

**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	12.21%
Large	29.55%
Medium	32.13%
Small	21.49%
Micro	4.62%

Top 10 Holdings		
Total number of holdings	39	
Assets in Top 10 Holdings	37.92%	
Name	Sector	% of Assets
Mahindra & Mahindra Financial Service...	Financial Services	4.17%
V-Mart Retail Ltd	Consumer Cyclical	4.17%
HeidelbergCement India Ltd	Basic Materials	4.13%
KEI Industrials	Technology	4.00%
Escorts Ltd	Industrials	3.91%
Vietnam Dairy Products JSC	Consumer Defensive	3.87%
Xtep International Holdings Ltd	Consumer Cyclical	3.81%
Dali Foods Group Co Ltd	Consumer Defensive	3.47%
Ping An Insurance (Group) Co. of Chin...	Financial Services	3.27%
ICICI Bank Ltd	Financial Services	3.12%

Volatility Measurements	
3-Yr Std Dev (volatility)	13.95%
3-Yr Mean Return (average)	3.50%

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FUND PERFORMANCE

Performance from 31st March 2014 to 31st October 2019:

	2014	2015	2016	2017	2018	2019
Alquity Asia Fund	11.88%	1.67%	13.80%	15.22%	-12.77%	8.57%
iShares MSCI AC Far East ex JPN ETF	11.41%	-5.92%	27.34%	28.84%	-10.18%	7.11%
MSCI EM Asia	8.74%	-5.83%	6.87%	35.89%	-13.12%	11.25%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
Alquity Asia Fund	16.13%	1.51%	41.26%
iShares MSCI AC Far East ex JPN ETF	9.70%	17.16%	65.43%
MSCI EM Asia	11.53%	27.90%	43.74%

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....

This is a fund we have followed for some time. This is different to other Asia Funds particularly in that it's largest country weighting is tilted towards India, and it tends to have a more mid-cap focus. It also plays on the domestic growth story and has positions in some frontier economies. The performance remains an issue for the strategy although it has been slightly above the index since 1 January, and over 12 months there is a wider gap.

Much of the outperformance this year has been through its holdings in China and in particular property, insurance and sportswear. There is one tech holding. Some of these stocks have returned over 100% this year. Mike tends to focus on HK listed stocks, but he is now looking at A Shares where there are many more ideas. However, he believes care needs to be taken as quality stocks are not cheap. There tends to be related party transactions and there are few safe stocks.

Where he sees opportunities, and where the fund has a larger positioning, is in India. Although this has been a big distractor to performance there is a recovery coming through. The government have removed tax on foreign investors and cut corporation tax. The monsoon season has been good and this should provide a boost to the rural economy over the next 12 months. Modi's recent election result also provides stability and continued reforms. All these factors should start to benefit the funds performance moving forward.

In India there are already signs of a reversal of fortunes, with sales of motorbikes and cars slightly up. There are also more infrastructure projects coming through and a cut in interest rates. Valuations remain attractive in the small and mid-cap space and this is where the fund is positioned.

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The other main weighting is Vietnam where Mike sees benefits, especially as a result of the trade war and shift in manufacturing to this area.

In terms of underperformance this has come from not holding the big tech names, being positioned in mid-caps and over exposure to India. The fund is trading at a discount to the market. Mike's view is that if an investor thinks there will be a large cap tech rally then this is not the fund to be in. But if the view is that mid-caps and India are where growth is going to come from then this is a fund to consider.

In terms of on the ground exposure, they do not believe this is important due to the experience they have and the detailed notes they write up on every company they look at. They believe this is what makes them stand out from the crowd. We talked about language barriers and they believe this is not that important as most people now speak English. Understanding cultural differences is more important.

They are not the biggest firm but aim to build on their niche and grow assets to the next level. They have been adding to the team to give a broader view and depth.

In summary, this is a well-managed fund and is likely to be different in terms of holdings compared to other strategies. The main issue remains performance and although there has been an uplift over the last 12 months, the three-year figures remain weak. Investing in the strategy really is about believing that Mike can turn this around and many may decide to wait to see if the uplift in performance is a long-term trend rather than a short term movement.

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