

**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=F00000UQ57

Management	
Manager Name	Start Date
Mike Sell	5 th June 2014
Marnie Uy	1 st January 2021

FUND PERFORMANCE

Performance from 1st January 2016 to 31st October 2021:

	2016	2017	2018	2019	2020	2021
Alquity Future World Fund	18.14%	13.47%	-12.11%	6.64%	1.23%	3.11%
MSCI EM NR	32.63%	25.40%	-9.27%	13.86%	14.65%	-0.55%

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

	1 year	3 years	5 years	Since launch
Alquity Future World Fund	14.43%	19.25%	4.74%	21.54%
MSCI EM NR	10.33%	32.01%	39.54%	72.37%

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
8.69	-0.42	81.40	90.21	106.88	52.79	1.04	-3.19	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	36.23%
Large	22.84%
Medium	19.46%
Small	8.51%
Micro	4.58%

Top 5 Holdings – 62 holdings		
Taiwan Semiconductor Manufacturi...	Technology	6.33%
Tencent Holdings Ltd	Communication Services	6.28%
Meituan	Consumer Cyclical	2.52%
HDFC Bank Ltd	Financial Services	2.39%
SK Hynix Inc	Technology	2.21%

Top 5 Sectors	
Technology	23.05%
Financial Services	18.53%
Consumer Cyclical	17.11%
Consumer Defensive	11.58%
Communication Services	11.29%

Top 5 Regions	
China	26.31%
Taiwan	12.68%
India	11.74%
Indonesia	5.55%
South Korea	5.12%

UPDATE....

In the last update we talked about the addition of a new Co-Manager and Head of Quantitative Risk. Across Alquity recent changes seem to be turning around the underperformance and over 12-months and year to date this strategy has outperformed its benchmark.

The reason for this performance has been a mix of underweights to China and Korea, some of its specific holdings in areas like India, and an out of index Singaporean internet position. The additional focus for the team seems to be paying dividends and the portfolio construction now focuses on investment conviction, quant analysis, macro, and risk framework.

Mike believes the fund is well positioned for 2022. Emerging markets are trading at a significant discount to developed markets and yet have potential benefits which could be good for markets next year. A benign global economic backdrop and weaker US dollar could be beneficial for emerging markets, and they are expecting above trend growth and a reduction in the risk in China.

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With China, although they have tailwinds around regulatory crackdowns, Evergrande, power rationing and the zero-COVID strategy, Mike believes that much of this is already in the price. With the focus on economic growth many of the tailwinds will reduce and hence the view that the risk in China will come down.

The strategy focuses on the domestic growth stories covering the shift from the informal to formal economy, the move from a physical to digital world, decarbonisation, urbanisation and demographics.

Some examples of holdings include:

Indonesia – MAPI, Kino and Indocement

Pakistan – Air Link who are a distributor and manufacturer of mobile phones where smart phone penetration is 18%

Poland – CCC who are a leading shoe retailer with 30% market share

Russia – Fix Price who are a leading Russian discounter with 90% market share

Mexico – Walmex and Asur

They have reduced some holdings in India to take profits from higher valuations and used that to invest in areas where they see value.

We discussed ESG and why they have holdings in Saudi Arabia. They explained that all emerging market countries have issues. In China, as an example, they screen out 40% of companies because of governance failings, poor treatment of workers, product quality failings, pollution incidents and state-owned enterprises. Saudi Arabia is no different. When they invest, they are looking for companies which are operated for the stakeholders (i.e., investors). One the key areas is how workers are treated so they do visit companies to see this in person. For this fund, travelling and meeting companies is a really important aspect in the research process. So, in summary Mike knows there will be issues but if there are good companies that are doing the right things then they will look to invest.

In summary, the Future Would Fund has had a difficult period since launch and performance has been poor. However, the recent changes at Alquity seem to be turning this around. We would therefore be happy to add this to our watch list to see how things improve over the coming months.

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