

**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.

Inception Date	31 March 2014
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VA68

Management	
Manager Name	Start Date
Mike Sell	31 st March 2014

FUND PERFORMANCE

Performance from 1st January 2016 to 31st May 2022:

	2016	2017	2018	2019	2020	2021	2022
Alquity Asia Fund	13.80%	15.22%	-12.77%	6.06%	12.24%	4.16%	-7.08%
MSCI AC Asia Ex Japan	25.77%	29.45%	-9.05%	13.61%	21.16%	-2.51%	-5.34%

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

	1 year	3 years	5 years	Since launch
Alquity Asia Fund	-9.06%	5.64%	5.47%	49.90%
MSCI AC Asia Ex Japan	-10.34%	23.07%	34.65%	127.08%

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
8.03	(0.66)	76.03	82.98	98.62	61.11	1.08	(2.82)	Blend/Large

LWM Consultants Ltd

Volatility Measurements	
3-Yr Std Dev (volatility)	15.00%
3-Yr Mean Return (average)	1.85%

Investment Style Details	
Giant	44.64%
Large	25.98%
Medium	14.54%
Small	5.48%
Micro	4.96%

Top 5 Holdings – 54 holdings		
Taiwan Semiconductor Manufacturi...	Technology	8.11%
Tencent Holdings Ltd	Communication Services	7.04%
SK Hynix Inc	Technology	3.36%
HDFC Bank Ltd	Financial Services	2.77%
ICICI Bank Ltd	Financial Services	2.75%

Top 5 Sectors	
Consumer Cyclical	27.44%
Technology	24.08%
Financial Services	15.64%
Communication Services	10.83%
Industrials	7.85%

Top 5 Regions	
China	30.99%
Taiwan	16.32%
India	11.56%
Indonesia	8.69%
South Korea	8.25%

UPDATE....

In the last update we indicated how this strategy is looking to rebuild its past performance and we saw that recovery in 2021. This year it has slightly underperformed the benchmark but we believe it is heading in the right direction. This is an impact strategy in a true sense as part of the fee income is used to help fund projects in areas they invest in. They have started to print data on the impact they are having.

In terms of the changes, they continue to focus on areas they like but more discipline around not being over exposed to one area has meant they have held up better than many peers. They still like domestic businesses but are happy to blend with global businesses like TSMC.

Indonesia is seeing an increase in consumer spending as they come out of COVID and the weighting has increased. They have reduced exposure to India as they are seeing rising rates and increased oil prices. They have also moved away from small cap to large cap, especially banks, where they are seeing good value.

LWM Consultants Ltd

We discussed China and they explained that Shanghai does matter because of the global supply chains, but no-one is talking about the valuations which are on multi decade lows. They expect the zero COVID policy to change and they expect other changes as they stem rising unemployment and a potential slowdown. Incremental policy moves are likely across home purchases, voucher schemes and less scrutiny on the tech sector. China is unloved but there is great value and the change in valuations could come very quickly.

They have sold one holding in Pakistan and so hold just one company.

In terms of the style, this remains a mix of growth and value at the right price. They avoid companies that have no prospect of profitability, they tend to have less indebted companies and they don't aim to be defensive, but the discipline does make them feel they are positioned well. If they are right, they expect to see good growth numbers from China in the second half of the year, which will light not only China but also the whole region.

In summary, we remain positive around the changes we have seen with this portfolio. The aim is that when markets are positive, they will outperform slightly, when they are down, they will be down less. The new stress testing is delivering more consistency, and although these are still early days the signs are positive.

It is also worth adding that Alquity has seen more money invested into the business, profitability growth and more investment in people, which has seen positive results across all strategies. It is very easy to dismiss this based on past performance but often these are the strategies we want to invest in and will be the ones we look back in ten years' time as opportunities missed.

If we are wrong then this will be final role of the dice for Alquity, and it is likely they will be swallowed up by another fund house. We are therefore happy to add to our watchlist on the basis that we have followed the team for some time, and we can see the positive impact of these changes. However, we would add that nothing is guaranteed, and this short-term positive turn around could be unsustainable long term.

The source of information in this note has been provided by Alquity and is correct as of June 2022. 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.