the period of uncertainty that began late in the summer. The MSCI All Country World Index fell by more than 1.6% for the month, trimming its year-to-date gains to just over 11% - a performance that remains quite robust, given the shocks that have impacted the global economy in recent months.

The moderate overall decline last month masks several notable developments. There was a sharp rotation between investment styles: "value" sectors posted strong gains, while "growth" sectors suffered heavy losses. A key driver in recent weeks has been a reassessment of artificial intelligence (AI)-related investments, specifically regarding how such spending affects the cash-generating capacity of "hyperscalers." This also weighed on emerging markets, particularly in Asia; the MSCI EM index dropped nearly 9% (in USD terms), compared to a decline of only 0.7% in developed markets, mostly due to a selloff in US technology stocks.

The stock market correction contributed to a decline in government bond yields in core economies—such as the US, Germany, the UK, and Switzerland—even as inflation remains high and central banks have signalled that further interest rate hikes may be necessary.

The rally in core government bonds also reflects intensifying concerns regarding public debt in France and other eurozone countries. The spread between 10-year French and German government bonds has climbed to levels not seen since the height of the eurozone debt crisis in 2011. Meanwhile, investors are anxious about the stability of French public finances ahead of the 2027 presidential election, for which polls currently favour the Eurosceptic candidate Marine Le Pen.

The widening of sovereign spreads in the eurozone has weighed on the euro—which has lost ground against major currencies—while enhancing the Swiss franc's status as a safe-haven asset. European currencies remain pressured by high energy prices, alongside persistent geopolitical tensions. Surprisingly, despite a seemingly favourable environment—characterised by falling government bond yields, a generally stable US dollar, and ongoing geopolitical risks—the price of gold has retreated to its 2026 lows, extending its correction since late January to more than 30%.

## Fund performance and positioning

Banks and insurers were the default defensive trade last month and this was no exception for the Fund with Indian bank Industrial Credit and Investment Corporation of India (ICICI) +6.7%, a notable outperformer on good results. Telecoms also outperformed, with Bharti Airtel rising 13.4% and Chunghwa telecom gaining 8.9%. Moreover, a double overweight for the sector also aided performance.

The largest detractors were the semiconductor stocks, TSMC, Samsung and SK Hynix, due to their heavy weightings but other stocks in the same sector had similar losses largely due to concerns over supply constraints and possible component shortages. The most notable detractor was Delta Electronics-31%, which announced a US trade probe combined with a margin

miss at a Thai subsidiary-triggering an earnings per share (EPS) estimate cut and a derating. Within Consumer Discretionary, Sea Ltd fell 23.8% following the launch of its new Sea Cloud division, positioning the company as a regional cloud services provider. The announcement was poorly received by the market, with investors questioning the strategic rationale and potential costs of entering an already highly competitive market.

| | New Capital Asia Future Leaders Fund | MSCI AC Asia ex Japan Net Total Return USD Index | Difference |
|---|---|---|---|
| 1 Month | -9.07% | -8.21% | -0.86% |
| 3 Months | -7.05% | -5.48% | -1.57% |
| 6 Months | -5.41% | +0.44% | -5.85% |
| YTD | +10.75% | +15.43% | -4.68% |
| 1 Year | +8.51% | +15.20% | -6.69% |
| 3 Years | +64.34% | +89.23% | -24.89% |
| 5 Years | +7.51% | +41.80% | -34.29% |
| Since Inception Annualised | +11.24% | +9.53% | +1.71% |
| Since Inception (19/12/2018) | +131.09% | +104.52% | +26.57% |

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## Outlook

Despite the significant correction in October, we remain cautious ahead of the Mid-Term elections in the US which could have a significant impact on Asian markets either through the AI trade or through currency implications. The AI trade remains a key risk given its concentrated index weighting. We continue to favour Taiwan, which offers broader diversification across the IT supply chain while maintaining comparable exposure to the AI theme, with lower volatility than Korea. Retail participation remains elevated, although margin positions have declined substantially.

We remain slightly overweight India, which continues to provide diversification and is showing signs of improving corporate fundamentals. We currently favour India over China, where we would need to see more decisive policy intervention to stimulate the domestic economy. While exports remain supportive, we believe broader stimulus may be required, although meaningful measures appear unlikely before next year.

***The AI trade remains a key risk given its concentrated index weighting.***

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