

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

AT A GLANCE

Investment Objective	
The aim of the fund is long term capital appreciation by the investing of at least two-thirds 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	31 March 2014
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000VA68

Management	
Manager Name	Start Date
Mike Sell	31 March 2014

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	16.92%
Large	31.52%
Medium	28.97%
Small	19.14%
Micro	3.45%

Top 10 Holdings		
Total number of holdings	41	
Assets in Top 10 Holdings	37.25%	
Name	Sector	% of Assets
V-Mart Retail Ltd	Consumer Cyclical	4.49%
KEI Industrials	Technology	4.30%
HeidelbergCement India Ltd	Basic Materials	4.16%
Ping An Insurance (Group) Co. of Chin...	Financial Services	4.08%
Mahindra & Mahindra Financial Service...	Financial Services	3.95%
Xtep International Holdings Ltd	Consumer Cyclical	3.68%
Joint Stock Commercial Bank for Forei	Financial Services	3.33%
China Pacific Insurance (Group) Co Lt.	Financial Services	3.21%
Dali Foods Group Co Ltd	Consumer Defensive	3.08%
BRAC Bank Ltd	Financial Services	2.96%

Volatility Measurements	
3-Yr Std Dev (volatility)	15.60%
3-Yr Mean Return (average)	11.94%

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FUND PERFORMANCE

Performance from 1st January 2015 to 31st May 2019:

	2015	2016	2017	2018	2019
Alquity Asia Fund	1.31%	12.18%	15.40%	-12.79%	9.06%
iShares MSCI AC Far East ex JPN ETF	-5.92%	27.34%	28.84%	-10.18%	3.48%
MSCI EM Asia	-7.90%	4.51%	33.26%	-15.00%	4.23%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
Alquity Asia Fund	-5.80%	25.93%	41.94%
iShares MSCI AC Far East ex JPN ETF	-8.41%	51.00%	60.47%
MSCI EM Asia	-11.52%	24.32%	20.87%

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 reviewed this fund several times and discussed performance. Q2 and Q3 2018 were difficult for the fund because this fund has a domestic focus and with the concerns on the trade war there was a flight to safety, which meant investors turned to exporters and large caps and away from mid-cap and domestics.

They also took a hit from the banking sector in India which dragged down the whole market. During this period they had been investing in China increasing exposure to 40%. This helped in Q1 2019 as the market rebounded when investors saw that China wouldn't suffer a hard landing.

More recently the fund benefited from the re-election of Modi but this has dropped back in the last couple of weeks. They have been reducing exposure to China and increasing weightings to India. They are positive where Modi is pro-development, reform and infrastructure.

There are risks with India demonetisation, rising oil prices and monsoons. A bad monsoon will weaken sentiment.

In terms of oil the risk is with Iran, but they don't think this will be the next Iraq.

The fund has a larger exposure to mid-cap which has underperformed large-cap and has no exposure to Australia, which is a large part of the index. They are benchmark agnostic but believe the MSCI EM Asia is a better index for this fund. The holdings in the fund are less leveraged than the index and cheaper. They believe that going forward they should start to outperform the Australian part of the index and the big tech names which they don't hold.

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There have been some changes to the team and it now has 2 analysts and one strategist. We discussed the potential for a recession and Mike feels the domestic focus should help the fund.

Other areas of investment include Vietnam which is now 10% of the fund, Indonesia, Pakistan and Bangladesh.

In summary, this is a very differently positioned fund to others in the sector. If investors believe in the domestic story and want exposure to mid-cap companies then this might be the one to consider. It has underperformed the index but the argument is that if there is a rotation away from Australia and big tech names then this fund should do well.

The source of information in this note has been provided by Alquity and is correct as at June 2019. 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.