

**SHINING A LIGHT ON THE.....
Alquity Asia Fund**

AT A GLANCE

Investment Objective
The aim of the fund is long term capital appreciation by investing at least two-third (2/3) of its net assets in i) equity securities listed on the Regulated Markets of countries in Asia (the "Asian Region"); (ii) equity securities listed on the Regulated Market outside of the Asian Region whose issuers either have more than 50% of their revenue, net income and /or operating profit, in the Asian Region.

Inception Date	5 May 2014
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000TFHU

Management	
Manager Name	Start Date
Mike Sell	5 May 2014

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	11.34%
Large	30.38%
Medium	25.68%
Small	22.30%
Micro	10.30%

Top 10 Holdings		
Total number of holdings	47	
Assets in Top 10 Holdings	36.17%	
Name	Sector	% of Assets
Yoma Strategic Holdings Ltd	Industrials	5.07%
Habib Bank Ltd	Financial Services	4.73%
LG Household & Health Care Ltd	Consumer Defensive	4.47%
China State Construction	Industrials	4.02%
Maple Leaf Cement Factory Ltd	Basic Materials	3.50%
China Overseas Land & Investment Ltd	Real Estate	2.99%
V-Mart Retail Ltd	Consumer Cyclical	2.95%
Nam Long Investment Corp	Real Estate	2.91%
PT Matahari Department Store Tbk A	Consumer Cyclical	2.82%
IndusInd Bank Ltd	Financial Services	2.72%

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Volatility Measurements	
3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

FUND PERFORMANCE

Performance from 5 May 2014 to 31 January 2017:

	2014	2015	2016	2017
Alquity SICAV Alquity Asia Fund	13.80%	1.31%	12.18%	0.87%
iShares MSCI AC Far East ex-Japan	9.97%	-7.98%	24.94%	4.36%

Performance over 12 months and since launch:

	1 year	Since Launch
Alquity SICAV Alquity Asia Fund	20.68%	30.45%
iShares MSCI AC Far East ex-Japan	35.57%	31.95%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

We have followed this fund since its launch and particularly like the team and the manager, which focuses on 'new Asia' unlike many other funds. This is particularly relevant for two reasons, firstly in the new Trump era there are concerns that 'old Asia' could suffer in any trade wars, whereas those companies focusing on domestic growth stories will continue to grow, and secondly the fund also invests in new economies like Pakistan and Vietnam.

Up to the end of 2015 the fund had outperformed the index significantly but since then has underperformed. From an investment viewpoint, this is a new fund and although we expect periods of underperformance it is difficult to invest in a new fund that has suffered like this in the early stages. We met the manager for an update and they explained that they have around 25% invested in India and last year there was a wobble which meant some of their holdings were down 30%. It didn't change their view of these companies and actually provided buying opportunities, but it did mean that they were in the wrong place in terms of performance.

Mike went onto to explain that fundamentally they are looking for good companies and they believe these companies have the compacity to outperform over a 3 to 5-year time frame. So, although performance suffered in 2016 they still believe in India as a growth story and now have around 30% invested in the region. The fund is also weighted to mid-cap companies where he believes there is greater value and growth opportunities but much of the rally in 2016 was driven by large cap.

Fundamentally this is about picking an Asian Fund that is very different to many of the funds currently in the sector. It includes frontier Asian economies, companies that don't tend to be in other funds and more of a focus on mid-cap firms.

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The difficulty remains with attaining performance and although the fund started out well it has dropped back. It may be that this is either seen as a blend with a more established fund, or it is a case of waiting to see if the performance comes through.

In summary, we believe that this has a good management team behind the fund with the potential to deliver solid returns, however the performance suffered in 2016 due to its weighting to India and mid-cap companies. Personally, we would want to see the fund claw back that underperformance but others may see it as an opportunity to invest.

The source of information in this note has been provided by Alquity and is correct as at February 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.