

**SHINING A LIGHT ON THE.....
Alquity Indian Subcontinent Fund**

AT A GLANCE

Investment Objective	
The objective is to provide growth for investors by tapping into the fast-moving, dynamic opportunities across the Indian Subcontinent by focusing on long-term investment themes such as demographics, urbanisation, the New India and long-term competitive advantages. The fund is not benchmarked and invests in the next investment story for the region, not the last. We gain valuable insights from incorporating Environmental, Social and Governance screening into our investment process, as well as empowering communities and entrepreneurs in the areas that we invest in.	

Inception Date	5 May 2014
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000TFIO

Management	
Manager Name	Start Date
Mike Sell	5 May 2014

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	10.30%
Large	39.32%
Medium	35.93%
Small	14.45%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	33	
Assets in Top 10 Holdings	51.27%	
Name	Sector	% of Assets
HeidelbergCement India Ltd	Basic Materials	5.89%
Glenmark Pharmaceuticals Ltd	Healthcare	5.58%
IndusInd Bank	Financial Services	5.50%
TVS Motor Co Ltd	Consumer Cyclical	5.17%
Oberoi Realty Ltd	Real Estate	5.11%
Mahindra & Mahindra Financial Services	Financial Services	5.10%
Yes Bank	Financial Services	4.91%
Redington (india) Ltd	Technology	4.76%
Indian Hotels Ltd	Consumer Cyclical	4.72%
Astral Poly Technik Ltd	Consumer Cyclical	4.54%

Volatility Measurements	
3-Yr Std Dev (volatility)	18.99%
3-Yr Mean Return (average)	23.80%

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FUND PERFORMANCE

Performance 5 May 2014 – 31 May 2017

	2014	2015	2016	2017
Alquity Indian Subcontinent Fund	34.96%	-2.18%	16.37%	26.42%
iShares MSCI EM	4.82%	-11.15%	33.56%	11.49%
MSCI India	19.46%	-2.97%	-0.30%	14.93%

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

	1 year	3 years	Since launch
Alquity Indian Subcontinent Fund	44.90%	80.05%	94.22%
iShares MSCI EM	42.80%	33.88%	38.69%
MSCI India	13.48%	24.15%	32.82%

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.

UPDATE....

We have met Mike a few times when discussing the Asian Fund, which he manages. He has over 20 years' experience investing in Asian and Indian investments. Mike is very approachable and although the Asian Fund has yet to show the performance figures we continue to monitor this. The Indian Subcontinent Fund is another strategy he manages.

Mike believes there are significant opportunities in India but investors need to take a long-term perspective; just look at how China and the Philippines have developed. The macro picture plays a big picture but so do the companies.

As from July the macro picture may look different; the Goods and Services Tax (GST) will start and all products will be allocated one of five tax rates. There might be some disruption but many states are ready to run with this. Established businesses will likely benefit whereas it will likely drive out rogue businesses. Politically, the leading party (the BJP) continues to win seats and states, cementing their control over India. If this continues then Modi will likely win a second term.

Events to watch are the GST implementation, monsoon season, RBI monetary policy, acceleration of growth and state elections.

Company valuations are in line with their long-term averages, but Mike believes there is the potential for this to continue to rise. Much depends on choosing the right companies. For Mike, he believes the opportunities lie in the mid cap range and his portfolio is a concentrated collection of just over 30 names. This focus does mean there is a limit to the size to which the fund can grow, currently set at £500 million.

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To assess future opportunities, Mike compared India to China in three areas; In India 5% of the population have air conditioning, in China this is 53%; 18% have cars compared to 58% for China and 18% have access to the internet compared to 49% in China. Organised retail makes up about 7% of all retail in India. For example, V-Mart (Indian Fashion Store) has seen sales grow five times but has just 140 stores. This is expected to grow by 25 stores a year and achieve growth of 25 times per annum. Another factor is that lending figures for home loans are less than 10% of GDP. Mike believes all these factors combined demonstrate there are many years of strong growth ahead.

Mike likes certain types of stocks, such as domestic structural growth stories like Banks (Yes Bank), Capital Goods (Astral Poly Technik Ltd), Diversified Financials (Mahindra & Mahindra Financial Services) and Automobiles (TVS Motors).

In summary, we have followed Mike for some time and he is clearly a talented manager although the Asian strategy has not performed as well as expected (although we continue to monitor). In contrast, the Indian strategy has performed strongly; the question for any investor is firstly is there country risk? Secondly, whether exposure is better through an emerging market or Asian fund? The main point of difference with this strategy is that it will have very different holdings to those held in an emerging market or Asian fund, and this might well appeal to potential investors.

The source of information in this note has been provided by Alquity and is correct as at June 2017. 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.