

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

### AT A GLANCE

Investment Objective
The aim of the fund is long term capital appreciation by of 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.

<b>Inception Date</b>	31 March 2014
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VA68">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VA68</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Mike Sell	31 <sup>st</sup> March 2014

### FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2016 to 31<sup>st</sup> August 2021:

	2016	2017	2018	2019	2020	2021
<b>Alquity Asia Fund</b>	13.80%	15.22%	-12.77%	6.06%	12.24%	7.96%
<b>MSCI AC Asia Ex Japan</b>	25.77%	29.45%	-9.05%	13.61%	21.16%	-0.01%

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

	1 year	3 years	5 years	Since launch
<b>Alquity Asia Fund</b>	27.05%	15.46%	23.61%	67.21%
<b>MSCI AC Asia Ex Japan</b>	14.42%	26.53%	63.54%	122.19%

*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	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
11.14	(0.29)	76.22	84.85	96.55	58.33	0.96	(2.08)	Blend/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	18.22%
3-Yr Mean Return (average)	4.91%

Investment Style Details	
Giant	50.16%
Large	20.82%
Medium	14.88%
Small	9.02%
Micro	3.73%

Top 5 Holdings – 55 holdings		
Taiwan Semiconductor Manufacturi...	Technology	7.17%
Tencent Holdings Ltd	Communication Services	6.27%
Hong Kong Exchanges and Clearing...	Financial Services	2.71%
UltraTech Cement Ltd	Basic Materials	2.65%
Infosys Ltd	Technology	2.62%

Top 5 Sectors	
Technology	25.73%
Financial Services	15.29%
Consumer Cyclical	13.71%
Consumer Defensive	12.70%
Communication Services	11.84%

Top 5 Regions	
China	31.58%
India	15.97%
Taiwan	13.77%
Korea	8.47%
Hong Kong	6.55%

#### UPDATE....

This is a strategy we have followed since launch and have in the past invested in. However, the performance dropped away and although we have followed it, we have not been inclined to add to our watchlist of funds. The strategy focused on domestic growth, small cap, and smaller markets and although this worked at the beginning, performance has dropped away. The other aspect which appealed to us was the transforming lives foundation, where a proportion of profits go to charity partners in the region.

A lot has changed over the last 18 months, with new members coming on board and a focus on turning around the performance. If we look at the data over three years, we could argue that nothing has really changed. However, over one year there seems to be change happening. The tracking error over 12 months has dropped to 4.11 and the information ratio 3.07. The volatility has dropped to 9.20% vs the Index at 12.38%.

So something is happening and we wanted to talk to Mike to understand what that is, and whether this is sustainable or another false dawn. Mike explained that you must be open to learning as a fund manager, and the changes that have come in were about understanding what wasn't working and then looking at the best way to achieve consistency of returns, without losing the aspects they were good at. In doing this they discovered that the weighting to small cap introduced too much risk and therefore, although they will still own small cap, this will be in a more controlled way.

Some stocks they traditionally would not choose to own, to keep the point of being different. This is now changing, and the strategy has recently added Tencent and TSMC. The team around Mike has also increased, and with that more accountability. So for example, where there is underperformance, as a team, they discuss this before coming to a collective decision as to what action to take. Some managers might be uncomfortable with this increased scrutiny but clearly Mike relishes it and it is starting to pay dividends, with better performance and greater consistency. I asked whether this can continue, which is something Mike has also been considering, and his view is that it is the risk framework and bands that are making this work.

When we look at where the fund invests there is no bias to growth or value, or small or large cap. They were underweight China and they have reduced this underweight as the recent sell-off has opened opportunities. In India they have reduced their overweight and taken profits from small cap names. They are underweight Taiwan and Korea and actively seeking opportunities in areas like Indonesia, Philippines, Pakistan, and Bangladesh.

Another aspect we talked about was the impact of travel. They explained that they have built up a bank of information over many years and this helps, but it will erode over time so there are plans to travel as things open. But at the moment it does not impact where they invest.

In summary, the strategy invests in companies with structural growth, sustainable competitive advantages, and cyclical tail winds. The strategy has had a period of underperformance, but changes seem to be turning this around and certainly Mike seems to be embracing these changes. The essence of the fund remains, and the risk controls should deliver greater consistency of returns. We would move this to our watch list to see how things progress over the coming months.

*The source of information in this note has been provided by Alquity and is correct as at September 2021. 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.*