

Aikya Global Emerging Markets Fund – April 2023

LWM FUND SPOTLIGHT AIKYA GLOBAL EMERGING MARKETS FUND

INVESTMENT OBJECTIVE

The Fund aims to achieve long-term capital growth by investing in high quality companies. These companies should make a positive contribution to sustainable development within the countries in which they operate.

INCEPTION DATE

16th October 2020

FUND FACTSHEET

<https://www.trustnet.com/factsheets/o/uuh1/aikya-global-emerging-markets-fund---ucits>

MANAGEMENT

Manager Name

Ashish Swarup

Start Date

16th October 2020

RATIO DATA (2-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
6.49	0.73	-10.86	6.53	-4.58	52	52	7.29

OTHER DATA

Benchmark	MSCI Emerging Markets
Fund Size	£661.94 million
Fees	0.70% (S Share Class)

BULL POINTS (PRO)

- Focus on one strategy.
- Stable investment team.
- Excellent performance since launch.
- Article 9 and exclusionary.
- High quality.
- Concentrated portfolio.

BEAR POINTS (CONS)

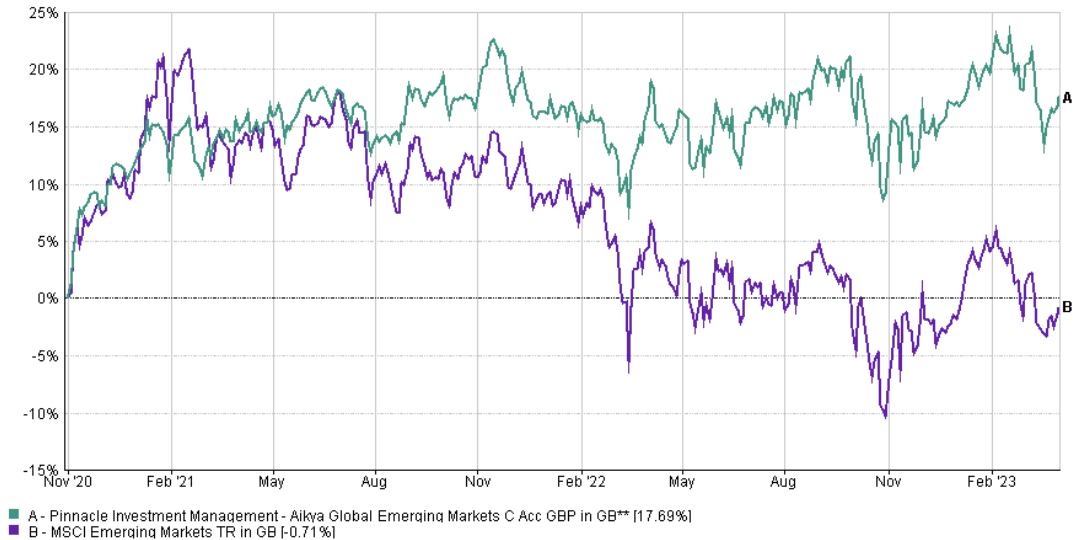
- Short track record.
- High P/E ratios.

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FUND PERFORMANCE

Performance from 30th October 2020 – 31st March 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/10/2020 - 31/03/2023 Data from FE fundinfo2023

Cumulative Performance (GBP)

	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	-2.74%	1.25%	1.75%		
Sector	-4.62%	3.87%	-1.45%	21.09%	5.90%
Relative to Sector	1.97%	-2.53%	3.25%		
Rank in Sector *	29 / 169				
Fund Quartile *	1	N/A	N/A	N/A	N/A

Performance by Calendar Year in (GBP)

	YTD	2022	2021	2020	2019
Fund	-1.14%	0.86%	4.54%		
Sector	0.57%	-12.21%	-0.46%	13.65%	16.04%
Relative to Sector	-1.70%	14.89%	5.02%		
Rank in Sector *					
Fund Quartile *	N/A	N/A	N/A	N/A	N/A

Discrete Annual Performance to Last Quarter End (GBP)

	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	0.80%	1.94%			
Sector	-4.36%	-8.65%	46.84%	-15.43%	-1.52%
Relative to Sector	5.40%	11.60%			
Rank in Sector *					
Fund Quartile *	N/A	N/A	N/A	N/A	N/A

Fund Price Movement (GBP)

12 Month High	10.36 (Pounds Sterling)	12 Month Low	9.55 (Pounds Sterling)
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Annualised Ratios Over 12 Months

No data available

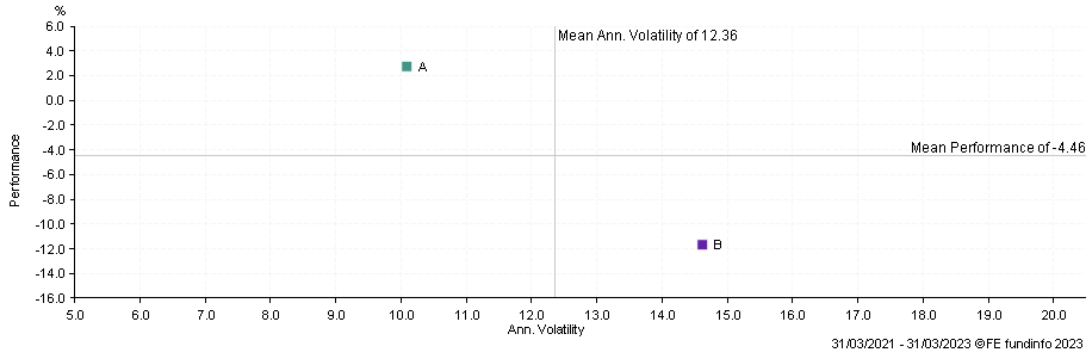
*Ranks & quartiles shown are for the primary share class, Aikya Global Emerging Markets I GBP

Please 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.

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VOLATILITY / RISK SCORE

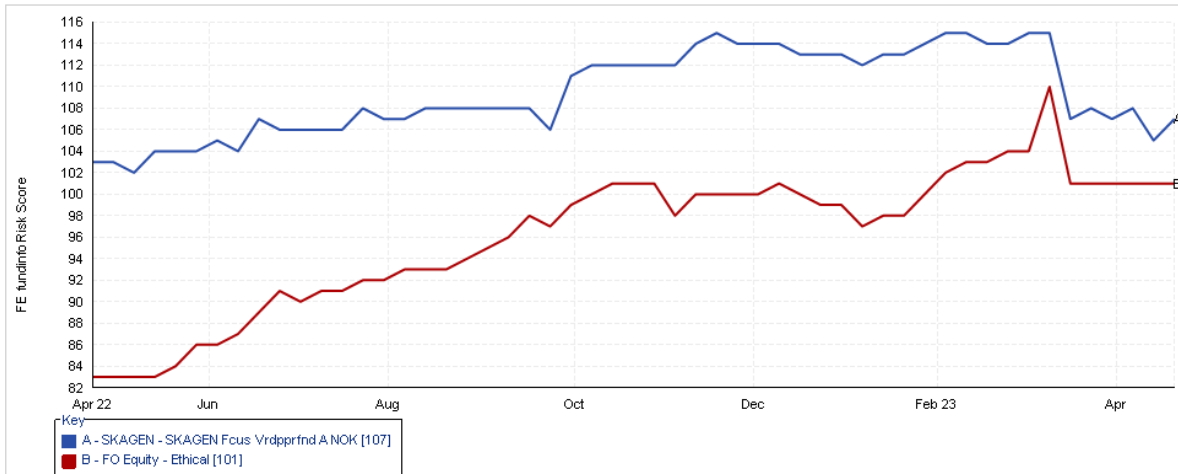
Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Performance	Annualised Volatility
A	Pinnacle Investment Management - Aikya Global Emerging Markets C Acc GBP in GB**	2.76	10.09
B	MSCI Emerging Markets TR in GB	-11.68	14.62

** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

FE fundinfo Risk Score Chart Over 1 Year



22/04/2022 - 21/04/2023 Powered by data from FE fundinfo

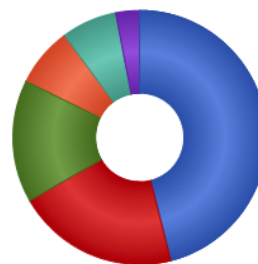
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SECTOR WEIGHTINGS

Sector Weightings as at October 31, 2022

Rank	Change	Name	%
1	▶	CONSUMER PRODUCTS	46.04
2	▶	FINANCIALS	20.68
3	▶	TELECOM, MEDIA & TECHNOLOGY	15.57
4	▶	INDUSTRIALS	7.60
5	▶	HEALTH CARE	7.07
6	▶	MONEY MARKET	3.04

▼ Faller ▲ Riser ▶ No Change ■ New Entry



REGION WEIGHTINGS

Exposure

Sector

Region

Country

vs. Category ▼

Country	■ Investment %	■ Category %
China	19.45	29.98
India	17.06	13.15
Taiwan	13.81	15.22
Hong Kong	8.42	2.10
Brazil	6.83	6.04
South Korea	4.55	10.84
Mexico	4.38	3.30
South Africa	4.26	3.91
Philippines	3.32	0.47
Japan	3.32	0.13

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As of 31 Mar 2023 | Category: Global Emerging Markets Equity | Country data is based on the rescaled long position of the equity holdings | Source: Holdings-based calculations.

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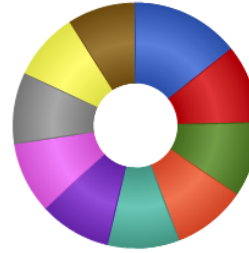
TOP TEN HOLDINGS

Top 10 Holdings as at October 31, 2022

Rank	Change	Name	%	Sector Ranking*
1	▶	UNI PRESIDENT ENTERPRISES CORP	5.74	n/a
2	▲	LG CORP	4.16	n/a
3	▲	FOMENTO ECONOMICO MEXCANO SAB DE CV	3.97	n/a
4	■	BANCO BRADESCO S.A.	3.90	n/a
5	▼	FOSHAN HAITIAN FLAVOURING AND FOOD	3.82	n/a
6	■	KOTAK MAHINDRA BANK LIMITED	3.80	n/a
7	▼	AIA GROUP LIMITED	3.79	n/a
8	■	VITASOY INTERNATIONAL HOLDINGS	3.74	n/a
9	▼	MARICO	3.65	n/a
10	▼	UNICHARM CORP	3.61	n/a
Total			40.18	

* This is the holding ranking within the fund sector composite portfolio (calculated from all available concurrent full portfolios of funds within the sector).

▼ Faller ▲ Riser ▶ No Change ■ New Entry



FACTOR PROFILE

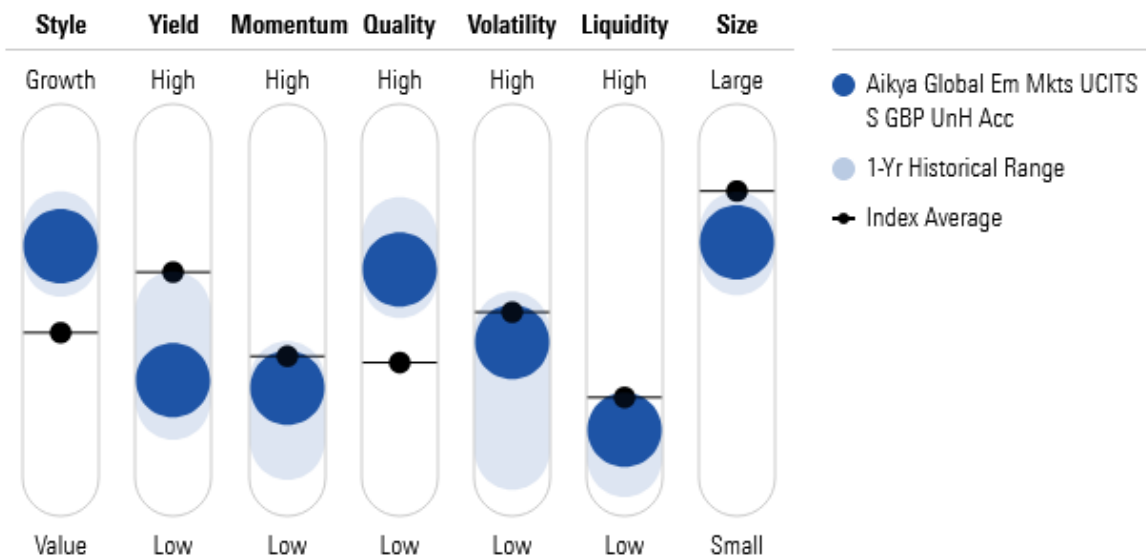
Factor Profile

1-Yr

3-Yr

5-Yr

vs. Index ▼



Investment as of 31 Jan 2023 | Index: Morningstar EM TME GR USD as of 28 Feb 2023

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STYLE MEASURES (MARKET CAP)

Style Measures

Measures

Market Cap

Avg Market Cap	Category Avg Market Cap	Index Avg Market Cap	
18.18 Bil	48.62 Bil	35.21 Bil	
Size	Investment %	Cat. Average %	Index %
Giant	43.04	61.93	55.31
Large	28.31	20.08	33.75
Mid	16.38	11.30	10.03
Small	3.00	0.94	0.40
Micro	0.00	0.03	0.00

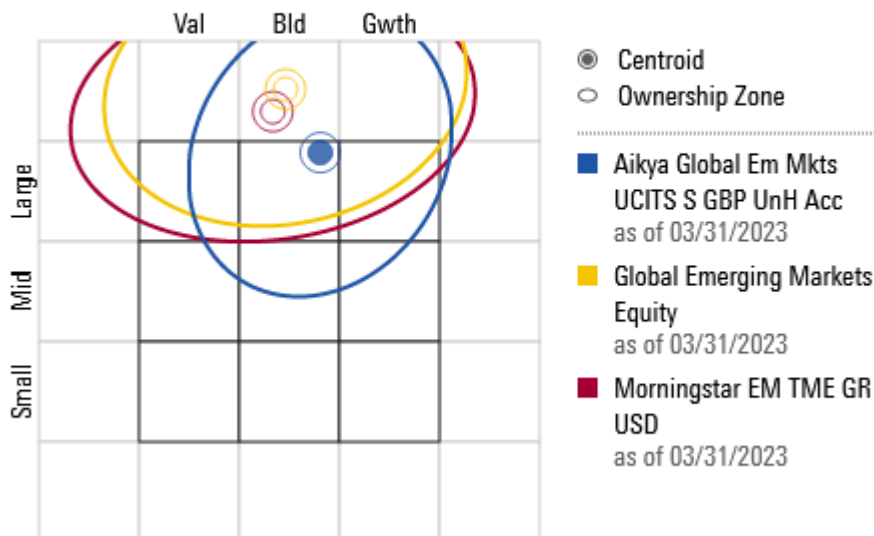
USD | As of 31 Mar 2023 | Category: Global Emerging Markets Equity | Index: Morningstar EM TME GR USD | Data is based on the long position of the equity holdings.

Stock Style

Map

Weight

Historical



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LWM FUND ANALYSIS

The strategy was set up nearly three years ago with much of the team coming from Stewart Investors.

Name	Previous Experience	Years with Aikya	Relevant Experience
Alan Nesbit	Stewart Investors	3	31
Michael Summers	Stewart Investors	3	20
Ashish Swarup	Stewart Investors, Fidelity	3	18
Rahul Desai	Fidelity	3	14
Tom Allen	Stewart Investors	3	11
Trevor Fung	Income Partners	3	9
Yang Ma	Thomson Reuters	1	5
Sholto MacTaggart	Stewart Investors, Findlay Park	2	3
Amy Berloth	Non-Investment Industry	0	5

What has always fascinated us is the confidence from the team that they are offering something different. That confidence may not appeal to everyone but perhaps it is a good way to test the strategy and see if it really does what they claim that it will do.

It is perhaps worth highlighting that this is an Article 9 Fund. This is the highest classification, and you would therefore expect that this is an exclusionary strategy. Exclusions include coal, gambling, gas, oil etc.

Stock Selection Criteria

What do we avoid?

- Limited or negative social utility (Coal, Tobacco, Defence, Casinos)
- History of human rights abuse
- Poor capital discipline: high leverage, history of aggressive M&A
- Misaligned management teams
- Poor governance, evidence of abuse of minority rights
- Major shareholder with political connections or evidence of 'Original Sin'
- Fashionable or faddish franchises
- Opaque and aggressive accounts
- Complex ownership structures
- Legally fragile listing structures

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They avoid government connections and so this restricts the companies they invest in. For example, in China there are only about 20 names they would consider. They are looking for a steward of a business, someone they trust and can back. Researching a new name can take up to 18 months.

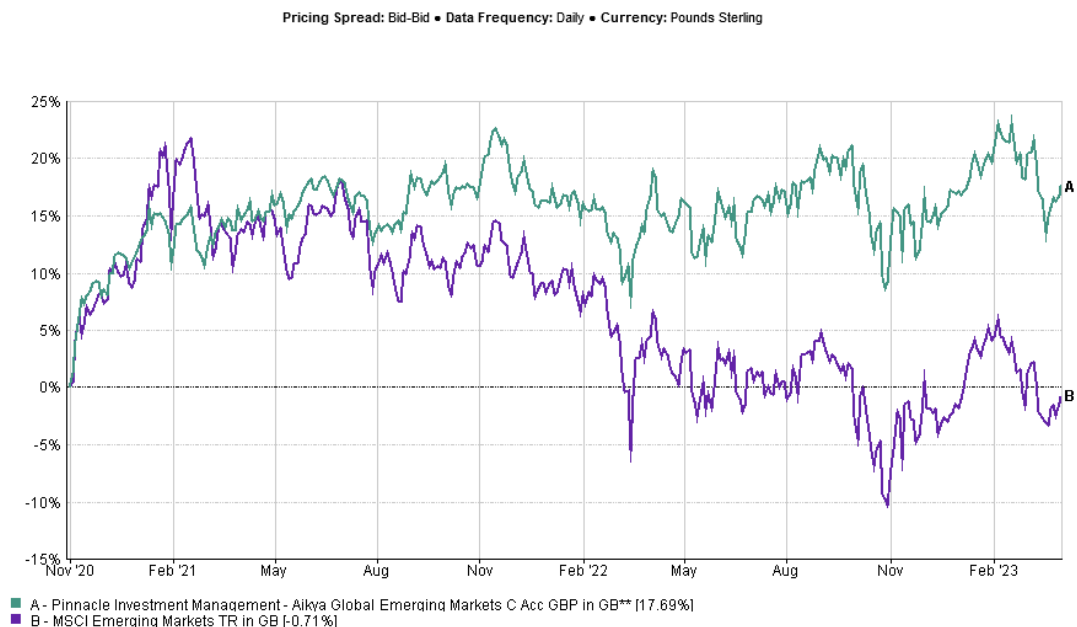
What this ends up with is around 100 quality names that they select from to build a portfolio of just 35 names.

This also links with the aim to protect on the downside and deliver a positive return. Having a small number of names means they can really understand those companies.

The argument is that steady growers outperform both volatile and roller coaster stocks over the long term.

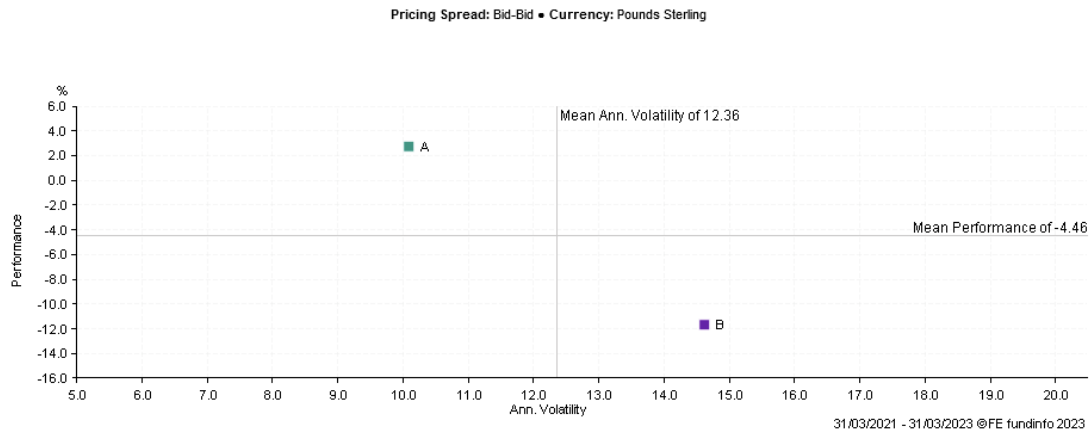
Portfolios	"Steady Grower"		"Volatile"		"Roller Coaster"	
	Return	Total Value	Return	Total Value	Return	Total Value
Year 0		100		100		100
Year 1	10%	110	30%	130	40%	140
Year 2	10%	121	-20%	104	20%	168
Year 3	10%	133	20%	125	-30%	118
Simple Average Return	10%		10%		10%	
Compound Average Return	10%		7.7%		5.6%	

We can see this in the performance since launch, during what has been a difficult period for emerging markets.



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Below is the volatility which is significantly below the index:



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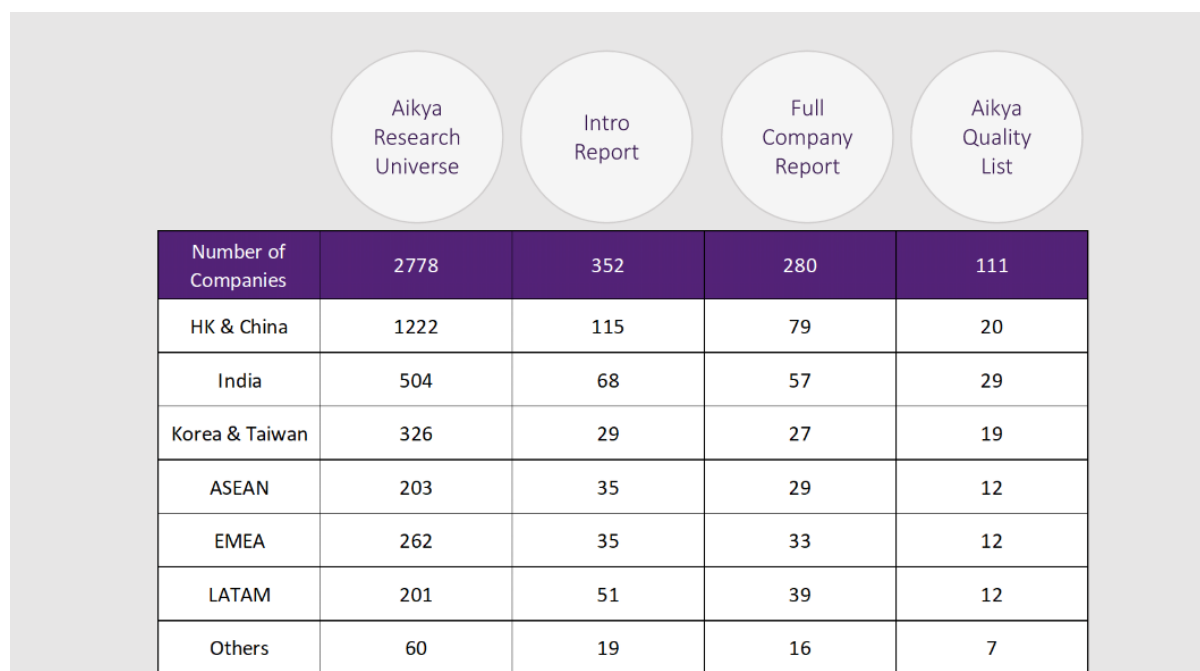
The chart below shows what they are looking for. They won't hold things just because it is in the index, and you would unlikely see companies such as Samsung or Alibaba being held. Samsung for governance, and Alibaba for complex capital structure and government interference. They are not of the camp that you can't afford not to hold a stock, more that they will just avoid these companies because there are better ones to select from. They have an active share class of 90%, so this is different.



They hadn't invested in Russia other than in a supermarket name which they sold. In Russia they believe that every company in some way leads back to Putin and that interference was a reason not to hold. The supermarket was independent but when that changed, they sold it. This is really to highlight the focus on the highest quality.

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The table below is key to this strategy. The universe might be vast but the quality list is relatively small.



	Aikya Research Universe	Intro Report	Full Company Report	Aikya Quality List
Number of Companies	2778	352	280	111
HK & China	1222	115	79	20
India	504	68	57	29
Korea & Taiwan	326	29	27	19
ASEAN	203	35	29	12
EMEA	262	35	33	12
LATAM	201	51	39	12
Others	60	19	16	7

There have been some changes in the portfolio. The weighting to China has gone up from around 12% to 25%, and India has come down from 25% to around 16%.

It is very hard to find fault with the strategy. The confidence might be difficult to take but they do stick to what they say. They don't want product proliferation; at Stewart new strategies were launched but at Aikya all they want to focus on is Emerging Markets. If they started launching other strategies this would be a red flag to investors.

Another red flag would be if the quality list suddenly increased significantly. One other aspect is that they expect to soft close the strategy at £3 billion so they can protect the fund and the initial investors.

The aim is to be different. They want this to be simple. Potential investors can see when things change and should be able to challenge. One small thing is that the price is higher than the index, but then the growth is higher and the debt and volatility is lower.

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	Portfolio	Benchmark
Number of Holdings	33	1376
Quality		
Past 5 yr ROE	19%	15%
Equity/Assets	46%	23%
Volatility of Returns (10 yr)	26%	66%
Growth		
Past 10 yrs Earnings growth	10%	0%
Past 10 yrs asset growth	16%	4%
Est. 5 Year EPS growth	20%	11%
Valuation		
Current PE	19x	10x
Past 5 yrs avg PE	22x	16x
Size (US\$B)		
Weighted avg. market cap	43	96
Median Market Cap	15	7
Liquidity		
Avg Daily Value Traded (\$M)	90	193

In summary, Aikya are specialists in Emerging Markets. This is all they do. They want to keep it simple. They invest only in the highest quality companies, focusing both on downside risk and an absolute return mindset. Being an Article 9 Fund puts it in a minority camp as well. Unusually investors can pick up red flags quickly and this includes a significant increase in quality names, a new strategy and / or the strategy going above £3 billion.

The source of information in this note has been provided by AIKYA and is correct as of April 2023. 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.

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