

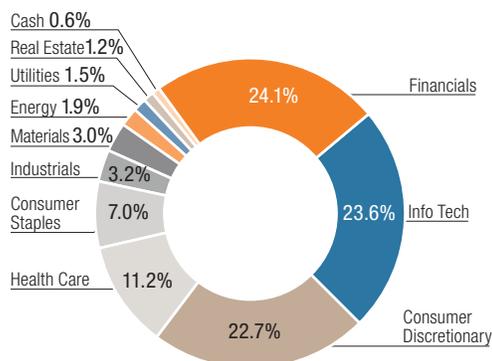
# Asia Fund

2Q2018 Commentary

**MIRAE ASSET**  
Global Investments

A: MALAX C: MCLAX I: MILAX

## Sector Holdings (AS OF JUNE 30, 2018\*)



\*These will change and should not be considered recommendations.

## Performance (AS OF JUNE 30, 2018)

	ASIA CLASS I (%)	MSCI AC ASIA EX-JAPAN NR INDEX (%)
2Q2018	-5.60	-5.23
1 Year	13.54	9.37
3 Year (annualized)	7.29	7.47
5 Year (annualized)	10.06	8.18
7 Year (annualized)	6.48	5.10
Since Inception <sup>†</sup> (annualized)	6.53	5.65

<sup>†</sup>9/24/10

Net total return indices reinvest dividends after the deduction of withholding taxes.

*The Fund's investment manager, Mirae Asset Global Investments (USA) LLC ("Mirae Asset USA"), has contractually agreed to forego its management fee and, if necessary, to reimburse the Fund so that total operating expenses (excluding interest expense, taxes, brokerage commissions and certain other Fund expenses) of the Fund do not exceed 1.25% (for Class I Shares) of average daily net assets through August 31, 2018. Total annual fund operating expenses for Class I shares: 2.27%. Each share class may have to repay Mirae Asset USA some of these amounts foregone or reimbursed within three years if total operating expenses fall below the expense cap described above. Past performance does not guarantee future results. The performance data quoted represent past performance and current returns may be lower or higher. Share prices and investment returns fluctuate and an investor's shares may be worth more or less than original cost upon redemption. For periods less than one year, performance is cumulative. For performance data current to the most recent month-end please call 1-888-335-3417.*

## Market Review

Asia ex-Japan equities, as represented by the MSCI AC Asia ex-Japan Index, posted a loss of 5.31% for the quarter ending June 30, 2018. Asia ex-Japan equities lagged behind developed market equities but outperformed the broader emerging markets universe.

The trade dispute between the US and China dominated headlines. The US announced it will implement tariffs on \$34 billion worth of Chinese products effective July 6, with a further \$16 billion currently under review. In our opinion, the modified tariff list suggests that the US is more concerned with China's industrial policy than merely narrowing the US-China trade gap. The People's Bank of China reduced the reserve requirement ratio (RRR) for some banks by 50 basis points, effective July 5. We believe this move, which will add about 700 billion yuan (\$108 billion) in liquidity, was made to protect the Chinese economy against downside risks in case the trade war intensifies. Unlike the RRR reduction in April, which was mainly employed to

replace maturing medium-term lending facilities, this cut will bring fresh liquidity to the real economy. On a positive note, China's domestic demand remains robust and consumer confidence is at a multi-year high.

In India, data suggests that the economic recovery remains on track. Inflation has been rising and non-food CPI spiked to a 46-month high in May. Due to the higher inflation numbers and better-than-expected growth, the Reserve Bank of India hiked rates by 25 basis points to 6.25%, its first increase since 2014. The central bank maintains a neutral monetary policy stance, which indicates that further action will depend on subsequent data, particularly core inflation.

In South Korea, the number of Chinese tourists is rising again, up 52% year-over-year in April and May 2018. Chinese tourism levels have not fully normalized yet, and as such, we expect to see improving tourist traffic in the second half of the year.

## Fund Review

Mirae Asset's Asia Fund (MILAX) slightly underperformed its benchmark, the MSCI AC Asia ex-Japan Index, during the quarter ending June 30, 2018. The Fund declined 5.60% whereas the benchmark fell 5.23%.

### Key Contributors to Performance

- On a sector basis, Health Care and Industrials contributed the most to the Fund's relative performance due to both stock selection and allocation effects.
- With regards to geography, Thailand was the top contributor to relative performance due to allocation effects. Stock selection in South Korea also had a positive impact. However, it is instructive to keep in mind that the portfolio's country weightings are a function of bottom-up stock selection rather than targeted allocations to particular countries.

■ On the stock level, the top contributors to the Fund's relative performance during the quarter were Jiangsu Hengrui Medicine, CSPC Pharmaceutical and Wuliangye Yibin.

### Key Detractors from Performance

- On a sector basis, Consumer Discretionary and Materials were the largest detractors from relative performance due to stock selection and allocation effects.
- Relating to geography, China and India detracted the most from relative performance mainly due to stock selection.
- On the stock level, the biggest detractors were Vipshop Holdings, China Vanke and Qudian.

## Outlook

Despite higher volatility, we remain broadly constructive on Asia ex-Japan equities as robust fundamentals should continue to support the asset class.

A trade war between the US and China would have significant and undesirable effects globally. In our view, the tariffs on \$50 billion worth of Chinese goods should have a limited impact on China's GDP; however, if further tariffs are implemented (President Trump has said he may seek tariffs totaling \$500 billion or more), it would likely create an overhang for markets. We have continued to take opportunities to shift our portfolio exposure to strong domestic demand plays where we believe the

businesses will be more resilient should trade tensions escalate further.

We continue to see encouraging trends in India. Domestic consumption expenditure remains robust and we are starting to see incipient signs of a revival in investment activity. Market sentiment on the rural demand recovery is also improving, as the government is expected to put greater focus on rural development and social spending leading up to the general elections in 2019.

We continue to focus on investment drivers that are more predictable and enduring, and less dependent on external factors. Mirae Asset's Asia investment strategy continues to

be driven by fundamental, bottom-up stock selection. It seeks to invest in high-quality companies that are leaders or potential leaders in their industries and that likely will benefit from broad growth across Asia. These companies typically have structural advantages and the ability to provide sustained superior returns due to better management teams and more attractive operating conditions. We maintain the view that over the long run, share prices reflect company earnings and fundamentals. In the second quarter of this year, the Fund remained meaningfully overweight the Consumer Discretionary and Health Care sectors.

All index returns are sourced from MSCI and are gross total returns unless otherwise noted.

**Association of Southeast Asia Nations (ASEAN)** is the organization of countries in Southeast Asia set up to promote cultural, economic and political development in the region.

**Basis Point (bp)** is a unit that is equal to 1/100th of 1% and is used to denote the change in the value or rate of a financial instrument.

**Consumer Price Index (CPI)** measures changes in the price level of a market basket of consumer goods and services purchased by households.

**Gross Domestic Product (GDP)** is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

**Reserve Requirement Ratio (RRR)** is the amount of funds that a depository institution must hold in reserve against specified deposit liabilities.

**MSCI All Country (AC) Asia ex-Japan Index** captures large and mid cap representation across four of five developed market countries (excluding Japan) and 9 emerging markets countries in the Asia Pacific region. Investing in an index is not possible.

**An investor should consider an investment in the Funds as a long-term investment. The Funds' returns will fluctuate over long and short periods.** The Funds cannot guarantee that they will achieve their investment objective. As with all investments, there are certain risks of investing in the Funds, and you could lose money on an investment in the Funds. Certain risks related to an investment in the Funds are summarized below:

- **Equity securities (stocks)** are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes
- **Emerging market investing** may be subject to additional legal, economic, political, liquidity, and currency risks not associated with more developed countries
- **Geographic concentration risk:** A small number of companies and industries may represent a large portion of the market in a particular country or region, and these companies and industries can be sensitive to adverse social, political, economic or regulatory developments in that country or region

**An investor should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information about the investment company can be found in the Fund's prospectus and summary prospectus. To obtain a prospectus or summary prospectus, please contact your financial advisor or please call 1-888-335-3417. Please read the prospectus carefully before investing.**

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