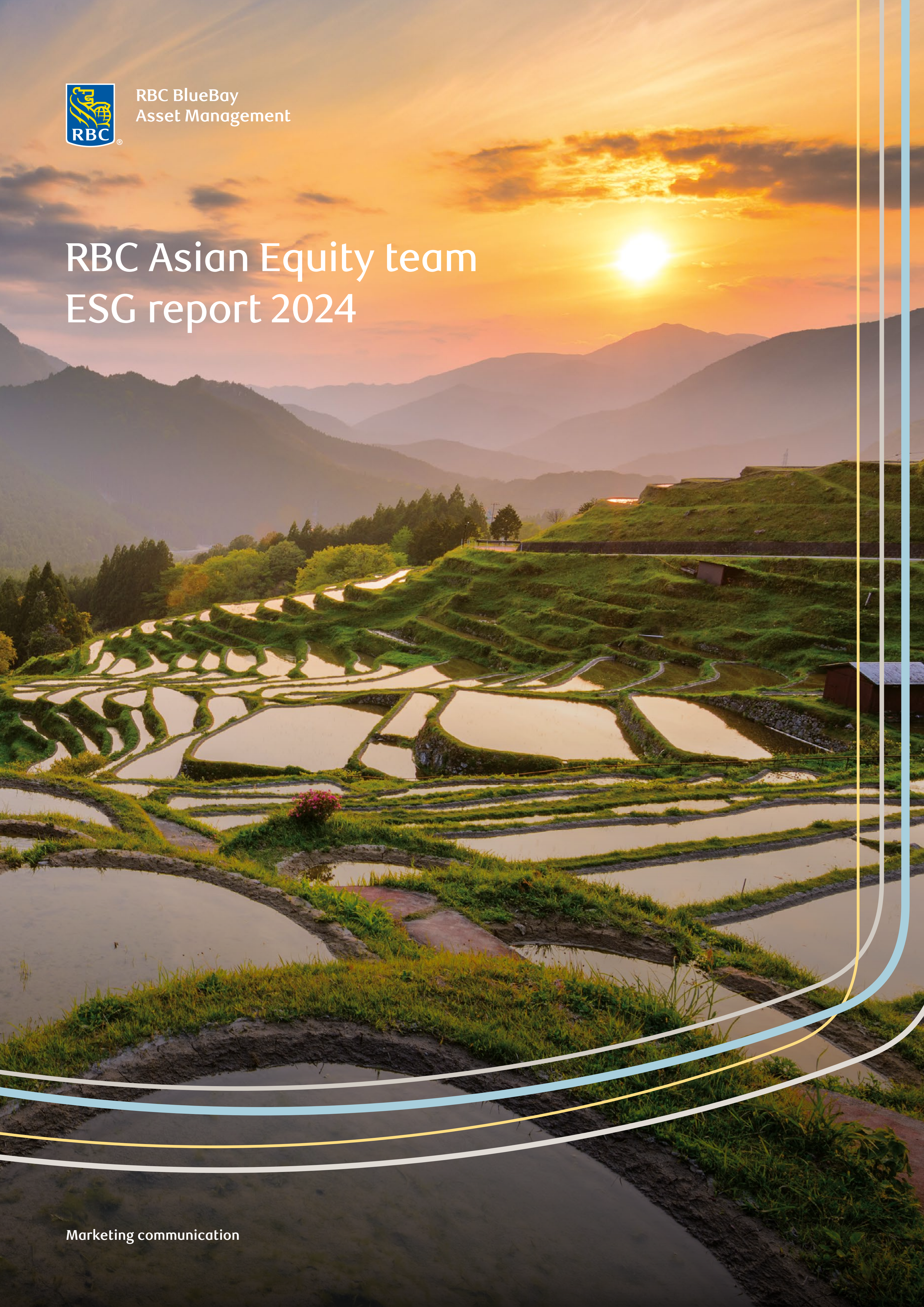


RBC BlueBay
Asset Management

RBC Asian Equity team ESG report 2024

Marketing communication

Contents

About this report

The term ‘environmental, social and governance’ (“ESG”) refers to a set of factors – environmental, social and governance-related – that may be considered in investing. Environmental factors refer to how an issuer interacts with the environment, and vice versa. Examples include climate change and natural resource management. The social aspect is in relation to how an issuer interacts with its employees, customers, and communities. Examples are labour practices and community relations. Governance factors refer to how the issuer governs itself. Examples include board structure and independence, and bribery and corruption.

ESG integration refers to the ongoing incorporation of material ESG factors into investment decision making, with the aim of identifying potential risks and opportunities and improving long-term, risk-adjusted returns. Where reference is made to ESG analysis or ESG integration, this relates to equity holdings. It should be noted that certain asset types, such as cash or cash equivalents, do not integrate ESG factors.

ESG engagement refers to communication between investors and boards, management teams, or other applicable representatives of the company, as well as other stakeholder groups of relevance to the issuer. Engagement for ‘insight’ usually occurs in order to better understand a company’s approach to material ESG risks or opportunities, where there is not necessarily any objective to encourage change.

Engagement for ‘influence’ is where there is an explicit objective to encourage companies to adopt better ESG practices (e.g. seeking better disclosure of material ESG risks and opportunities, or encouraging more effective management of material ESG risks, particularly where these are lagging peers) to help mitigate material ESG risks.

When discussing ESG engagement, it should be noted that a variety of engagement methods may be employed, depending on a number of different factors and considerations (e.g., depending on the issuer, the matter being discussed, the accessibility of the issuer etc.). Investment teams select the engagement method they believe to be most appropriate and effective for their desired engagement objective.

Where there is an engagement activity, this is not necessarily limited to/solely for: issuer engagement (as engagement can occur with other relevant stakeholders, such as regulators or other investors), engagement to promote change (as engaging for insight is equally important and more likely to be the case for the investment team), or occur for all applicable holdings in portfolios (as the investment team will prioritise activities to optimise for effectiveness and efficiency).

When referring to proxy voting decisions in the report, definitions for these are as follows:

For	A vote supporting an agenda item.
Against	A vote not supporting an agenda item.
Withhold	A vote not supporting an agenda item.
Abstain	A vote neither supporting nor not supporting an agenda item.
Do not vote	Not voting on an agenda item.
With management	A vote that is the same as the management recommendation for an agenda item.
Against management	A vote that is different to the management recommendation for an agenda item.
With policy	A vote that is the same as ISS's implementation of the RBC GAM Proxy Voting Guidelines.
Against policy	A vote that is different to ISS's implementation of the RBC GAM Proxy Voting Guidelines.

The outcome of an engagement is generally not the sole factor in an investment decision. Instead, the information obtained from engagements on material ESG factors helps inform the investment case.

The data used in the ESG analysis throughout the report is based on portfolio holdings of the applicable strategies over the 12 months to 31 March 2024, unless stated otherwise. It covers equity investments in the portfolio, excluding cash or cash equivalent positions (which typically comprise <5% of total portfolio assets under management).

Reference to specific ESG metrics are those which are either internally derived from a proprietary methodology of the Asian equity investment team (further details on the methodology are available on request) or have been sourced from external ESG data providers (resources for further details on the methodology are provided where these are publicly available, otherwise, they are available on request).

Where ESG metrics have been sourced externally, these either relate to ESG ratings or scores generated in aggregate or to specific ESG issuers (e.g. from MSCI, Sustainalytics), including analysis of factors such as corporate governance (e.g. from ISS), ESG controversies (e.g. from MSCI, Sustainalytics), international social norms (e.g. MSCI), or accounting practices (e.g. from GMT, HOLT Risk).

Where investments are profiled, these will have been held (or may remain holdings) at some point during the reference period. The information provided is to illustrate the investment process of the strategies and should not be deemed a recommendation to buy or sell any security or financial instrument.

Please refer here for further details of the ESG approach applied by RBC equity strategies/funds managed by the Asian equities team.

Foreword

The post-Covid environment has created new narratives but has also reinforced longer-term trends with regard to ESG and investing.

This has created interesting challenges for investors in a world which looks increasingly fractured, in terms of societal polarisation as well as geopolitics, given the various armed conflicts raging globally. With a fractious U.S. presidential election cycle upcoming, the stage is set for more of the same over the next year.

The ongoing conflict in the Ukraine, as well as the Gaza war, means that the energy complex remains front and centre. While Europeans have had to adjust over the last few years to higher energy prices and a new equation for energy transition efforts, the Middle East conflict threatens a new round of pressure more broadly. Continuing to look at the environment in the context of the economic outlook will remain key.

Similarly, the boom in demand for electric vehicle ("EV") adoption has shown signs of slowing down[1], resulting in a reappraisal by Original Equipment Manufacturers ("OEMs") in the West, in particular. Chinese EV sales have been more resilient (please refer to our note on page 17), but their dominance of the supply chain, as well as the emergence of highly competitive EV lineups, has clearly created great unease amongst Western governments. They are caught between trying to push energy transition agendas that depend on lower-cost Chinese inputs and realising that they are at risk of seeing China completely dominate the industry for decades to come.

Asian investing from an ESG perspective has been interesting over the last year, and has shown what improved corporate governance can do for valuations in two key countries, both of which we talk about in greater depth in this report.

"Continuing to look at the environment in the context of the economic outlook will remain key."

While Japan's efforts to improve governance have been a decade in the making (pages 12 and 20), the South Korean 'Value-Up' programme has yielded fairly quick results in terms of share price reactions in early 2024 (page 23). Both countries' efforts have their doubters and cynics, and given the historic reticence to improve in terms of governance, it is wise to stay sceptical. However, there appears to be some impetus behind efforts in Korea across both sides of the political aisle, and this enables us to stay optimistic.

We have learned a lot over the last decade that we've been working together as a team. We have made good progress, but we recognise that we must continue to refine and improve upon our existing processes. We hope you enjoy the insights into our ESG activities and we welcome any feedback.

[1] Why has the EV market stalled?

Our approach

As a team, we have adddressed ESG issues since our track record began in 2014, and ESG factors form an integrated part of our fundamental, active investment management process.

We believe that incorporating these factors into our process allows for a more robust risk assessment, and ultimately, this helps us to unearth high quality, stable business models that can succeed over the long-term.

Figure 1: Our investment process

Investable universe
- Minimum market cap filter (US$100m)
- Minimum liquidity threshold (US$5-10m ADTV)

Systematic prioritisation
- In-house quant scoring model which incorporates third-party ESG sources
- Deprioritise stocks with suboptimal risk/returns

Fundamental research
- In-house research with explicit consideration of ESG factors
- Management meetings where ESG may be discussed
- Team discussions

Portfolio construction
- Analyst best ideas
- High awareness of risk, aligned with stock conviction

Source: RBC GAM. Note: specific stock numbers vary by fund.

How we integrate ESG

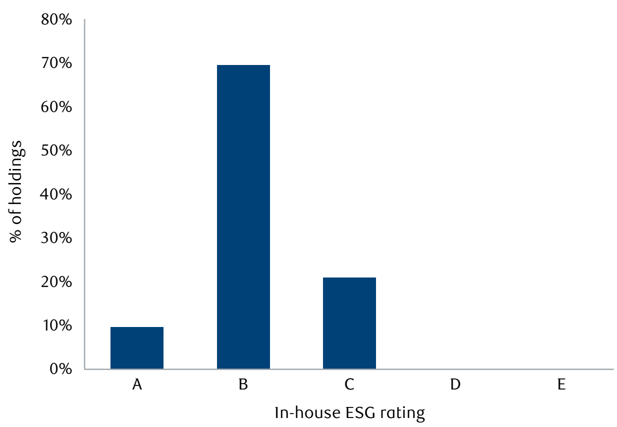
Rather than forming one distinct step in our investment process, ESG considerations are embedded throughout, and are the responsibility of each team member with research responsibilities. We utilise information from a broad array of sources, including external data providers and, more importantly, in-house research and on-the-ground channel checks. These provide us with both quantitative and qualitative perspectives.

As illustrated in Figure 1, we leverage our in-house quantitative scoring model, to allow us to deprioritise stocks with suboptimal risk-adjusted returns. This model incorporates various accounting ratios and third-party ESG data sources alongside fundamental factors, adding focus and depth to our fundamental research as we deprioritise companies with unsustainable business practices.

Our subsequent fundamental research, conducted by the responsible specialist, includes explicit consideration of ESG factors. During this phase, ESG materiality becomes an important concern, as we meet with management to discuss key ESG issues specific to each business. The relevance of particular ESG issues varies from industry to industry, or country to country, making bottom-up company research the most effective way to understand the opportunities and risks facing each business. Within our team, the organisation of research coverage supports analysts in acting as specialists in their respective fields, allowing for a better understanding of key ESG controversies within each sub-sector or market.

We summarise our overall ESG view in an in-house checklist, which is then translated into an ESG score from A-E (with A being the highest available score). In order to be considered for investment, companies must score a rating of C or above (Figure 2). Various sources feed this checklist, including third-party research providers, however with ESG disclosure amongst Asian markets being below global levels, our fundamental research and information obtained directly from issuers are central to our overall assessment of a company. This, along with other key insights in the form of research notes, is shared and discussed with the broader team.

Figure 2: In-house ESG ratings for RBC Asian Equity fund holdings



Source: RBC GAM, as at March 2024. As at this date, a total of 168 companies were held across RBC's Asia Pacific ex-Japan, Japan Equity and China Equity strategies.

Figure 3: ESG is key to our fundamental, active investment management

	Quantitative	Qualitative	Beyond
Key activities	▪ Proprietary quant process/tools ▪ Accounting quality screens ▪ In-house audit/quant specialists ▪ 3rd party research (GMT, MSCI, ESG, HOLT Risk, Sustainalytics)	▪ In-house research notes and investment checklist with ESG rating ▪ Use of third-party data specialising in ESG e.g. past several years of company's litigation or media coverage	▪ Meetings/calls where ESG is discussed ▪ On-the-ground channel checks ▪ Sector specialist team structure ▪ Interviews e.g. industry experts, regulators, competitors, local investors
Outcomes	▪ Integrity of financial information ▪ Sustainability of cash flows	▪ Holistic, throrough, consistent process ▪ Long-term view	▪ We consider ESG from both a company and industry perspective

Integrated by the investment team throughout the entire process

Source: RBC GAM, as at March 2024.

We believe that ESG research is most effective when it is incorporated across our investment process and throughout our team. This allows our investment views to be more holistic, thorough and long-term in nature, characteristics that align with our overall investment philosophy. This approach positions us well to build a high conviction portfolio of companies with high quality management teams, strong corporate governance and durable business models. When it comes to portfolio construction, ESG risk is a consideration when evaluating overall portfolio risk.

To illustrate tangibly how ESG is integrated throughout our process, Figure 3 provides detailed examples of our key activities and outcomes.

Our ESG review of investee companies is an iterative process and continues throughout the holding period. We work to cultivate in-depth and ongoing dialogues, establish long-term relationships with management teams, and seek to understand how a company is approaching material ESG issues. We convey our views through proxy voting and engagement and believe that, over time, our interactions can potentially lead to positive change.

Proxy voting

As an asset manager, we have an obligation to act in the best interests of the accounts that we manage, a responsibility that we take seriously. It is our policy to exercise the voting rights associated with each of the securities held in these accounts, with a view to enhancing their long-term value, and by extension, the long-term performance of our clients' portfolios.

Engagement

We engage actively with our investee companies and, where practical and possible, engagement on ESG practices is always preferred over divestment. We conduct a significant number of in-person company meetings and calls every year, in which we discuss ESG matters directly with company management. During these meetings, we raise material ESG-related concerns, so we can better understand how a company is approaching risks and opportunities. We also conduct channel checks and consult our industry experts to ensure we have a holistic and unbiased view of the companies we invest in. Our sector specialist team structure allows our sector analysts to consider ESG within a broader industry context.

Summary

We consider ESG factors within each step of our investment process, facilitating robust risk and reward assessments of each stock we consider, and of the portfolio as a whole. At the same time, we are conscious that ESG considerations form a broad and expanding landscape, and we are constantly seeking to evolve and improve our practices to refine our approach. We hold ourselves highly accountable, and through continuous learning our rigorous process supports our aim of finding great businesses led by reliable management that can outpace market expectations.

Proxy voting

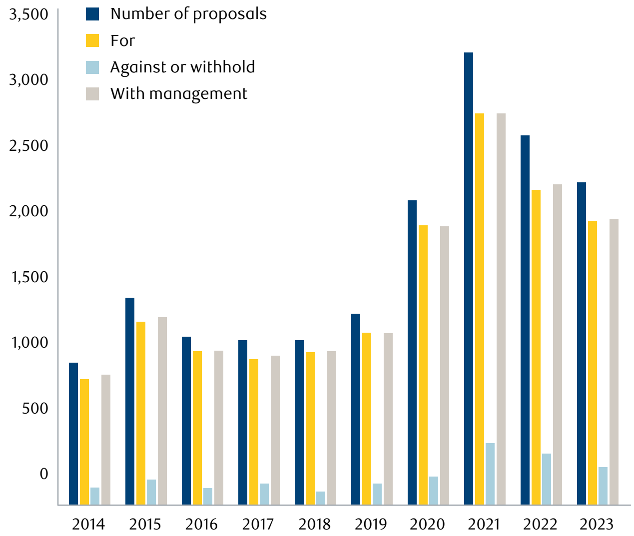
We approach the proxy voting process with due consideration, exercising our voting rights as part of our active ownership approach and our fiduciary duty. We believe that proxy voting provides an important way for us to convey our views to company boards and management teams, offering an opportunity to escalate concerns where required.

As a team, we benefit from the support and expertise of RBC GAM's Responsible Investment ("RI") team and work closely with them throughout the proxy voting process. The RI team has developed a set of custom proxy voting guidelines[2] which outline our views as a firm on corporate governance best practice. These guidelines support the process, offering guidance on how to vote on particular issues.

In Asian markets where the guidelines do not apply, we receive voting recommendations from a proxy advisor, Institutional Shareholder Services ("ISS"), which offers important insight. However, each vote is reviewed internally, and we utilise data from research firms as well as performing our own assessment of company-specific circumstances to help inform our decisions.

Figure 4 highlights our team's voting history. Since 2014, we have participated in 17,720 proposals, voting 89.2% of these in accordance with management recommendations. Our decision to invest in a company reflects, at least in part, our confidence in its management, and is why we often support management on routine matters.

Figure 4: RBC Asian Equity team voting history (2014-2023)



Source: RBC GAM, as at January 2024. For 2014-2019, this reflects combined voting data from RBC Asia Pacific ex-Japan and Japanese Equity strategies. For 2020-2022, this reflects combined voting data from RBC Asia Pacific ex-Japan, Japanese Equity and China Equity strategies.

Figure 5 illustrates our voting patterns across various categories since the team's inception in 2014. While we predominantly align with management recommendations, we do not hesitate to withhold our support or oppose management if we believe that it is in the best interests of shareholders and our clients to do so.

Figure 5: RBC Asian Equity proxy voting proposal categories since team inception (2014-2023)

Proposal category	Number of proposals	With management	Against management	Against management (%)
Elect director	7,725	7,257	468	6%
Approve auditors and their remuneration / ratify auditors	625	614	7	1%
Appoint internal statutory auditors	484	437	47	10%
Approve remuneration of directors	344	309	35	10%
Approve issuance of warrants / convertible debentures	216	215	1	0%
Approve issuance of shares for a private placement	187	159	28	15%
Approve issuance of equity without pre-emptive rights	169	48	121	72%
Approve remuneration policy or report	163	141	22	13%

Source: RBC GAM, as at January 2024. Reflects combined voting data for RBC Asia Pacific ex-Japan, Japanese Equity and China Equity strategies. Only key proposal categories have been listed, for clarity purposes.

[2] Proxy voting guidelines (RBC GAM).

Engagement case studies

BHP – managing potential controversies

Sector: Materials - metals & mining

Country: Australia

Aim: Engagement to gain insight on the company's tailings dam management practices in light of controversies faced

We recently conducted in-depth due diligence and company engagement with Australian mining company, BHP, on account of MSCI ESG assigning a 'Red' flag controversy rating. This indicates that the company is 'directly involved in one or more Very Severe Ongoing controversies', as well as a 'Fail' against the principles set out by UN Global Compact ("UNGC")[3].

We initiated a position in the company in 2022, after concluding that the incident from 2015 for which it had been assigned a flag was no longer a material concern and mostly resolved. However, with MSCI ESG maintaining that the issue was still unresolved a year into our holding period, we escalated our engagement with both BHP and the data provider on this matter.

Our approach to potential controversies

ESG integration and awareness is an important part of our investment process, and each of our industry specialists have a deep understanding of ESG materiality by sector. This provides an essential layer when framing ESG issues appropriately, and allows us to approach relevant risks (and opportunities) in an informed and considered manner. We use in-house, fundamental research to inform our bottom-up stock picking, and ensure our company views are up-to-date and accurate on an ongoing basis. Data from third-party ESG providers supplements our own due diligence, and provides details of past and potential controversies, any of which we investigate thoroughly to provide further clarity and allow us to plan our next steps. This will usually be in the form of additional due diligence, engagement with the company and, if deemed necessary, can ultimately result in our divestment from the company in question.

Background

In November 2015, a failure at the Fundão tailings dam resulted in significant flooding and damage to the environment, as well as loss of human life, and was cited as one of Brazil's worst environmental disasters. The dam is situated at the Germano iron ore mine of the Samarco Mariana Mining Complex in Minas Gerais, and is operated by Samarco Mineracao, of which BHP holds a 50% stake.

The dam's failure, during which large quantities of toxic sludge were released, resulted in multiple casualties and widespread damage to the environment and property, particularly in the village of Bento Rodrigues. The toxic waste severely contaminated 650km of the Doce River system, killing fish and other wildlife downstream. In addition, over 600 residents were displaced and the water supply of thousands of residents in the Minas Gerais state was disrupted.

MSCI ESG's controversy flag

MSCI ESG assigned BHP a 'Red' flag controversy rating following the dam's failure, for human rights and environmental breaches, citing the extent of the damage as 'Extensive' and the nature of harm as 'Very Serious', failing to meet the principles set out by UNGC[4]. A decision by MSCI's ESG Controversies Methodology Committee on whether to upgrade a flag takes into consideration the measures the company has taken to resolve the issue. Essentially, a 'Red' flag indicates that the issue has not yet been actively resolved, or that the company is not yet addressing the majority of key externalities created by the incident.

In a recent review of the controversies against the company, MSCI ESG found two areas of incident remediation that it considered to not have been met, and hence this prevented the companies rating from being upgraded: **1)** progress in the rebuilding of houses and resettlement, and **2)** legal proceedings. Other remediation, including a review of dam safety, implementation of a disaster preparedness plan, provision of compensation to affected families, and a clean-up of soil and water bodies affected by the toxic spillage were all considered fully or partially met, as per this review.

[3] MSCI ESG Controversies and Global Norms Methodology.
[4] MSCI ESG.

Due diligence and engagement with BHP

As part of our ongoing ESG assessment of our underlying holdings, and in particular as a result of the severity of the flag against the company, we requested a meeting with BHP's management team. As a firm, we have promoted the safety of tailing storage facilities through collaboration with other investors, and felt that MSCI ESG's maintenance of this controversy warranted further attention. Our conversation covered broader concerns surrounding the disaster, but primarily focused on the two unmet remedial actions.

Regarding resettlements, at the time MSCI ESG considered this to not be met, due to slow progress of the housing rebuild. BHP were able to share information here, citing that 220 families affected by the disaster have received keys to replacement properties, with 80-85% of these having already moved in. An additional 4,000 individuals have chosen to receive settlements in cash, which have been paid out. The company suggested that much of the information included in MSCI ESG's review relied on the data provider's previous Q4 2020 assessment, and so was unlikely to be fully up-to-date.

Regarding legal proceedings, this action was considered unmet by MSCI ESG at the time, due to the company remaining a respondent in multiple lawsuits. Our discussion with the company suggested that there was some ambiguity relating to these outstanding cases with there being potential overlaps between the proceedings in the UK and in Brazil, amongst other issues. BHP is appealing, in order to seek clarification on what is now considered settled, a process that could take 3-5 years. Whilst progress has been made here, these uncertainties have meant that MSCI ESG maintained its review that this condition was unmet.

"These differences highlight the importance of conducting our own due diligence alongside external reports."

Our discussions with BHP indicated that it is aware of the damage that a controversy flag against the company can have, and, following this meeting, we wanted to dig more deeply into the efforts the company has been taking to provide external data vendors, such as MSCI ESG, with the most recent and accurate information.

We subsequently met with BHP's Vice-President ESG to further discuss the company's efforts to engage with MSCI on these matters. This meeting provided useful insight into how seriously the company takes these sorts of allegations, and the lengths it is taking to rectify not just the core issues, but any misrepresentation that might have occurred due to outdated information.

BHP outlined its current approach, offering regular updates of the company's progress on the ground and flagging that its last report was shared in August 2023. At the time of our meeting, this had not been incorporated into MSCI ESG's evaluation of the company. This delay in incorporating more recent information is not unique to MSCI ESG; third-party reports are often inherently backwards looking and can be slower to integrate more up-to-date information. With that said, it is important that companies continue to drive efforts here; BHP shared its correspondence with MSCI ESG with our team, and we are satisfied that it has been making appropriate efforts to engage on these issues.

What do other ESG data providers say?

This follow-up meeting also allowed us to discuss in more detail the discrepancies that we see between data providers. Whilst MSCI ESG regarded BHP as having violated UNGC principles, assigning the company a 'Red' flag as a result, others have drawn different, and less severe, conclusions.

ISS, for example, does flag BHP as having a violation risk on environmental concerns, but not on the social side, as MSCI ESG does for human rights violations. BHP indicated that its conversations with ISS had been more collaborative, with a better response rate, as well as a clear action point with ISS advising that it would need to see sign off from the Ministry of Natural Resources in Brazil in order to regard this issue as concluded.

Whilst BHP has advised that there may be some difficulty in obtaining this, it has shared sign-off from the National Water Agency, another third-party body, to confirm that the waterways are back to pre-accident quality. Sustainalytics, on the other hand, flagged the company for social concerns, but not environmental. These differences highlight the importance of conducting our own due diligence alongside external reports, as ratings and controversy flags can miss nuances and newly available information.

Our decision

Whilst at the time of our meetings with BHP, MSCI ESG's controversy flags remained, our own conversations with the company and additional due diligence have provided useful additional insight. The evidence from these is that BHP has and is taking appropriate action to resolve any ongoing fallout from the Fundão dam disaster and we are satisfied with the company's approach to sharing this with the relevant ESG data providers.

> "We will continue to use them as a supplement to our own research, as they offer valuable insights into the company's broader reputation, as well as key issues to further discuss with company management."

Having integrated ESG considerations into our investment approach since our team's inception, we are aware of the limitations of third-party providers, with this scenario highlighting the need for further investigation and discussion. With that said, we will continue to use them as a supplement to our own research, as they offer valuable insights into the company's broader reputation, as well as key issues to further discuss with company management.

We are also aware of the importance of further analysis when it comes to discussions with company representatives, with information from external providers such as ESG data vendors allowing us to gain a more holistic view.

There are still areas that need to be resolved with regard to BHP, but our approach is not to negatively screen or divest purely as a result of external ratings. We believe this could lead to wrongly excluding strong companies, missing out on ESG turnaround cases, or not allowing the company an opportunity to rectify the concerns at hand with our support and guidance. In this vein, we made the decision to continue to hold BHP, continuing to monitor its progress closely with the need for frequent updates from company representatives.

Follow-up

Since our meetings with the company and our decision to continue to invest in BHP, MSCI ESG has announced its decision to upgrade the controversy flag against the company, meaning that it no longer has a 'Red' flag against it, and it is not considered a 'Fail' against UNGC principles. The controversy is now considered 'Partially Concluded' and is reflective of BHP's ongoing remediation efforts, as well as its efforts to share accurate and up-to-date information with third-party providers.

Engaging with "Japan Inc" on corporate governance reforms

Country: Japan

Aim: Engagement for influence with representatives from numerous Japanese listed companies, regarding the need for corporate governance reforms in Japan

We integrate material ESG factors when investing in Japan and convey our active stewardship views through thoughtful proxy voting and engagement with Japanese companies, using a long-term mindset. We believe that, over time, this generates returns for our clients and helps our investee companies to increase their value.

Corporate governance reform has been a major topic in Japan of late. In June 2023, a major global investment bank held its inaugural 'Japan Engagement Partnership Day', intended to serve as a bridge between Japanese listed companies and international long only investors.

RBC BlueBay Asset Management[5] was one of three select investment managers invited as keynote speakers. Maya Funaki, Portfolio Manager and lead manager for the Japan Equity strategy, and David Soh, Portfolio Manager and Head of Research for the Asian Equity team, presented to over 100 listed company CEOs and IR representatives on why 'solving capital rigidity is the future' for Japan equities.

They also discussed their investment process, unpacking how they integrate ESG into their investment decisions. As a firm, we have more than 20 years' experience of responsible investment and, as set out in the 'Our approach' section, we have has engaged with ESG issues since our investment track record began in 2014.

We believe that the 'S' is a particularly pertinent issue in Japan, where there is a shortage of human resources, and the 'G' is important in creating a foundation for efficient capital policy. Employment rigidity, which was a structural problem in Japan, is improving thanks to the recent shortage of workers. There is also an opportunity to improve 'rigidity' of capital; Japanese consumers and companies saved money in deflation but with inflationary pressures of late, the mindset appears to be shifting. We think this time may indeed be different for Japan.

A virtuous cycle with wage hikes, service industry-led inflation, inbound tourism-led consumption, foreign investor flows, governance reform and a valuation re-rating, among other factors, are pulling the economy out of decades of deflation and restoring an 'animal spirit' in both corporate culture and market sentiment. Low base effects on each of these variables make it more plausible. Figure 6 illustrates the change in Japan's presence over the last three decades, and how Japanese stocks are showing signs of becoming more attractive.

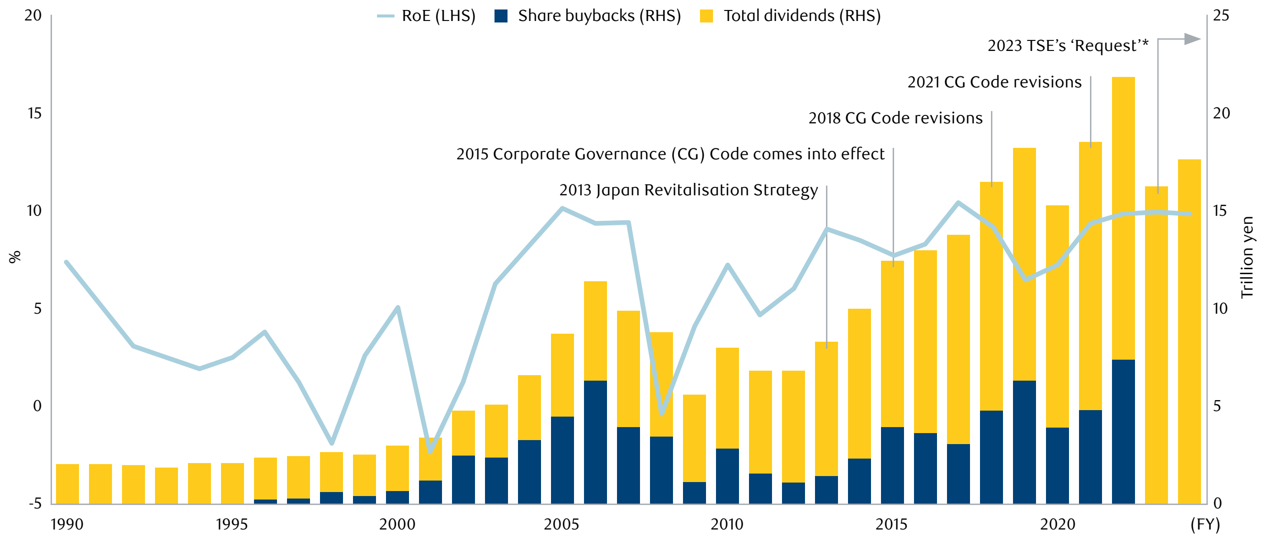
Figure 6: Japanese stocks are becoming more attractive

	1989/12	2023/12
Nominal GDP amount	435 trillion JPY	591 trillion JPY
Percentage of world nominal GDP	15%	4%
Nominal GDP world ranking	2nd	4th
TSE market capitalisation	606 trillion JPY	943 trillion JPY
Japan's share of world stock market	37%	6%
Ordinary profit amount	38 trillion JPY	95 trillion JPY
Topix actual RoE	1.4%	8.1%
IMD world competitiveness ranking	1st	35th

Source: Nikkei news, MOF, CAO, World Bank, Bloomberg Finance, LP and JPMorgan.

[5] RBC BlueBay Asset Management represents RBC Global Asset Management, the asset management division of Royal Bank of Canada, outside North America.

Figure 7: RoE and dividend payouts by Japanese companies

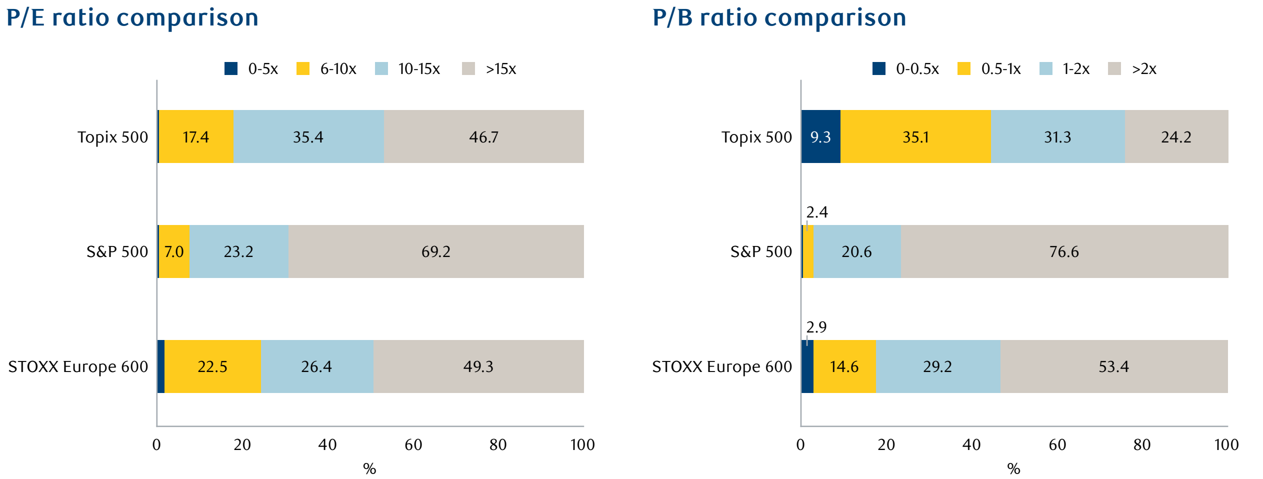


Source: Nomura, as at 31 December 2023. Data relates to the Russell Nomura Large Cap Index. FY23 and FY24 data are Nomura forecasts. *TSE's 'Request' refers to the March 2023 publication of TSE document, 'Action to Implement Management that is Conscious of Cost of Capital and Stock Price', which calls on companies to boost corporate value.

Dividends and share buybacks are increasing but the average Return on Equity ("RoE") of Japanese companies is still low (below 10%)[6], only half that of Europe and the U.S. (Figure 7). In our talk, we urged the companies to not only consider improving shareholder policies, but to fundamentally revisit their business models to focus on enhancing RoE across all strategic levers (i.e. profitability, investment, and business portfolio restructuring).

We also highlighted that valuation multiples, such as price-to-earnings ratios, were ~50% higher in the U.S. S&P 500 Index than Japan's Topix index (Figure 8). This was to explain that this can be addressed through better investor communication, using measurable progress on long-term goals, while better aligning management incentives.

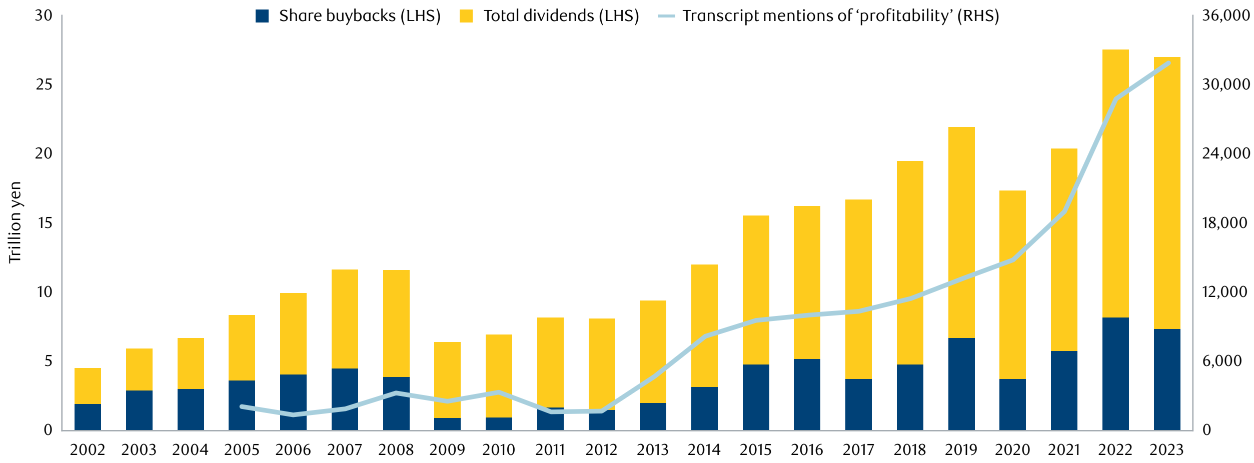
Figure 8: Japan equity remains undervalued compared to the U.S. and Europe



Source: Citi, Bloomberg, as at 25 March 2024. Data shows 12-month forward multiples.

[6] Nomura, 31 December 2023.

Figure 9: Corporate mindset finally focusing on 'profitability'



Source: Morgan Stanley, AlphaSense, TSE, Nikkei NEEDs, FactSet, Bloomberg, as at 1 March 2024. Share buybacks and total dividends data relates to the Topix. Profitability screening is conducted by AlphaSense using Japan as the country filter (includes a total of 3,835 listed companies). Multiple mentions of 'profitability' in the same document are counted as one mention. Documents include global filings, event transcripts, press releases, 40F/40FA - annual filings, and other company publications.

With a growing number of companies committing to governance reform targets publicly, and corporate mindsets showing signs of change, market expectations are rising on "Japan Inc" (Figure 9). As this momentum continues, more companies are likely to believe that meaningful change is possible. We are encouraged by these structural changes, and we see compelling long-term opportunities to generate alpha in Japan equity.

The second largest developed market economy in the world is under-owned and under-researched, making it a compelling stock picker's market historically. Winning business models or firms determined to make the most progress in their core operations and governance reform should outperform over time, making active management the best exposure to Japan equity over the long term.

Country level assessment

This section of the report focuses on country level ESG factors. Companies are affected by the environment of the countries in which they operate. We believe that countries with improving or high ESG scores are more likely to deliver sustainable growth compared to countries with falling or low scores. In this section, we track changes in ESG performance measured by independent third-party providers.

Methodology

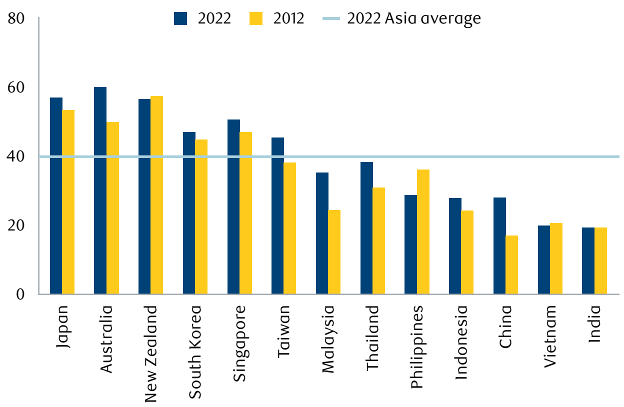
For the environmental factor, we use Yale University's *Environmental Performance Index* ("EPI")[7]. Using 40 performance indicators across 11 issue categories, the EPI ranks 180 countries on climate change performance, environmental health, and ecosystem vitality.

For the social factor, we use Freedom House's *Freedom in the World Index* ("FWI")[8]. FWI evaluates the state of freedom based on two subcategories: political rights and civil liberties. Each country is assigned a score between zero to four points across 25 indicators, for a potential total score of 100.

For country governance, we use Transparency International's *Corruption Perceptions Index* ("CPI")[9]. The CPI draws on 13 surveys and expert assessments to measure public sector corruption in over 170 countries and territories, giving each a score from zero (highly corrupt) to 100 (very clean)[10].

Environmental

Figure 10: Asia's EPI by country (out of 100)



Source: Yale University EPI, as at 2024. Please note that the data set is updated by the source every two years.

Observations

The average EPI in Asia was 39.6 in 2022, an increase over the 2012 average of 35.8 (Figure 10). Overall, Asia had a lower EPI score than the global average of 43.1, which increased from the 2012 global average of 39.7.

Unsurprisingly, the more developed countries in Asia have a higher environmental score, as they are financially able to address their environmental footprint. It is positive to see that most developing countries in Asia have shown progress. Notable exceptions were the Philippines, which regressed, and India, which scored the lowest and showed no progress.

> **"Unsurprisingly, the more developed countries in Asia have a higher environmental score, as they are financially able to address their environmental footprint."**

The countries with the most significant improvements include Australia, China and Malaysia. Australia has shown progress on improving biodiversity and limiting acidification, by controlling the emission of sulfur dioxide. For China, the study has shown improvement in controlling the growth of greenhouse gases ("GHGs"), including carbon dioxide, and a focus on limiting acidification, by controlling the emission of nitrogen oxides. Malaysia has shown improvement in biodiversity and slowing climate change, by controlling the growth rate of GHGs.

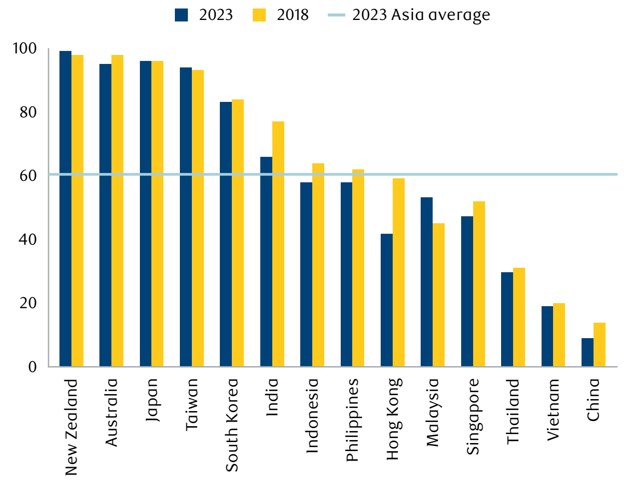
The Philippines was the only notable country that regressed within Asia. The score declined as the country's acidification score fell, given high growth in the emission of sulfur dioxide and nitrogen oxides. The country also scored poorly on climate change, with high growth of GHGs.

India stands out for high environmental risk. On closer inspection, the poor EPI scores reflects low ratings for air quality and waste water treatment. We have seen government investments in acidification and water sanitation, leading to improved scores in these sub-categories. If India's environmental performance does not improve, this could prove a risk to the country's long-term economic growth.

[7] Environmental Performance Index (Yale Center for Environmental Law & Policy).
[8] Freedom in the world 2024 (Freedom House).
[9] Corruption Perceptions Index (Transparency International).
[10] The team has selected these three measures generated by third-party providers as it considers them to be reasonable proxies for environmental, social and governance performance respectively, on a country-level basis. They have been utilised for illustrative purposes. Other E, S and G country measures are available.

Social

Figure 11: Asia's FWI by country (out of 100)



Source: Freedom House, as at 2024.

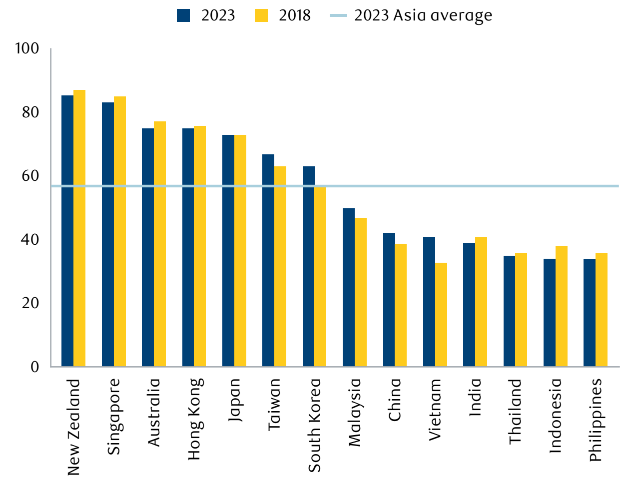
Observations

In Asia and globally, we have seen a deterioration in the political rights and civil liberties of citizens. The average FWI in Asia was 60.6 in 2023, a decline over the 2018 average of 63.8 (Figure 11). Overall, Asia had a higher FWI score than the global average of 55.5 in 2023, which decreased over the 2018 global average of 57.6.

China has the lowest FWI index score in our universe, decreasing from 14 in 2018 to 9 in 2023. The ruling Chinese Communist Party ("CCP") continues to tighten control over all aspects of life and governance, including state bureaucracy, the media, online speech, religious practice, universities, businesses, and civil society associations. This was further reinforced after the CCP leader, Xi Jinping, secured a third term as party leader in October 2022[11].

Governance

Figure 12: Asia's CPI by country (out of 100)



Source: Transparency International, as at 2024.

Observations

The average CPI in Asia was 56.9 in 2023, a small improvement over the 2018 average of 56.2 (Figure 12). Overall, Asia had a slightly lower CPI score than the global average of 43.0, which was slightly down compared to the 2018 global average of 43.1. We have seen improvements in Vietnam, Korea and Taiwan. Countries that have regressed include Indonesia, Australia, and New Zealand.

The survey highlighted an improvement in Korea. While government corruption remains commonplace, citizens have highlighted that the Korean government is taking positive steps to fight it. The establishment of whistleblower protection and reward system successfully encourage civilians to disclose any corruption practice in the public sector without fear of retaliation[12]. Australia and New Zealand have both seen a small decline in their score, but overall their governments are highly regarded in their efforts to fight corruption, and citizens feel empowered to report cases.

Summary

We believe that the world will struggle to make meaningful progress with regard to climate risk without improvement from India, China and Indonesia. In the areas of social and governance, Asia performs higher than the rest of the world. The country analysis highlights that countries with high ESG risk within Asia include India (environmental), China (social), and the Philippines (governance). When we meet management teams of companies that are based in, or operate in, these countries, we need to be particularly aware of the specific risks. Countries that have shown improvement include Australia (environment), Malaysia (social) and Korea (governance).

[11] China: Freedom in the World 2023 Country Report | Freedom House.
[12] South Korea's whistleblower system (National Whistleblower Center).

Thought pieces*

China's clean, green electric machines

The global EV market has been booming over the past few years, with EV penetration steadily increasing since the early 2010s. Whilst 2024 is predicted to see a slowdown in global EV market growth (at 26%, down from 34% in 2023), the overall trend continues to be an important driver in decarbonisation efforts[13]. When considering this on a country-by-country basis, nowhere is the opportunity for EV market growth and emissions reduction more apparent than in China.

In the recent past, conversations surrounding EVs would inevitably centre around Elon Musk's U.S.-based automaker, Tesla, with the company pioneering innovation and leading EV sales over the past 15 years. More recently, however, the emphasis has been shifting as China embraces the transition to EV, reaching close to 40% penetration at the end of 2023[14].

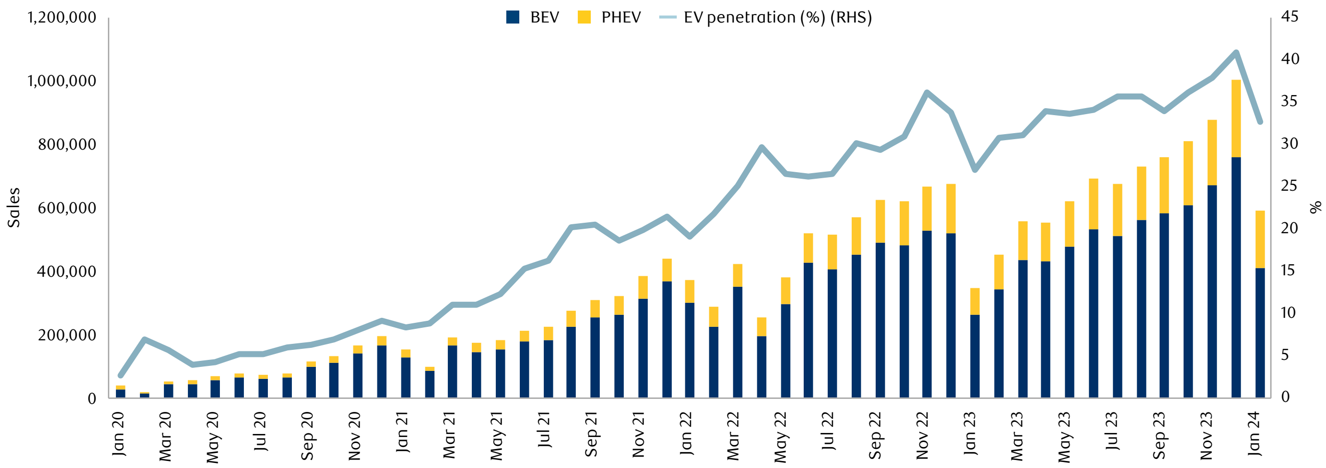
One of the key reasons for this is China's dominance in the EV supply chain. The country produces around 65% of the world's battery cells, 80% of cathodes, and contributes to 60% of global EV sales[15]. Chinese vehicle makers are able to leverage the benefits that accompany this – namely a low-cost supply chain – and pass on competitive pricing to the end consumer.

This dominance also exerts a heavy influence beyond China itself, with global automakers largely reliant on the region for battery production. Not only does China benefit from plentiful access to the necessary raw materials, it is able to maintain its stronghold by undercutting other regions in terms of cost of production as a result of lower construction and labour costs, whilst maintaining product quality. For example, in western markets, a lithium-iron-phosphate battery factory could expect to cost up to USD865 million, whereas in China this cost reduces to around USD650 million[16]. The government is also unwavering in its commitment to supporting the market's expansion, both domestically and in terms of exports, deploying generous subsidies to support growth.

"Nowhere is the opportunity for EV market growth and emissions reduction more apparent than in China."

Indeed, with penetration levels in China already very high (Figure 13), exports are likely to be the next long-term growth story for the country's EV market. In 2023, China overtook Japan to become the world's top exporter, delivering close to five million vehicles over the year, of which 1.2 million were EVs[17].

Figure 13: EV penetration in China is already high but the export story continues to look compelling

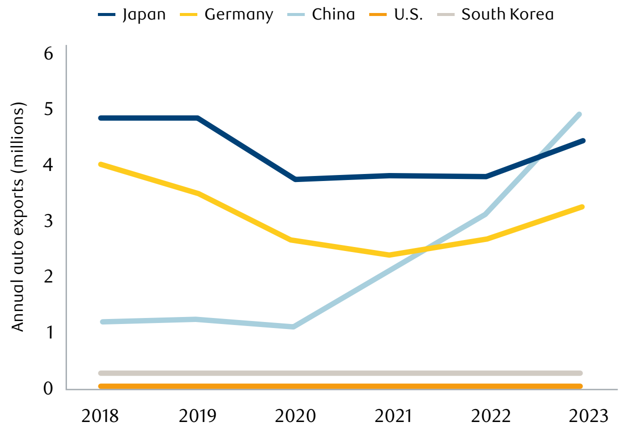


Source: China Passenger Car Association (CPCA), as at 31 January 2024.
BEV = battery EV, PHEV = plug-in hybrid EV.

[13] BAML, EV-volumes.com Data Center, regional forecast, October 2023.
[14] CAAM, CLSA.
[15] Global EV Outlook 2023 | IEA.
[16] China's stranglehold on EV supply chain will be tough to break | Bloomberg NEF.
[17] China likely dethroned Japan as world's top auto exporter in 2023: China group | Reuters.

*Some articles in this section contain extracts from notes published over the past year.

Figure 14: China has emerged as a frontrunner in global automobile exports



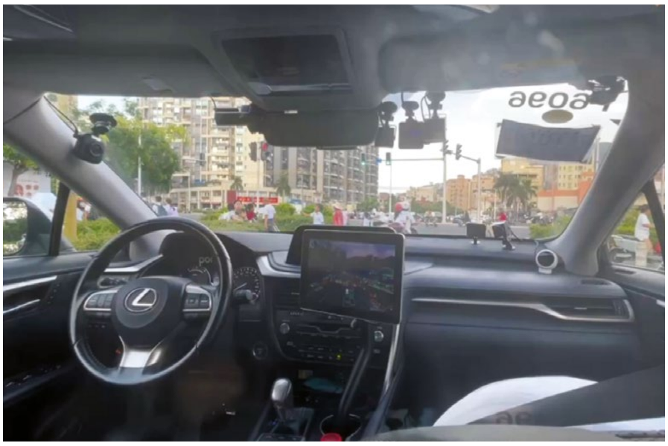
Source: UBC, CEIC, as at 31 December 2023.

This stands even with regulatory intervention. In September 2023, the European Commission's President, Ursula von der Leyen, announced that it will be launching an anti-subsidy investigation against EVs imported from China. Whilst this could lead to increases in import tax, the country's dominance over the EV supply chain means that China could continue to win market share.

This will be further bolstered by the strides that China's original equipment manufacturers ("OEMs") are making when it comes to technology and innovation. The country's high level of competition within the EV market, even more fierce than in the U.S. market, is encouraging manufacturers to pioneer state-of-the-art models, features and services. As a result, Chinese OEMs are emerging as world-class industry leaders (Figure 14).

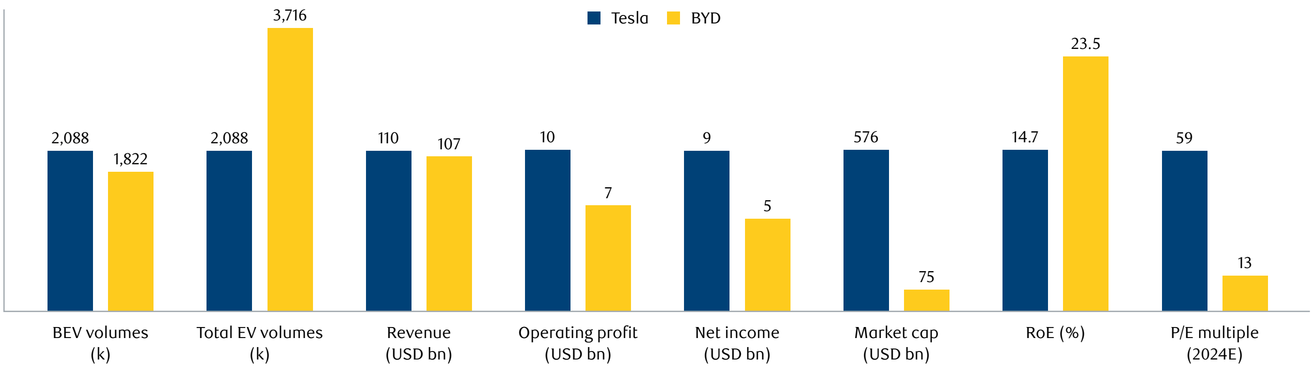
Autonomous driving software is just one example of this, with Volkswagen recently investing USD700 million in XPENG, a leading Chinese smart EV company, to jointly develop EVs in China, incorporating XPENG's advanced driver assistance systems ("ADAS")[18]. Pony.ai is another manufacturer leading in fully driverless autos, accumulating more than 21 million kilometres of autonomous driving globally[19]. The success of Chinese brands in disrupting the global EV market is evident when looking at export trends. Whilst 45% of EV exports from Chinese plants in 2023 were from non-Chinese brands (led by Tesla, which has established a factory in Shanghai), export volumes of Chinese EVs accounted for 44%, an increase of 161% over the course of the year[20]. Zooming in on individual players, a comparison of the two leading EV manufacturers globally offers useful insight into the strength of China's offering compared with the rest of the world (Figure 15).

The RBC Asian Equity team experiencing Pony.ai's driverless vehicles for a 30 minute test drive



Source: RBC GAM, with permission from Pony.ai.

Figure 15: BYD is squaring up to Tesla in terms of profit profile and EV sales



Source: Bloomberg, as at 6 March 2024.

[18] XPENG, 26 July 2023.
[19] Pony.ai.
[20] BAML, EV-volumes.com, Data centre / CAAM / CEIC.

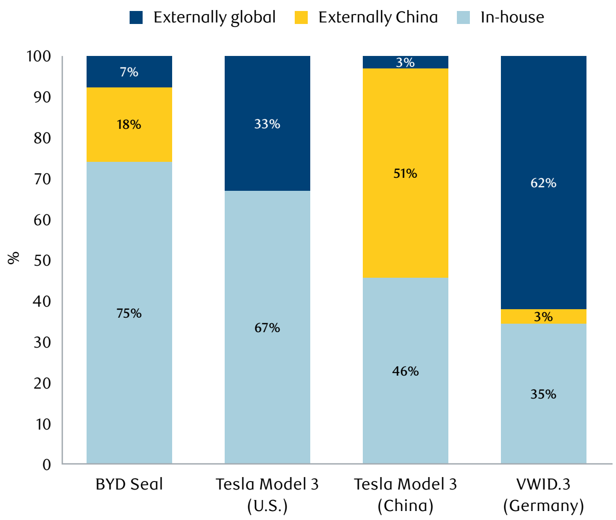
Tesla and BYD are now often mentioned in the same breath, sharing similar revenue and profit profiles, and closely competing to be the top-selling EV manufacturer globally. BYD overtook Tesla in this feat towards the end of 2023, a trend that is expected to accelerate in 2024. Tesla has historically been viewed as having structural cost and scale advantages that have allowed it to achieve a higher profit margin than its peers, but BYD is proving that it is possible to achieve similar margins at mass market prices and whilst operating in the world's most competitive market.

"With companies such as BYD improving consumer access to EVs, the opportunity for emissions reduction both in China and beyond looks compelling."

China's mature and low cost EV supply chain and the company's high vertical integration position it strongly to achieve industry-leading technologies and innovations such as energy-dense batteries (Figure 16). The supportive policy environment in China, coupled with the cheaper supply chains, means that BYD can compete on price both domestically and internationally, even with additional costs such as export tariffs and shipping.

Figure 16: BYD's high vertical integration positions it well to lead in a competitive market

Breakdown of vehicle content produced internally versus externally across global peers



Source: UBS, A2MAC1, as at 31 August 2023.

With companies such as BYD improving consumer access to EVs, the opportunity for emissions reduction both in China and beyond looks compelling. In China alone, if EVs make up 80% of new vehicle sales by 2040 as forecasts predict, the country could save on aggregate over one billion tons of emissions, the equivalent of Japan's total emissions in 2020[21]. These figures consider the emissions costs associated with EV production, a more carbon intense process than for standard internal combustion engines ("ICE"), but as technological advancements allow for lower-carbon production, the emissions savings could look even more favourable.

As more and more countries consider ICE vehicle sales bans, with Norway leading the charge and phasing out gasoline passenger cars by 2025, the opportunity for the EV market, and subsequent environmental benefits, are clear[22]. China has emerged as a key player in this market in the recent past and, as the world transitions to EV, we would expect the region to be a primary beneficiary. The country's private sector plays host to a plethora of vibrant and best-in-class companies in both the EV market and beyond, with the high level of domestic competition driving quality products at lower costs.

For bottom-up active managers such as ourselves, this creates compelling long-term opportunities to build selective exposure in durable businesses across winning industries. The EV market is just one example of this, with companies such as BYD demonstrating China's ability to lead at an international level, and its potential to play a significant role in the global path to net-zero.

[21] Bloomberg Intelligence, February 2023.
[22] Thomson Reuters' GFMS team, Thomson Reuters Eikon, and Reuters News.

Japan: a new dawn?

In a recent podcast, available here, David Soh, Portfolio Manager and Head of Research, and Freddie Fuller, European Equity Product Specialist, looked at the strength in Japan's equity market over the past year, and the role that corporate governance reform is playing in improving investor sentiment.

The podcast's discussion points are shown below:

Japan's main stock market index has climbed past its all-time high, which was last reached in the late 1980s. The recent change in sentiment towards Japan may be, to some extent, due to changes in how Japanese corporates themselves are being managed. In our international equities portfolios, governance has long played a key part in how we look at businesses.

Within Europe, we have seen how governance credentials have been a tailwind, and we are now seeing correlations in Japan, leading us to consider how this may translate into Japanese performance in the upcoming years.

Japan's performance in the last decade or two and why this may have turned a corner in the last 12 months. The country's backdrop has not been conducive to attracting investor attention over the past few decades. Japan has experienced lengthy periods of challenges since the real estate bubble in the late 1980s, including a heavily indebted economy and unfavourable demographics, as well as other issues within corporate Japan, for example, the keiretsu system, a network of interlocking businesses involved in messy crossholdings. The country has faced a relatively constant state of deflation since the 1990s.

However, things have been changing over the past few years, and both the Topix and the Nikkei indices began to renew historical highs.

The recent pandemic brought its own challenges to Japan, but in hindsight, it was also a big wake-up call for the Japanese economy. Evidence seems to suggest that while the pandemic created turmoil for markets, it's been different for Japan. The country appears to have instigated a form of exogenous shock, which pulled the economy out of decades of inflation.

This would, on the face of it, provide a macro tailwind which, subject to how inflation progresses from here and taking into account the decisions of the Bank of Japan, could continue for some time. However, for fundamental investors, the more interesting shift at the moment is at a governance level, when it comes to Japanese corporates.

"Across sectors, there is a renewed focus on setting and meeting effective targets, as well as an increased desire to compete in a global context."

Japanese companies are known for great products, but historically didn't score well on profitability or governance. There was a long-standing respect that Japanese corporate culture gave to the so-called 'three walls of hierarchy'. In this structure, it is customer over company, employer over employee, and company over shareholders. These walls were holding corporate Japan back in many ways, but with global inflation and domestic labour shortages, the walls may be collapsing. Recent meetings with Japanese firms have seen a notable shift in the way management think about their businesses. Across sectors, there is a renewed focus on setting and meeting effective targets, as well as an increased desire to compete in a global context. Previously, if there was a preoccupation with the domestic peer group, there is now a meaningful shift away from that.

Japan is a relatively economically conservative society, but the government is also pushing to attract foreign capital and transform the country into a global financial hub. Initiatives to reduce regulatory bottlenecks, ease language barriers and improve market entry applications for overseas managers are some examples. The UN PRI in Person 2023 conference was also hosted in Tokyo, specifically targeted at foreign investors to promote Japan. In addition, the Tokyo Stock Exchange ("TSE") is pushing to drive change, particularly when it comes to increasing shareholder value. We're seeing that "Japan Inc" is really waking up.

These elements matter, especially when it comes to company valuations. Looking at some of the statistics, the median P/BV ratio of MSCI Japan constituents came in at 1.5x, 25% lower than that of Europe and 53% lower than that of the U.S.. There is a very large valuation gap between Japanese equities and counterparts elsewhere. This is particularly evident amongst the 30% of MSCI Japan and 50% of Topix constituents still trading below book value, amidst greater scrutiny on those companies not meeting their cost of capital.

Around 180 companies in the Topix continue to trade below book value, compared with just 17 in the S&P 500. There's still a lot of progress to be made, but we're already seeing positive signs. Increasing shareholder value is top of mind for Japanese corporates.

"With these efforts at the corporate level being supported by those government-led efforts, the potential for change can be bigger than we think."

We see a concerted effort from government and regulators to promote a shift in behaviour, in recognition of the potential benefits. In Europe, there's always been a sense that regulators ultimately drive shifts in behaviour, rather than any market-led approach. With regards to Japan, the TSE has made efforts to drive change, and in 2023, it launched its 'PBR1x' campaign to encourage companies to disclose their initiatives to improve capital efficiency.

This is coming through in our conversations with management. They are bringing up topics like RoE and P/E multiples and seeking advice on how to improve value. Another initiative from the TSE was the Prime Index, something it describes as 'designed to highlight top value-creating Japanese companies'. Both initiatives are explicit, top-down nudges for companies to think differently about governance and shareholders.

There are two other catalysts that might be supportive for the region in the short to medium term. Firstly, the household savings pool in Japan, of which over 50% is held in cash. This is clearly a very large untapped opportunity, and it appears that policymakers have earmarked this, to an extent, as an area to try and incentivise redeployment into equities. This is the government's 'NISA' programme (Nippon Individual Savings Account), Japan's tax-free savings scheme. This has been a focus as it increases the account limit for retail investors and should incentivise them to redeploy large cash savings into equities.

The second catalyst is around how Japan treats foreign investors, both from a cultural perspective as well as an investment one. Management teams are increasingly more open to engaging with foreign investors. There's a renewed effort for transparency, and at a recent meeting a company went out of its way, by broadcasting its board meeting on YouTube.

This is an initiative that we think is happening across large and small caps alike. They are willing to discuss shareholder value and are working to better align their goals with those of their shareholders.

Last year, we had an interesting experience through a major U.S. investment bank where we were invited to speak virtually to over 100 senior corporate executives in Japan (as set out in our 'Engaging with "Japan Inc" on corporate governance reforms' section). This was specifically on the topic of global best practices on corporate productivity and governance. We were surprised at how strong and genuine the response was from Japanese companies. With these efforts at the corporate level being supported by those government-led efforts, the potential for change can be bigger than we think.

There has been a history of poor experience with activists, leading to a sense of suspicion between the two sides. There was a recent headline though, highlighting that Japan recently overtook Europe to become the second largest market for shareholder activism globally, after the U.S.. Historically, there has been some apprehension towards activist investors in Japan, but we're seeing more openness now, even towards activist investors, compared to previously. Shareholder voices are being heard more clearly, whether activist or otherwise.

> "As markets develop further, and the private sector takes the lead, capital allocation and corporate governance tend to improve."

At RBC, we are not activists, but we do bottom-up research on a firm's ESG characteristics when we study its fundamentals. Firms are keen to talk with us about governance, and they sound earnest in trying to improve corporate profitability and transparency. The market also looks inexpensive and that's even after the 30% rally over the past year.

And the valuation case is still there. Japan equity also looks very much under-owned, by both global institutional and domestic retail investors, so in addition to the valuation case, flows should also be a structural positive.

Zooming out a bit in Asia, we look at whether this progress in governance reform is happening elsewhere, for example Korea and China, and whether these regions might also benefit in the same way that Japan appears to be. Korean equity has seen a lot of foreign investor interest year-to-date, exactly for this kind of expectation, on better corporate governance and shareholder return policies. Local investors have been somewhat cynical to government initiatives benchmarking Japan's success, but in the long run, there is progress with governance in Asia. It can feel slow, it can feel like two steps forwards, one step back, but the key thing we focus on is how capital allocation is done. In emerging Asia, in early life cycle stage economies, capital allocation can be weak, especially if the state is driving this. But as markets develop further, and the private sector takes the lead, capital allocation and corporate governance tend to improve.

From an international equities perspective, i.e. EAFE, or developed equities ex-U.S., these changes may have a profound effect on investors, especially in North America. There has been a lot of discussion about growing concerns in recent years over U.S. market concentration (both from a names and sector standpoint), high valuations, and geopolitical disruption. People could argue that there has been a lack of an obvious alternative. But one would hope that there is an increasing argument that, with Europe continuing to offer good long-term returns, offering around 7-8% per annum over the last 10-15 years, to have Japan coming back into favour, and perhaps some of these other countries mentioned, hopefully this could be a case for diversification away from the U.S..

Asian takeaways: bibimbap bulletin

As part of our 'Asian Takeaways' series, we share local insights on what's happening across Asia-Pacific. From India to Indonesia, Taiwan to Thailand, we give our views on the dynamic changes across the region, while showcasing our learnings from being on-the-ground at company and site visits. Here, Selina Lu, Portfolio Manager, RBC Asian Equity team, discusses her trip to South Korea at the start of the year.

Following the recent buzz around corporate Japan's efforts to prioritise shareholder returns, my trip came at a highly opportune moment. The country's Financial Services Commission ("FSC") has recently unveiled its corporate 'Value-up' programme, and the flurry of news surrounding it is piquing interest in the region.

"The programme could have a positive impact on Korea's historical discount."

Scepticism is an easy default position, however my discussions with company management suggest that there is perhaps meat on this particular bone, with investors taking the view that the programme could have a positive impact on Korea's historical discount.

What is the 'Value-up' programme?

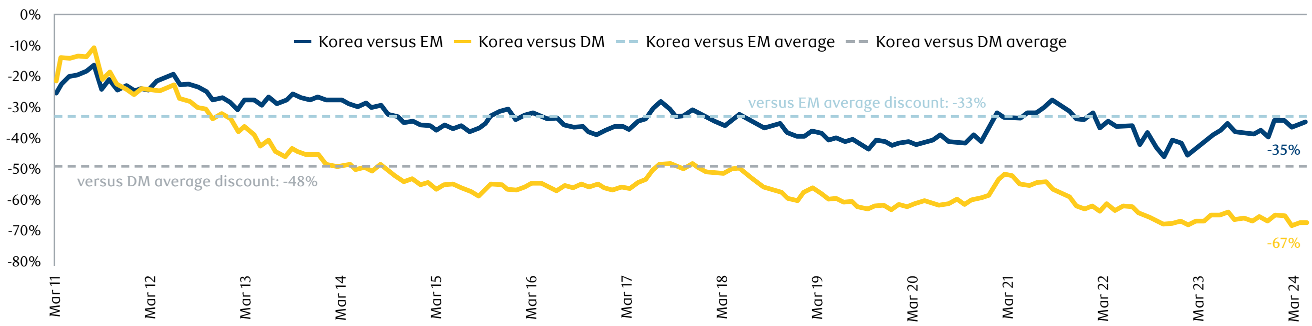
The 'Value-up' programme was announced on 26 February this year by the FSC. Its highlights include encouraging listed companies to increase disclosures (particularly with regard to plans to enhance corporate value), improve dividend payout ratios, and upgrade shareholder return policies, including share buybacks and retirements.

To provide some background, for the past decade, Korean equities have traded at a steep discount to both emerging and developed market indices, due to factors such as low dividend payouts, poor corporate governance, and, notably, weakness when it comes to corporate management and structure (Figure 17).

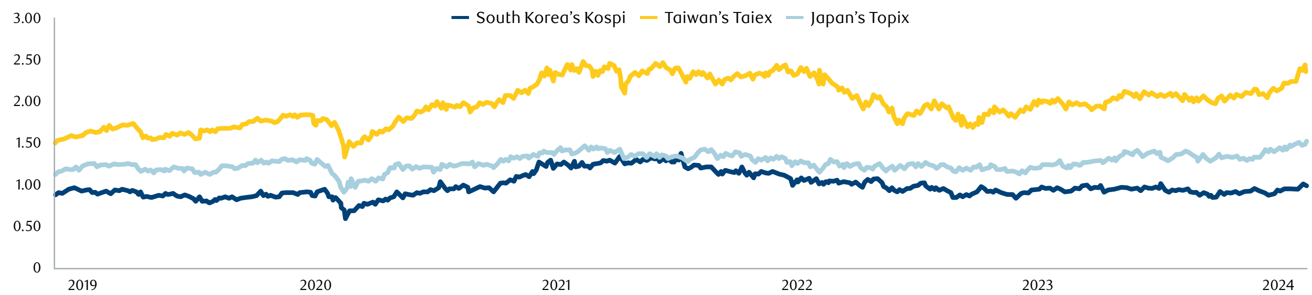
Family-run conglomerates, know as chaebols, accounted for close to 45% of Korea's GDP in 2022. They are often associated with complex corporate structures and founder-controlled boards[23]. These issues have often resulted in poor governance & shareholder rights and a lack of transparency, in turn dampening investor interest in the region and manifesting themselves in Korea's discount. This has simultaneously put a strain on economic growth, as companies have had difficulties when it comes to raising affordable capital.

Figure 17: Korea's equity market is highly discounted relative to both EM and DM

MSCI Korea versus MSCI EM and MSCI World Indices P/B discount



P/B ratio versus peers



Source: Goldman Sachs (top) and Bloomberg (bottom), as at 20 March 2024.

[23] What is the 'Korea Discount' and why is it a problem? (Bloomberg), March 2024.

Neighbourly competition

Elements of the programme echo recent governance reforms in Japan, which have already gained significant traction and helped drive the Nikkei 225 Index above historic highs. Our Asian takeaways: Sushi special piece gives further insight into these reforms.

With Japan being one of Korea's closest neighbours, there is natural competition the two countries, particularly in areas such as auto and electronics exports, foreign capital investment, and research and development, and it is not surprising that Korea feels the need to play 'catch-up' when it comes to boosting corporate value. In a similar vein to the TSE's launch of its Prime Index, designed to highlight the top value-creating Japanese companies, the FSC has announced plans to roll out the Korea Premium Index, creating a similar pool of high quality, high value companies.

> **"Attending a conference held by the FSC, the consensus from foreign investors seemed to be that the initiative could indeed lead to increased interest in the market and help to narrow the Korea discount."**

With Japan, and now Korea, paving the way in corporate governance reform, it will be interesting to see if this phenomenon spreads further afield. Even in the current 'ABC' ('Anything But China') investment environment, the Chinese government is urging state-owned enterprises ("SOEs") to make efforts to improve shareholder returns and capital efficiency, with the intention of driving a re-rating of valuations. With SOEs representing 50% of the MSCI China Index, potential improvements here could have a significant impact on the country's valuation discount versus global peers.

The programme's potential is clear, but it is early days. My discussions with both domestic and foreign investors added useful insight. Attending a conference held by the FSC, the consensus from foreign investors seemed to be that the initiative could indeed lead to increased interest in the market and help to narrow the Korea discount. Domestic investors, on the other hand, are more cautious, focusing on the lack of detailed measures involved, and the fact that corporate participation is voluntary.

Company visits

During my visit, discussions with company management unsurprisingly turned to the 'Value-up' initiative, with responses varying depending on managements' place on the market cap spectrum. Smaller companies voiced concerns around the difficulties of improving shareholder returns in the near term, as a result of limited free cash flow and large capital expenditure plans over the coming years. Larger firms, on the other hand, responded positively, and are already in the process of evaluating plans to increase shareholder returns through buybacks and dividend payouts, and cancelling treasury shares. For all companies, final guidelines from the FSC, due to be announced in June, will be important in solidifying plans.

Many companies are already under pressure from a high number of retail investors, notable National Pension Service ownership, and the government's stance on improving ordinary shareholder rights and value. Due to this, our overall view on the programme is constructive. It should provide management with the tools required to align minority and controlling interests, and more generally, it should help to address inefficiencies in the capital system, providing a welcome boost to Korea's slowing economic growth.

Korea's electric vision

While the 'Value-up' initiative wove a strong narrative throughout my visit, it was by no means the only theme of the trip, with Korea's EV market also a strong focus. In the more recent past, we have witnessed a slowdown in EV sales and overall weak consumption in Korea on the back of rising inflation. However, meetings with EV manufacturers suggested a more positive outlook moving forwards. Plant tours with Hyundai Motors and Kia Motors, two of Korea's largest auto companies, indicated steady sales growth in the U.S. market, thanks to a focus on product quality and innovation. Management teams at both reiterated their vision for electrification, implementing net-zero targets of 2045 (five years ahead of Korea's overall target). New product launches, including more affordable models over the coming year, should bolster company sales and cater to a broader market.

Kia's management team also highlighted plans for capacity expansion, with an EV plant currently under construction in the U.S.. This will support its product offerings in North America and allow the company to enjoy new EV tax credits under the Inflation Reduction Act. However, there is a strong likelihood that supply chains will remain somewhat tied to China, due to its ability to compete on costs.

Further meetings with major EV battery manufacturers, cathode makers and separator companies supported more favourable outlooks, in spite of recent weakness in volume and price trends, with the launch of new models on the horizon and improving battery capacities. In addition, increased EU and U.S. legislative measures, to attempt to decouple OEMs from China's supply chain, could prove supportive to Korea's battery and EV materials market. Indeed, the country's three largest battery manufacturers control nearly half of the global market for EV batteries outside of China, and they would be clear beneficiaries should these measures come into play[24].

That said, we remain constructive on our outlook for China's EV market due to its product and cost competitiveness, and strong domestic supply chain, and we expect it to remain a major player in the global EV market, as set out in our 'China's clean, green electric machines' section. However, as global EV demand grows, it appears that there is ample room for Korea to take a piece of the pie.

Sluggish consumption remains a concern

There is evidently a lot to be positive about when it comes to Korea's prospects, however with domestic demand and inbound travel looking weak, there are pockets of economic concern that won't go away overnight.

Meetings with department store companies indicated a cautious outlook, as they are battling weak consumer purchasing power due to a high base from the pandemic, inflationary pressure, and falling property prices. Duty-free stores have also been suffering on the back of a slow recovery on inbound tourism from China, something that they would expect to improve towards he end of this year. In the meantime, high price discounts from Chinese duty-free companies have added to reduced sales, with my visits to duty-free shops reflecting this slow demand.unsupportive consumption trends.

Low foot traffic at Seoul's duty-free stores

These retail trips provided an interesting contrast to the rest of my trip and the numerous discussions that I had with companies on the 'Value-up' initiative. Korea is increasingly characterised as a mature economy with slowing economic growth and, as they currently stand, unsupportive consumption trends.

However, there is clearly room to breathe new life into corporate Korea and the economy as a whole. A broadly positive response for the FSC's initiative from management teams is a good sign, and as the programme is rolled out, we would expect investor interest in the region to grow – particularly with Japan's recent turnaround top of mind.

Slow inbound tourism means slow sales

[24] Bloomberg, Korean battery makers ease driver anxiety with winter-proof cells, 11 March 2024.

Company case studies

Ajinomoto – improving the health of our societies

Sector: Consumer Staples – Food Products
Country: Japan

Ajinomoto is Japan's largest seasonings producer, with an extensive network across Asia, America and Europe. The company has harnessed the power of amino acids with the aim of transforming the seasonings business, looking to enhance flavour, provide nutrition and support physical health. Ajinomoto's work into the underlying science of amino acids has also helped to diversify its product portfolio, which includes healthcare and frozen foods in addition to seasonings.

Optimising nutrition

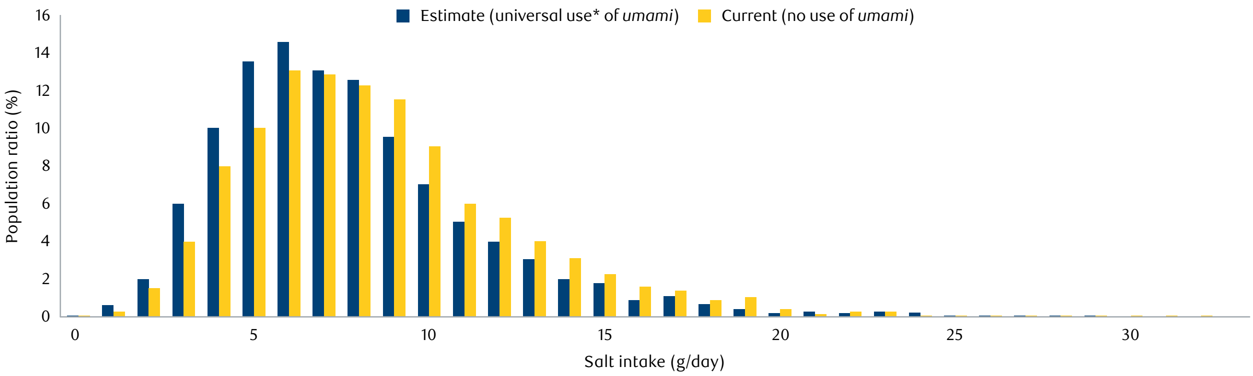
One of Ajinomoto's missions it to solve health and nutritional issues in society, seeking to improve life expectancy and quality of life by delivering healthier products without compromising on flavour. The company is committed to increasing the proportion of its products with improved or optimised nutritional value, aiming to raise its 2022 numbers of 56% to 60% by 2030[25]. One of the actions that Ajinomoto is taking to achieve this goal is through its 'delicious salt reduction' initiative, which uses *umami* as a salt alternative to enhance flavour.

Umami is one of the core tastes along with salty, sweet, bitter and sour, and, in technical terms is the taste of glutamate, an amino acid. Excessive salt intake is becoming a more serious problem worldwide, with the average global intake more than twice that of the World Health Organisation ("WHO") recommendation, and is linked with diseases such as high blood pressure[26].

In spite of WHO initiatives such as its Global Action Plan for the Prevention and Control of Noncommunicable Diseases ("NCDs") which states a goal to reduce sodium intake by 30% by 2025 (from 2011 levels), progress in this area has been muted[27].

Through its Smart Salt project, Ajinomoto has developed low-sodium recipes, using *umami* to maintain the flavour profile. The company has carried out research alongside academic institutions to understand the extent to which *umami* can reduce salt intake at a national level. Looking at the UK as an example, the study found that the use of *umami* could lead to a reduction of salt intake by between 9.1-18.6% (Figure 18). The study finds that the impact of this reduction would be significant, helping to lower the rate of premature death from preventable cardiovascular diseases.

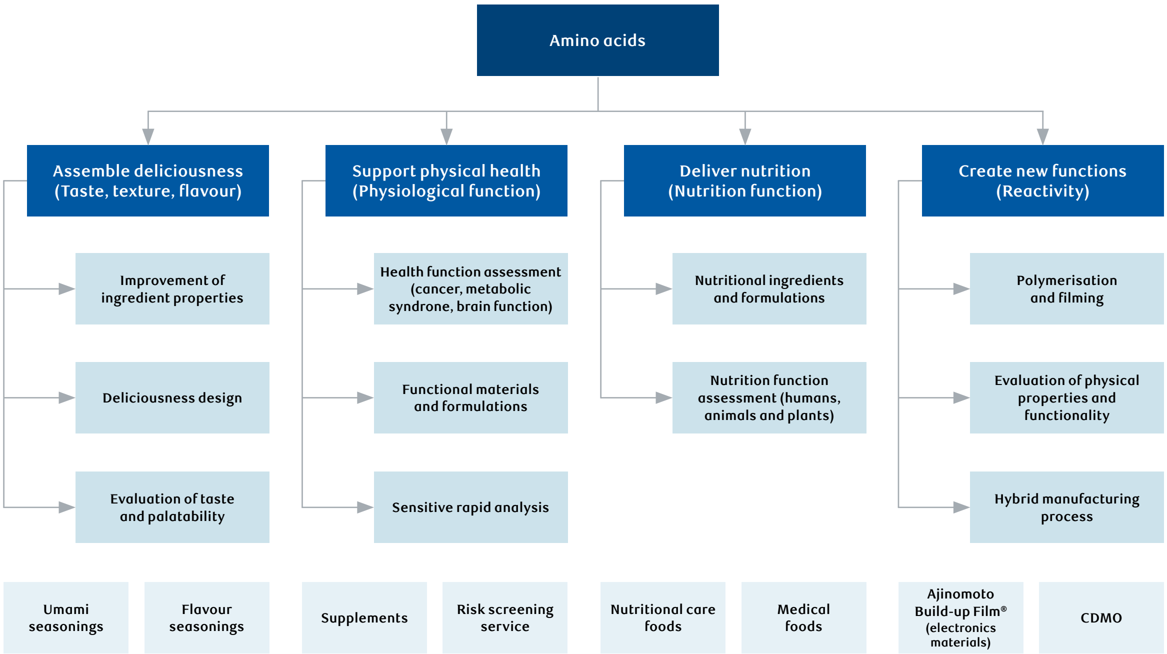
Figure 18: Estimate of salt intake in the UK after using *umami*



Source: Nakamura H, et al. Reducing salt intake with *umami*: a secondary analysis of data in the UK National Diet and Nutrition Survey. Food SciNutr 2023; 11(2):872-82. Ajinomoto Group Sustainability Report 2023. *Indicates replacing 90% of salt containing foods with foods using *umami* to reduce salt content.

[25] Ajinomoto Group Sustainability Report 2023.
[26] World Health Organisation, 14 September 2023.
[27] World Health Organisation, Global Action Plan for the Prevention and Control of Noncommunicable Diseases.

Figure 19: Ajinomoto is leveraging its expertise in amino acids



Source: Ajinomoto Group ASV Report 2023.

Beyond its seasonings products, Ajinomoto is contributing to the global efforts in regenerative medicine, a radical treatment for solving issues relating to organ transplants. The company is leveraging its expertise in amino acids and has developed cutting-edge pharmaceutical-grade amino acid products to be used in clinical trials for regenerative therapies (Figure 19). Ajinomoto is committed to making regenerative medicine a reality, and it is focused on enhancing its products as well as its presence in the field both in Japan and overseas.

Leading by example

Whilst corporate governance practices in Japan are steadily improving, as set out in our 'Japan – a new dawn?' section, Ajinomoto stands out amongst its peers for the strength of its practices. Its ratio of independent to internal directors is high for the region, at 6:5 for FY23, and demonstrates the company's commitment to align its interests with those of its shareholders[28]. It is similarly strong amongst peersfor its board diversity with three female directors, placing it amongst the top 10 Japanese companies for female representation[29].

From a shareholder returns perspective, improving RoE is one of Ajinomoto's key performance indicators, and it has targets to triple earning per share by full year 2030[30]. The company is also focused on improving capital and asset efficiency, reducing outstanding shares by conducting share buybacks, and introducing plans for a progressive dividend policy.

Summary

Ajinomoto has the opportunity to play a pivotal role in improving the health of our societies, providing a product mix focused on enhanced nutrition and an ambitious goal to extend the healthy life expectancy of its consumers. In addition, the company stands out for the strength of its corporate governance and commitment to shareholders, setting a leading example in a market that is newly focused on these values.

[28] Ajinomoto Group ASV Report 2023.
[29] Ibid, MSCI ESG.
[30] Ibid.

Li Auto – pioneering environmentally conscious supply chains

Sector: Consumer Discretionary – Automobiles
Country: China

Li Auto is a leading player in China's new energy vehicle market, designing, developing, manufacturing and selling smart EVs. One of the company's unique selling points is its presence in family-oriented, large size SUVs, a key diversifier amongst its peers. In addition, the company stands out for its strong environmental values and focus on consumer and employee health and safety.

Implementing a green supply chain

A central focus for Li Auto is ensuring a clean and sustainable supply chain, from its own internal production to the practices of its chosen suppliers, through to the efficiency of its end products.

> "Li Auto conducts ongoing supplier due diligence, carrying out ESG audits and providing follow-ups on how to improve practices and resolve weaknesses."

When it comes to outsourcing, Li Auto is discerning in its supplier selection and takes an active role in encouraging its chosen partners to adopt energy-saving and emissions-reducing production methods. It prioritises suppliers that are certified to ISO 14001 (an internationally recognised standard for environmental management systems) with 89% of its direct suppliers meeting this standard by the end of 2022[31].

Beyond its selection criteria, Li Auto conducts ongoing supplier due diligence, carrying out ESG audits and providing follow-ups on how to improve practices and resolve weaknesses in terms of ESG management.

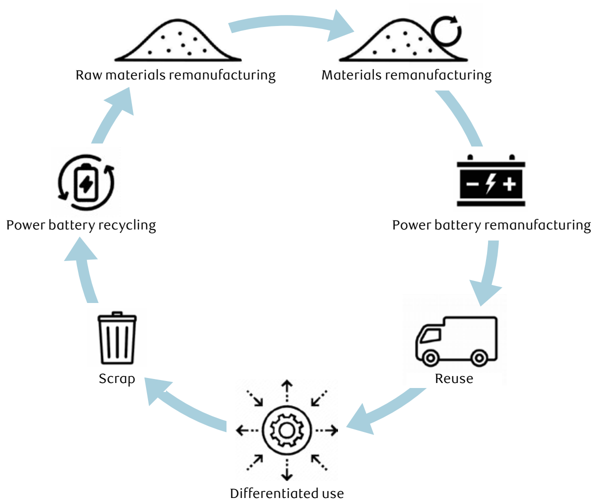
Partnerships, such as its one with Michelin, are just one example of Li Auto's emissions reduction efforts through supply chain management. Through this supplier and the procurement of low-carbon tires, Li Auto has been able to reduce CO_2 emissions by 67% in the production stage, and by 3% in the use stage[32].

When it comes to its own operations, Li Auto is committed to building sustainable and green factories in efforts to reduce the environmental footprint of its production process. Environmental impact assessments are an important part of the company's site selection process, and measures such as biodiversity protection, pollution prevention and so on are practiced throughout construction and beyond. In 2022, Li Auto delivered two new manufacturing bases, in Beijing and Changzhou, both in compliance with local laws and regulations, but also to the international standards set by ISO 14001, amongst others[33].

Beyond its production line, the efficiency of its end product is, of course, a core focus. Li Auto's self-developed extended-range EV technology employs a lightweight and green battery design that reduces overall energy consumption and ensures high endurance.

The company is also making strides when it comes to product recyclability, building a power battery recycling system to responsibly manage the disposal of waste batteries (Figure 20). These battery recycling institutions have already been developed in east, central and south China, but the company is planning to expand these further throughout the country.

Figure 20: Standard handling procedures of waste battery



Source: RBC GAM, Li Auto Inc. 2022 ESG Report.

[31, 32, 33] Li Auto Inc. 2022 Environmental, Social and Governance Report.

Safety first

In accordance with its efforts to develop larger EVs, Li Auto considers families to be its target customer, placing safety protocols at the heart of what it does to ensure consumer protection. These efforts are reflected in the awards and certifications obtained by the company's models. It's Li L9 model, for example, has obtained accolades such as G ratings (the highest possible score) in the China Insurance Automotive Safety Index[34].

As well as safety, Li Auto is also committed to providing 'healthy' products, using environmentally friendly materials to reduce harmful substances within its models and optimising in-car air quality. The company conducts rigorous testing on both throughout its production process, and in a recent third-party test, its Li L9 model was found to have less than one-fifth of the indoor formaldehyde limit permitted in northern Europe[35].

Employee safety is another central focus, and occupational health and safety training and examinations are conducted before employment can begin, contributing to zero production-related fatalities and no serious work-related injuries in 2022[36].

Li Auto is also leading its peers in terms of its focus on employee mental wellbeing, establishing the Employee Assistance Program ("EAP"), which provides employees with access to 24-hour counselling services. For the company's blue collar team leaders, it also offers empowerment training to help them identify abnormal or concerning emotions amongst team members and to equip them with tools to provide necessary support.

Summary

We believe Li Auto sets a strong example of best-in-class supply chain management, not only selecting environmentally conscious suppliers, but also working closely with them to improve existing practices. The efficiency and safety of its products contribute to the health and protection of its end consumers, whilst internal practices promote employee welfare.

[34, 35, 36] Li Auto Inc. 2022 Environmental, Social and Governance Report.

Bank Rakyat Indonesia – championing financial inclusion in under-served markets

Sector: Financials – Banks
Country: Indonesia

Bank Rakyat Indonesia ("BRI") is a state-owned bank specialising in microfinance, with a loan profile skewed to micro, small, and medium enterprise ("MSME") loans. This differentiates the firm from Indonesia's other dominant banks, while also ensuring it stands out for its efforts to promote financial inclusion across under-served markets.

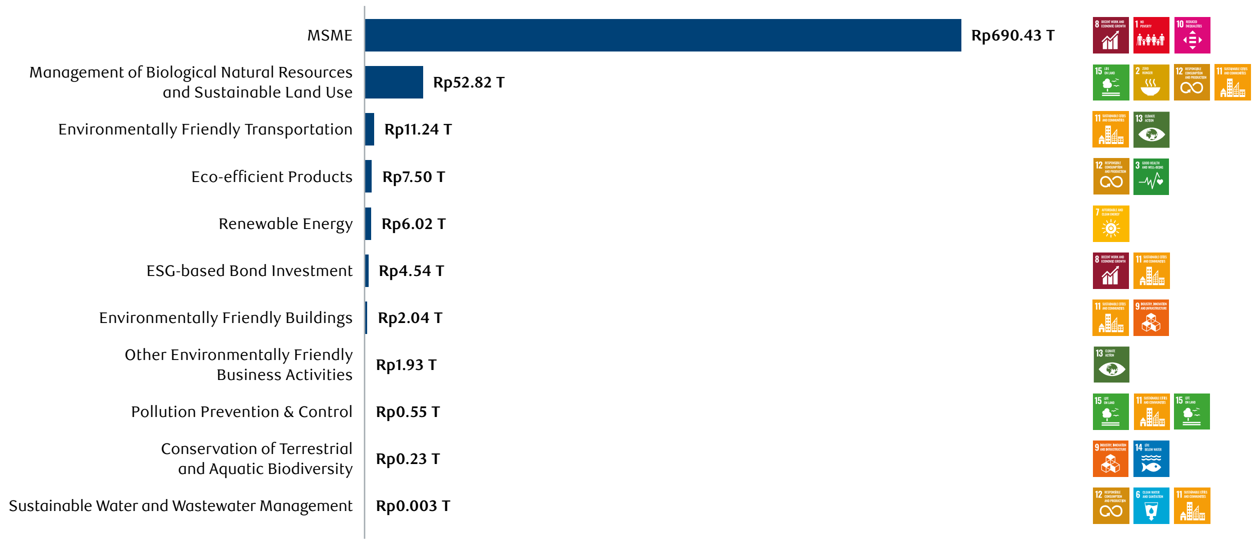
Promoting financial inclusion

BRI's mission to become 'the most valuable banking group in Southeast Asia and champion of financial inclusion' targets the creation of both economic and social value, through a combination of financing and non-financing initiatives[37]. From a financing perspective, BRI is committed to reaching under-served communities and areas of the market, providing specialised products to MSMEs and individuals.

In Indonesia, MSMEs are a crucial part of the national economy, with 64.2 million Indonesian MSMEs reported in 2022, accounting for 62% of the economy[38]. However, despite its size, this sector can often face challenges when it comes to access to capital and product suitability.

BRI is focused on overcoming these obstacles by offering tailored solutions to this end of the market. In 2023, sustainable financing activities contributed to 67% of the firm's total credit and corporate bond investment portfolio, with its strong MSME loan book, in particular, aligning close to 50% of company revenues with United Nations Sustainable Development Goal ("UN SDG") 8, which promotes decent work and economic growth (Figure 21)[39]. We find that the bank is also making efforts to offer non-financial support, promoting financial literacy through education and empowerment. BRI has created a framework to offer a more targeted approach to individual customers, offering support tailored to their unique entrepreneurship and literacy capabilities.

Figure 21: Sustainable financing activities in 2023



Total Sustainable Financing Activities	**Rp 777.28 Trillion** (**67.11%** of BRI's Total Credit and Corporate Bond Investment Portfolio)

Source: RBC GAM, BRI Sustainability Report 2023.

[37] BRI Sustainability Report 2023.
[38] Harvard Business Review, How Ultra Micro Holding Connects Finance to Millions in Indonesia, as at 14 December 2023.
[39] BRI Sustainability Report 2023. The UN SDGs outline the areas where action is required by all countries for peace and prosperity for people and the planet, now and into the future. For more information, please refer to UN SDGs.

Tangible evidence of BRI's success in providing both financial and non-financial support can be seen in its holding company, Holding Ultra Mikro ("UMi"). UMi seeks to guide unbanked, ultra-micro customers towards financial independence, with a particular focus on female entrepreneurs. Through its PNM Mekaar programme, UMi provides access to capital and coaching, particularly to housewives and underprivileged women, and by the end of 2023, it had 15.1 million female debtors (an increase of 1.2 million from 2022), accounting for IDR42 trillion (USD2.7 billion) in outstanding debt[40, 41].

Taking action to preserve the environment

BRI is conscious of its responsibility to the environment, and it is implementing policies and targets to assist in its commitment to mitigating climate change. In 2023, it became the first Indonesian financial institution to seek approval from the Science Based Targets initiative ("SBTi") for its science-based targets[42].

Analysis of its portfolio emissions and carbon intensity has helped to focus company management on key areas that need attention, with agriculture, hunting, forestry & fishing contributing the largest share to total portfolio emissions, and electricity, gas & water supply flagging as the most carbon intensive sectors[43].

"BRI is conscious of its responsibility to the environment, and it is implementing policies and targets to assist in its commitment to mitigating climate change."

In addition, the bank is implementing targeted sub-sector policies as part of its efforts to preserve the environment. These include a Sustainable Palm Oil Sector Financing policy, requiring debtors in the palm oil sector to have an Indonesian Sustainable Palm Oil ("ISPO") or Roundtable on Sustainable Palm Oil ("RSPO") certification, and a Pulp & Paper Sector Financing policy, which require debtors in this industry to apply green industry principles, manage waste and GHG emissions.

Summary

BRI is committed to accelerating financial inclusion in Indonesia, with a strong suite of targeted products to service the needs of under-served communities and individuals. It is similarly focused on its responsibility to preserving the environment and is taking considered action to improve its emissions profile and promote best practice amongst its underlying investments.

[40, 42, 43] BRI Sustainability Report 2023.
[41] BRI Sustainability Report 2022.

Asian Equity team profiles

Mayur Nallamala

Head of RBC Asian Equity,
Senior Portfolio Manager

25 years of experience

BSc (Economics and Economic History) (1998), London School of Economics, U.K.

Mayur is a senior portfolio manager and head of the Asian Equity team at RBC GAM. Prior to joining the firm in 2013, he was a portfolio manager at a global asset management firm, responsible for Asia Pacific ex-Japan mandates, managing assets on behalf of sovereign wealth, institutional and retail clients around the world. Mayur had earlier worked at major brokerage firms in London and Hong Kong, working in derivatives and equity research. He began his career in the investment industry in 1998.

Siguo Chen

Portfolio Manager

11 years of experience

MSc (Finance) (2012), HEC Paris, France; BSc (Mathematics and Applied Mathematics) (2010), Beijing University of Aeronautics and Astronautics, China.

Siguo is a portfolio manager on the Asian Equity team at RBC GAM. She is the lead manager for the team's China strategy and is also the team's healthcare specialist. Prior to joining RBC GAM in 2017, Siguo was a sell-side equity analyst with a multinational investment bank where she specialized in China and Hong Kong consumer sectors and Hong Kong Equity strategy. She started her career in the investment industry in 2012.

Maya Funaki

Portfolio Manager

13 years of experience

BA (Financial Economics) (2011), Columbia University, U.S.

Maya is a portfolio manager on the Asian Equity team at RBC GAM. She is the lead manager for the team's Japan strategy and is also the team's industrials specialist. Prior to joining the organization in 2015, Maya had worked as an analyst at a multinational investment bank in the investment banking division. She started her career in the investment industry in 2011.

Derek Au

Portfolio Manager

11 years of experience

CPA, CA (2011), MAcc (2009), BSc (Accounting and Financial Management) (2008), University of Waterloo, Canada.

Derek is a portfolio manager on the Asian Equity team at RBC GAM. He is the team's communications, technology, and consumer specialist. Derek joined the firm in 2013 as part of a graduate program that allowed him to work in a variety of roles in Toronto and Hong Kong across fixed income, Canadian equities, and Asian equities. He had earlier worked at a global accounting firm, where he was responsible for the financial advisory and audit of publicly listed corporations in Toronto. He started his career in the investment industry in 2013.

Chris Lai, CFA

Portfolio Manager

12 years of experience

CFA (2014); MBA (Finance Strategy) (2012), London Business School, U.K.; BBA (Finance) (2007), The McDonough School of Business, Georgetown University, U.S.

Chris is a portfolio manager on the Asian Equity team at RBC GAM. He is the team's financials and real estate specialist. Prior to joining the organization in 2015, Chris was a sell-side equity analyst at a multinational investment bank where he specialized in the financials sector across Asia. He had earlier worked at a major financial services holding company in a number of sales and risk management roles in different parts of the world. Chris started his career in the investment industry in 2012.

Selina Lu, CFA

Portfolio Manager

14 years of experience

CFA (2015); MBA (2018), Rotman School of Management, Canada; BBA (Accounting) (2010), University of Toronto, Canada.

Selina is a portfolio manager on the Asian Equity team at RBC GAM. She is the team's commodities, utilities, and consumer specialist. Selina joined the organization in 2018 as a part of a graduate program that allowed her to work in a variety of roles in Toronto and Hong Kong across North American equities and Asian equities. Prior to this, she had worked at a major Canadian financial institution, gaining experience in corporate banking, credit risk and finance. Selina began her career in the investment industry in 2010.

David Soh

Head of Research, Portfolio Manager

19 years of experience

Certificate in ESG Investing, CFA Institute (2022); MSc (Investment Management) (2013), Hong Kong University of Science and Technology, Hong Kong; BSc (Political Science) (2005), Korea University, South Korea.

David is head of research and a portfolio manager on the Asian Equity team at RBC GAM. Prior to joining the organization in 2014, David had worked at a multinational investment bank specializing in quantitative investment strategies for Asian equities, having earlier worked as a management consultant at a global consultancy firm. He started his career in the investment industry in 2007.

Yuya Hashinaga

Analyst

4 years of experience

BA (Policy Management) (2019), Keio University, Tokyo, Japan.

Yuya is an analyst on the Asian Equity team at RBC GAM working closely with portfolio managers to support bottom-up research, primarily on Japan. Prior to joining the organization in 2022, Yuya was a buy-side equity analyst with a leading asset manager in Tokyo where he specialized in the Japanese retail and consumer sectors. Yuya started his career in the investment industry in 2020.

Anson Ko

Analyst

2 years of experience

BSc (Quantitative Finance) (2021), Hong Kong University of Science and Technology, Hong Kong.

Anson is an analyst on the Asian Equity team at RBC GAM. He works closely with portfolio managers to support bottom-up research across all sectors in the Asia Pacific region. Prior to joining the organization in 2021, which is when he started his career in the investment industry, Anson successfully completed internships both with his current team and also sell-side equity research teams at global investment banks.

Qian Yu

Analyst

7 years of experience

MEng (Technology Management for Innovation) (2017), University of Tokyo, Japan; BEng (Electronic and Electrical Engineering) (2014) (Fudan-Birmingham undergraduate 3+1 collaboration), University of Birmingham, U.K.; BSc (Microelectronics) (2014), Fudan University, China.

Qian is an analyst on the Asian Equity team at RBC GAM. In this role, he is responsible for assisting in China equity investment research. Prior to joining the organization in 2021, Qian was a sell-side equity analyst with a multinational investment bank in Shanghai where he specialized in the China industrials sector. He started his career in the investment industry in 2017.

Owen Ou, CFA

Portfolio Engineer

10 years of experience

CFA (2018); MStat (2020), University of Hong Kong; BEng (Civil Engineering) (2014), BBA (2014), Hong Kong University of Science and Technology, Hong Kong.

Owen is a portfolio engineer on the Asian Equity team at RBC GAM. He is focused on portfolio construction and risk analysis. Prior to joining the organization in 2018, Owen was an analytics consultant at a major financial data and software company, specializing in quantitative modelling and portfolio analytics. He started his career in the investment industry in 2014.

Camilla Bryden

Product Specialist

6 years of experience

MA (English Literature) (2015), University of St Andrews, United Kingdom

Camilla is a product specialist on the RBC Asian Equity team at RBC GAM. She assumed this role in 2024 after working closely with the team since 2022. Camilla joined the firm in 2021 as a client services manager where she was responsible for managing and developing relationships with institutional clients. Prior to joining the firm, she worked across sales and marketing at an asset management firm specialising in Indian equities. She started her career in the investment industry in 2018.

Clement Cheng

Head of Asian Equity Trading

19 years of experience

MBA (2010), Australian Graduate School of Management, Hong Kong; BComm (Accounting) (2002), Macquarie University, Australia.

Clement is a senior trader and head of Asian Equity trading on the Asian Equity team at RBC GAM. He manages the Hong Kong trading desk and executes trades for the organization's Asia Pacific, Japan, and China strategies. Prior to joining the firm in 2014, Clement had gained experience at major buy-side and sell-side institutions. He began his career in the investment industry in 2005.

Kathy So

Asian Equity Trader

7 years of experience

MA (Philosophy) (2017), The Chinese University of Hong Kong; BSc (Economics and Finance) (2011), The University of Hong Kong.

Kathy is a trader on the Asian Equity team at RBC GAM. She joined the organization as an equity trader in 2016, which is when she started her career in the investment industry, specializing in Asian markets. Kathy began her career in financial journalism with experience anchoring financial television programs covering Asia, Europe and U.S. markets.

Contact us

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To ensure that we continue to meet our key stakeholder needs and interest, we welcome feedback on how we can improve our future efforts. Details of how to contact us are provided below.

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