

**SHINING A LIGHT ON THE.....
Alquity Future World Fund**

AT A GLANCE

Investment Objective
The aim of the fund is long term capital appreciation by means of investing at least 70% of its net assets in:- (i) equity securities listed on Regulated Markets of Asia, Africa, Central & Eastern Europe, Latin American countries, and the Middle East which are listed as a frontier market or emerging market in the MSCI Frontier Markets Index or MSCI Emerging Markets Index (collectively the "Emerging and Frontier Markets"); (ii) equity securities listed on the Regulated Markets outside of the Emerging and Frontier Market Whose issuers either have more than 50% of their assets, or have realized more than 50% of their revenue, net income and/or operating profit, in the Emerging and Frontier Markets.

Inception Date	5 th June 2014
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=OP00014DLI

Management	
Manager Name	Start Date
Mike Sell	-
Marnie Uy	-

FUND PERFORMANCE

Performance from 1st January 2016 to 31st October 2020:

	2016	2017	2018	2019	2020
Alquity Future World Fund	19.97%	15.22%	-12.03%	6.67%	-8.78%
MSCI EM	7.12%	27.76%	-12.24%	15.05%	2.26%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Alquity Future World Fund	-8.14%	-11.06%	22.06%	53.59%
MSCI EM	8.41%	4.74%	35.61%	12.30%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
9.94	81.35	86.04	124.68	50.00	1.01	-6.72	Blend/Large

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Volatility Measurements

3-Yr Std Dev (volatility)	18.26%
3-Yr Mean Return (average)	-3.83%

Investment Style Details

Giant	33.34%
Large	30.29%
Medium	18.82%
Small	9.74%
Micro	4.76%

Top 5 Holdings – 56 holdings

Taiwan Semiconductor Manufacturi...	Technology	5.82%
Tencent Holdings Ltd	Communication Services	5.62%
Meituan	Consumer Cyclical	4.22%
Ping An Insurance (Group) Co. of...	Financial Services	3.68%
Delta Electronics Inc	Technology	3.33%

Top 5 Sectors

Technology	23.36%
Financial Services	16.54%
Consumer Cyclical	14.33%
Consumer Defensive	13.44%
Communication Services	8.73%

Top 5 Regions

China	30.96%
India	16.85%
Taiwan	12.63%
South Korea	6.84%
Indonesia	5.22%

UPDATE....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

We have met the team from Alquity several times. Where they have had good performance in the past, this has drifted in recent years. Over the last 12 months the business has made changes both in terms of investment into the company, and within the investment strategies.

The Future World strategy has added Marnie Uy as the Co-Manager and Head of Quantitative Risk. The aim is that Marnie provides an additional oversight, looking at what works well and what does not. It is early days, however, the team are starting to see performance improve.

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The strategy follows a four-stage process.

Stage 1 – looks at the total universe and filters this down to the core universe. This process involves ESG red flags and thematic

Stage 2 – involves deep fundamental analysis and modelling with a long-term perspective. There is also a qualitative ESG assessment and rating between A and C. Below C is an automatic fail

Stage 3 – is portfolio construction centred around quantitative analytics, risk framework, macro analysis and investment convictions. This provides a concentrated portfolio of between 50 to 75 names. They have a hard limit of 20 to 25% invested in small cap companies

Stage 4 – portfolio management considers ongoing risk control. This is a mix of impact measurement, active engagement, transforming lives insight, risk management and investment case review

We discussed what makes this stand out and they explained the main elements that make this unique are:

1. The ESG oversight which puts them up with the very best
2. The money that is invested directly changes lives through the Alquity Transforming Lives Foundation, which distributes revenues set aside by Alquity to charities and social enterprises in the regions that they invest
3. True all cap strategy which includes up to 25% invested in small cap companies. Currently this is around 15% of the fund
4. Access to both developed and frontier economies
5. Domestic bias with around 70 to 75% of the fund invested in this part of the economy

They believe that EM is at a tipping point and they are seeing more assets flow into this region and their funds. The region is trading at a discount to developed markets, and small cap at a greater discount. Although they have added additional oversight into the process the fundamental strategy has not changed. They remain true to being stock pickers and using money to transform lives. They know that performance has been weak, however, they feel with the additional investment into the firm and new team members this will see a change in that performance.

In summary, this is a true impact investment where clients can see their money transforming lives. Poor performance has impacted the strategy but they are actively looking to change this. At this stage it is too early to see if this will work and we would want to monitor for at least 12 months. Assuming the performance improves then this could act as something different when considering options to invest in emerging markets.

The source of information in this note has been provided by Alquity and is correct as at November 2020. 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.