

# WHY ALQUITY ASIA? THE INVESTMENT CASE

Q3 2024

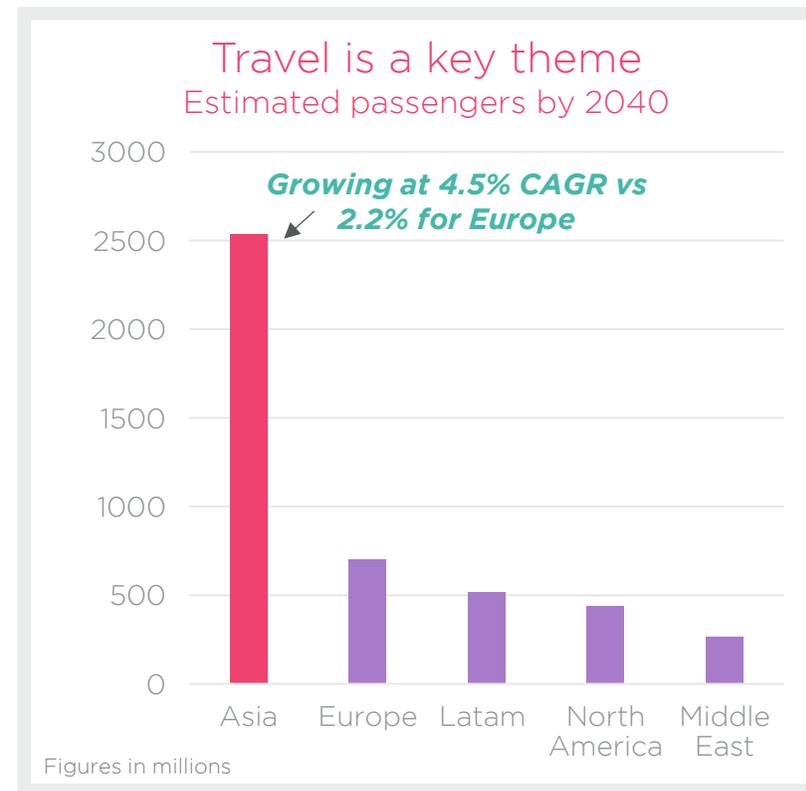
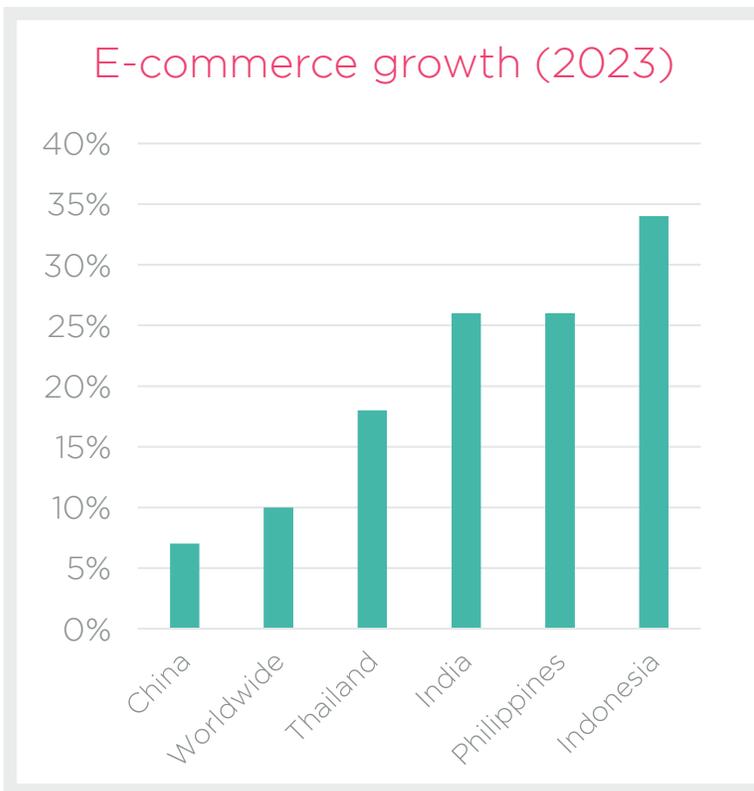
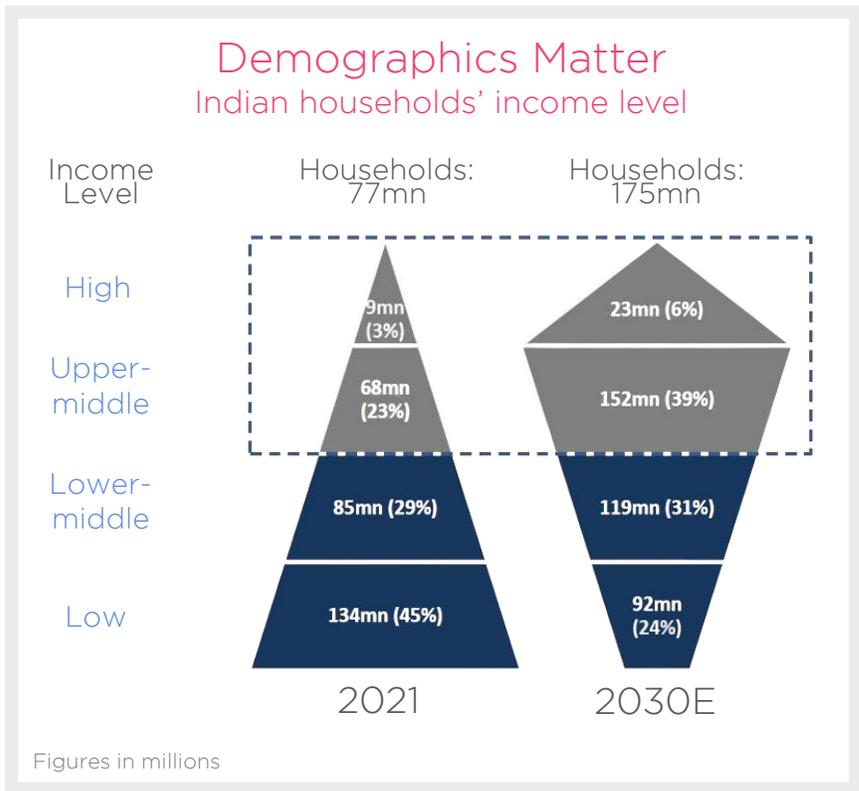
LIFE CHANGING INVESTMENTS



<i>Policy, Governance and Strategy</i>	★★★★★	88/100
<i>Process - Active Fundamental</i>	★★★★★	94/100
<i>Process - Active Quantitative</i>	★★★★★	91/100
<i>Confidence Building Measures</i>	★★★★★	85/100



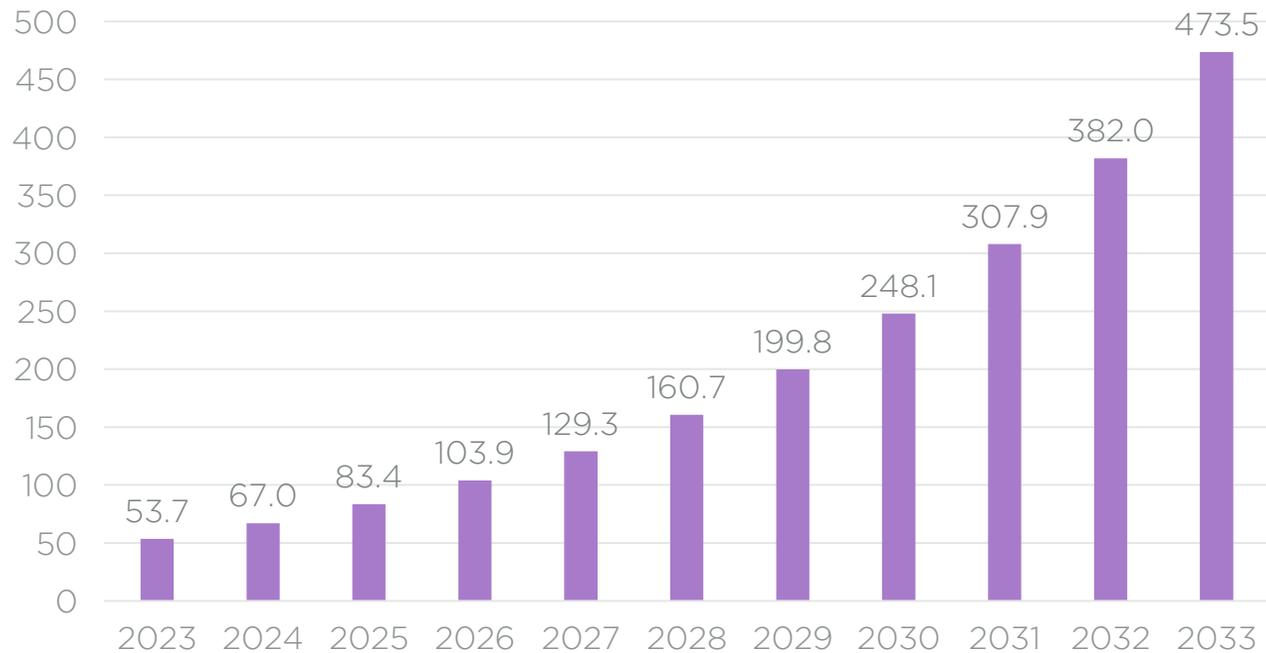
# We believe Asia funds should primarily focus on beneficiaries of domestic structural growth



...but global trends can also be powerful

### AI is very meaningful for Korea and Taiwan

24% CAGR for AI hardware expected over the next decade  
(market size in USD billions)



- NVIDIA frequently dominates headlines as the primary beneficiary of the AI surge...
- ...however, suppliers like **TSMC, SK Hynix and ASML** are crucial to NVIDIA's success. All are **substantial market leaders** as a result of their **sustainable competitive edge** versus peers
- **Undiscovered winners:** such as Leeno Industrial and Park Systems in Korea - testing equipment makers who supply to the major foundries and which have significant moats

# Asia has never been this cheap versus Developed Markets





# HOW WE DELIVER **ALPHA**

**LIFE CHANGING INVESTMENTS**



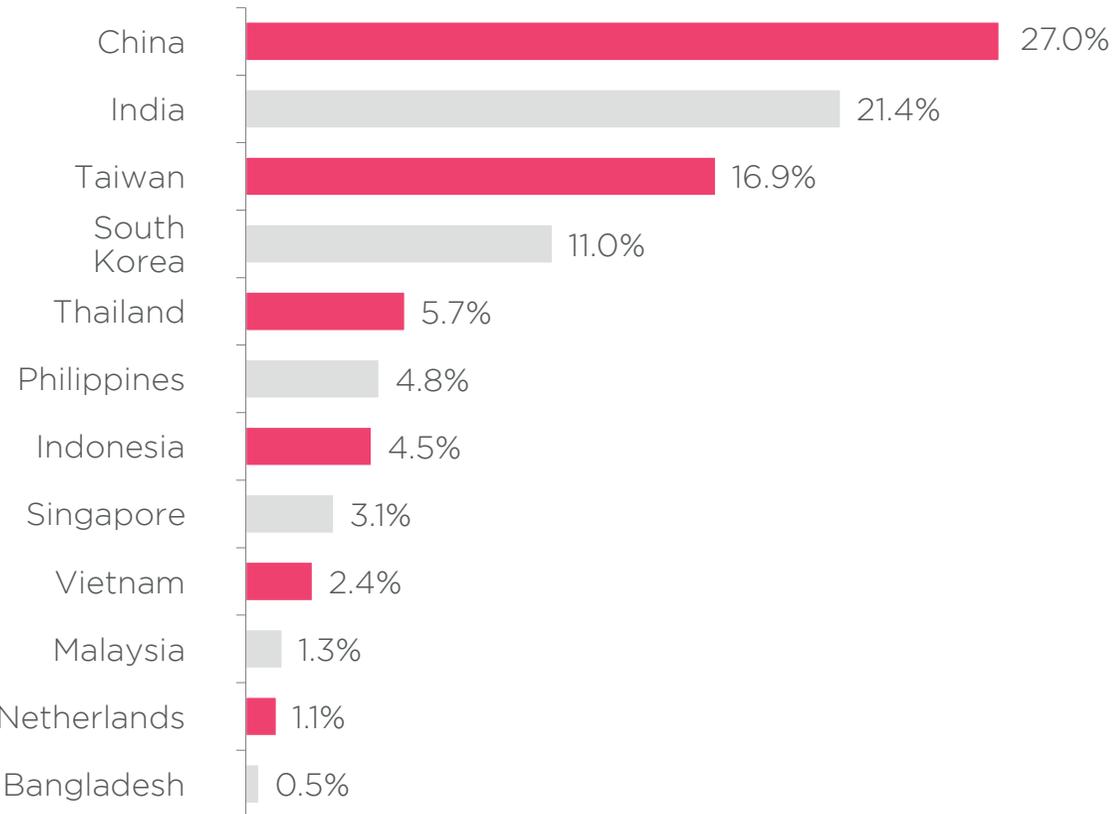
# A robust and differentiated investment process



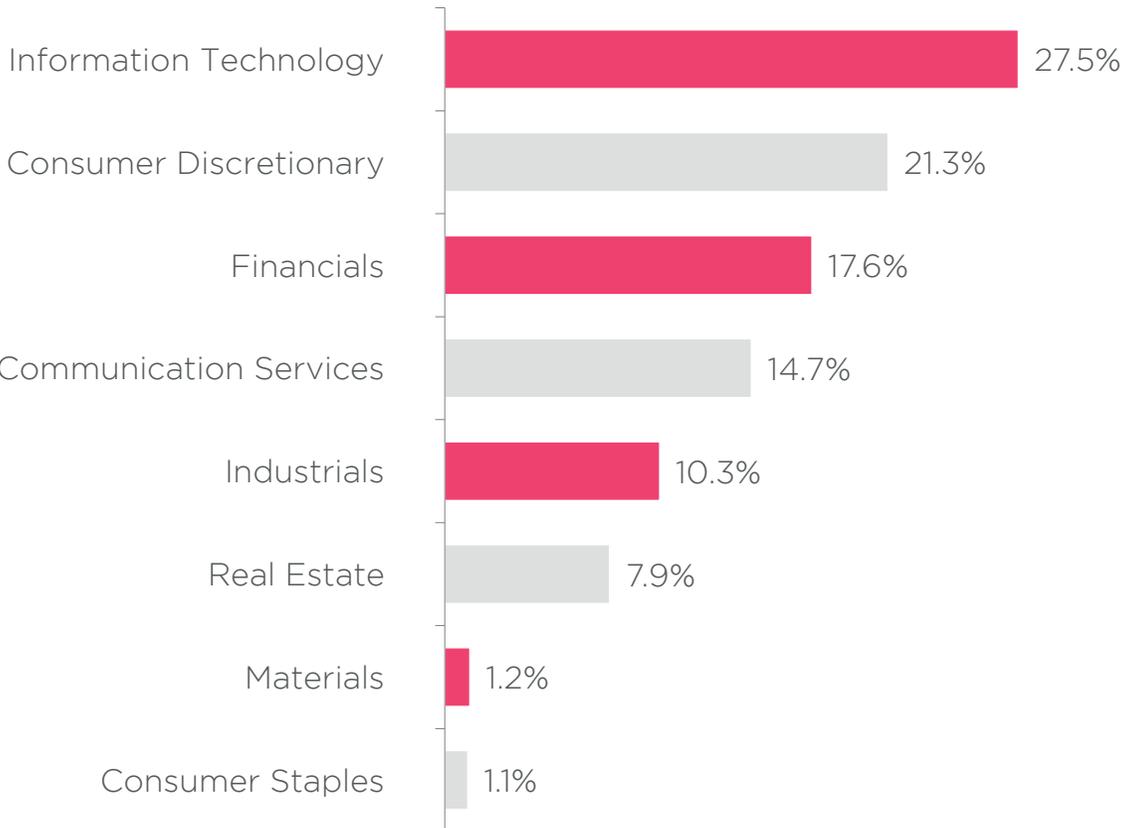
# Diversified allocation focused on domestic growth

**26/61 holdings are out of index**

## Geographical Allocation



## Sector Allocation



Source: Alquity, Bloomberg, as of 30<sup>th</sup> September 2024. For the purposes of reporting, the unrealised capital gains have been removed from the portfolio calculations, however, remain part of the Net Asset Value calculation.

## Top 10 holdings – We do not compromise on ESG

Alquity Asia	
TSMC	9.5%
Tencent Holdings	8.5%
SK Hynix	4.3%
HDFC Bank	2.9%
Meituan Dianping	2.7%
Mediatek	2.5%
Minor International	2.5%
Lemon Tree Hotels	2.5%
IndusInd Bank	2.4%
Delta Electronics	2.2%

Index	
TSMC	10.2%
Tencent	5.2%
<b>Samsung Electronics</b>	3.1%
<b>Alibaba</b>	3.0%
Meituan Dianping	1.5%
<b>Reliance Industries</b>	1.5%
AIA Group	1.4%
<b>Pinduoduo</b>	1.3%
HDFC Bank	1.2%
ICICI Bank	1.1%

Companies marked in red are a fail in Alquity's ESG rating methodology

# Company example: Lemon Tree

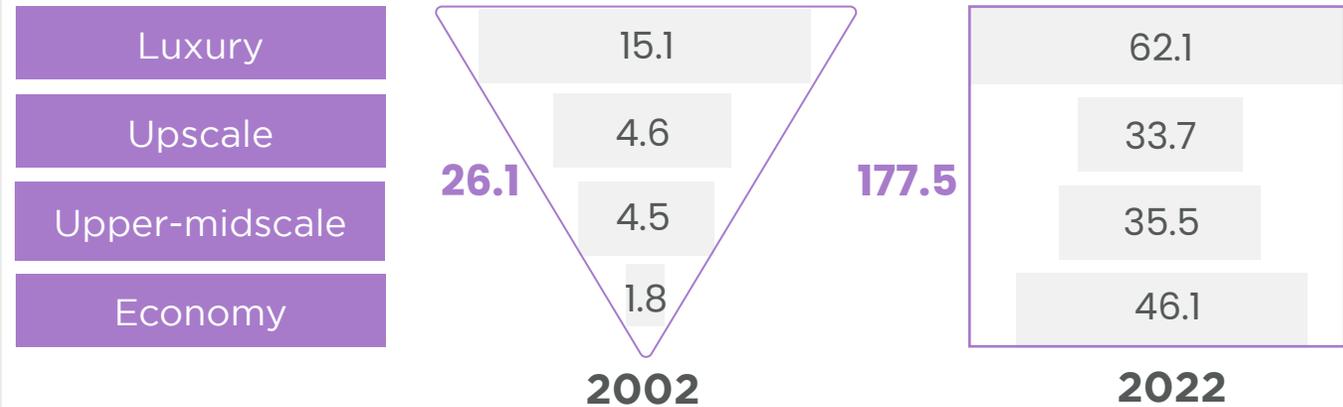


**Market Cap (USD):** 1.2bn  
Out of index

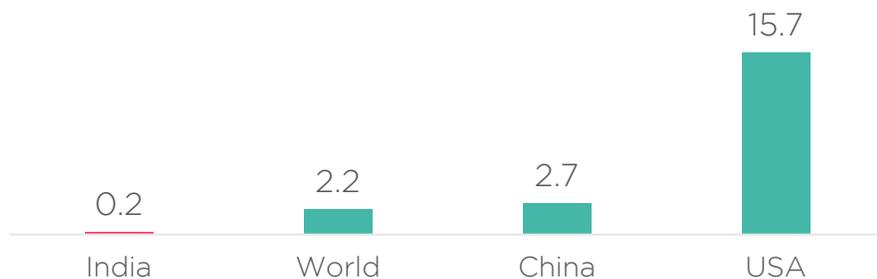
## INVESTMENT CASE

- Aspirational shift towards branded hotels, and away from unorganised sector
- Secular growth in domestic travel, aided by higher disposable incomes and improving transportation. Demand growth of 9.7% to outstrip supply growth of 5.9% over the next 5 years
- Hotel supply penetration in India is very low

Number of branded rooms per segment in India (in thousands)



Hotel supply penetration  
(number of rooms per 1,000 people)



## Midscale/economy hotel rooms increased 24x over the last 20yrs

### ESG HIGHLIGHTS

- One of India's largest employers of disadvantaged people (targeting 30% of staff by 2026)
- **ESG rating: B**

### VALUATION

- 184% upside in our bull case
- 79% upside in our base case
- 32% upside in our bear case

# Differentiated, attractively valued multi-cap portfolio

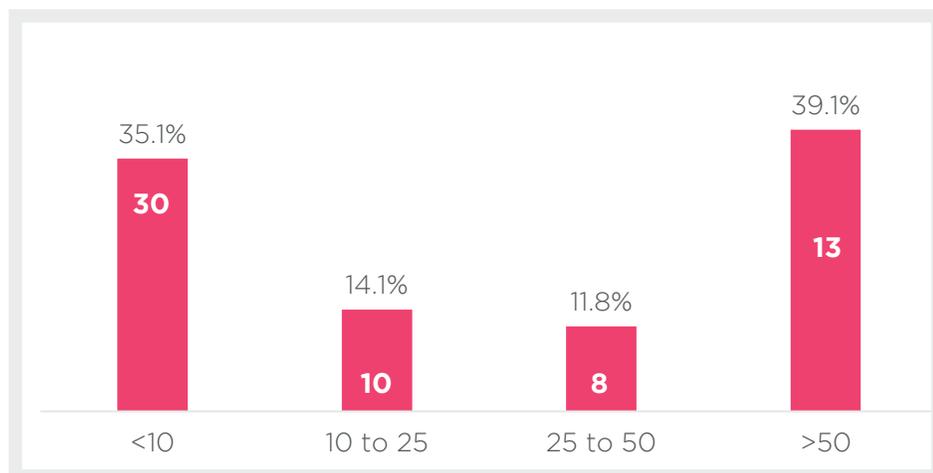
## Portfolio Characteristics

Alquity Fund vs Index\*

	# Holdings	Active Share	Annual Turnover	3Y Volatility
Fund	61	73.5%	14.2%	18.4%
Index	969	-	-	19.5%

## Market Capitalisation (in \$ bn)

And number of holdings by market capitalisation



## Valuation Metrics

Alquity Fund vs Index\*

	Dividend Yield	2024 P/E ratio	2025 P/E ratio	2024 ROE	2025 ROE	Annual EPS growth (5yr avg)
Fund	1.7%	27.3x	20.0x	17.1%	19.0%	12.6%
Index	2.4%	29.4x	23.2x	16.7%	18.0%	9.1%

## Performance (in USD)

Alquity Fund vs Index\*

	YTD	2023	2022	2021	3 years
Fund	20.9%	-2.7%	-21.5%	3.6%	-8.2%
Index	21.2%	6.0%	-19.7%	-4.7%	1.9%
ETF	18.5%	4.9%	-20.2%	-5.9%	-2.0%
Quartile	1 <sup>st</sup>	4 <sup>th</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>

# And our impact model transforms lives & provides investment insights



Makes grants and provides seed funding for social enterprises and innovative charities in the areas where Alquity invests.

Our Consumer Panels give us **unique insight into the consumption habits** and aspirations of a huge, but under-researched segment of the population.



Empowering  
**200 women**

Shivia provides women with a 'toolkit' so that they can earn money from raising chickens and selling the produce.

This is the first opportunity they have to earn their own money. Alquity will support the first year of Shivia's Poultry Development Services in Chhattisgarh.



*Kieron with Phool's staff*

Lives transformed:  
**65,679**

Donations generated:  
**\$2,600,000**

# OUR TEAM AND FIRM

LIFE CHANGING INVESTMENTS



# A multidisciplined, stable, and experienced investment team



**Mike Sell**  
Head of Global Emerging Markets

- 25+ years of experience investing in Asia
- Prior experience includes managing funds at Barings, Nevsky Capital and F&C
- Since joining Alquity in 2014, Mike has driven the development of our ESG investment process across EM



**Kieron Kader**  
Associate Portfolio Manager

- 9+ years of experience investing in Asia
- Kieron became a part of Alquity in 2019, joining from BP - one of the largest pension funds in the UK



**Dan Billis**  
Associate Portfolio Manager

- 6+ years of experience investing in Asia
- Dan joined Alquity in 2018 as an analyst from Invesco



**Marnie Aragon-Uy**  
Head of Quantitative Risk

- 25+ years of experience in quantitative research
- Managed assets of \$100bn+ as Global Head of Quantitative Analytics at Abrdn
- Marnie became a part of Alquity in 2019, assisting the team in refining the risk profile and volatility of the Indian fund



**Francisco Gala**  
Business Analyst

- 5+ years of experience in business analysis
- Francisco joined Alquity in 2020 and contributes to the team through ESG analysis and engagement activities



**Vikas Kumar**  
Business Analyst

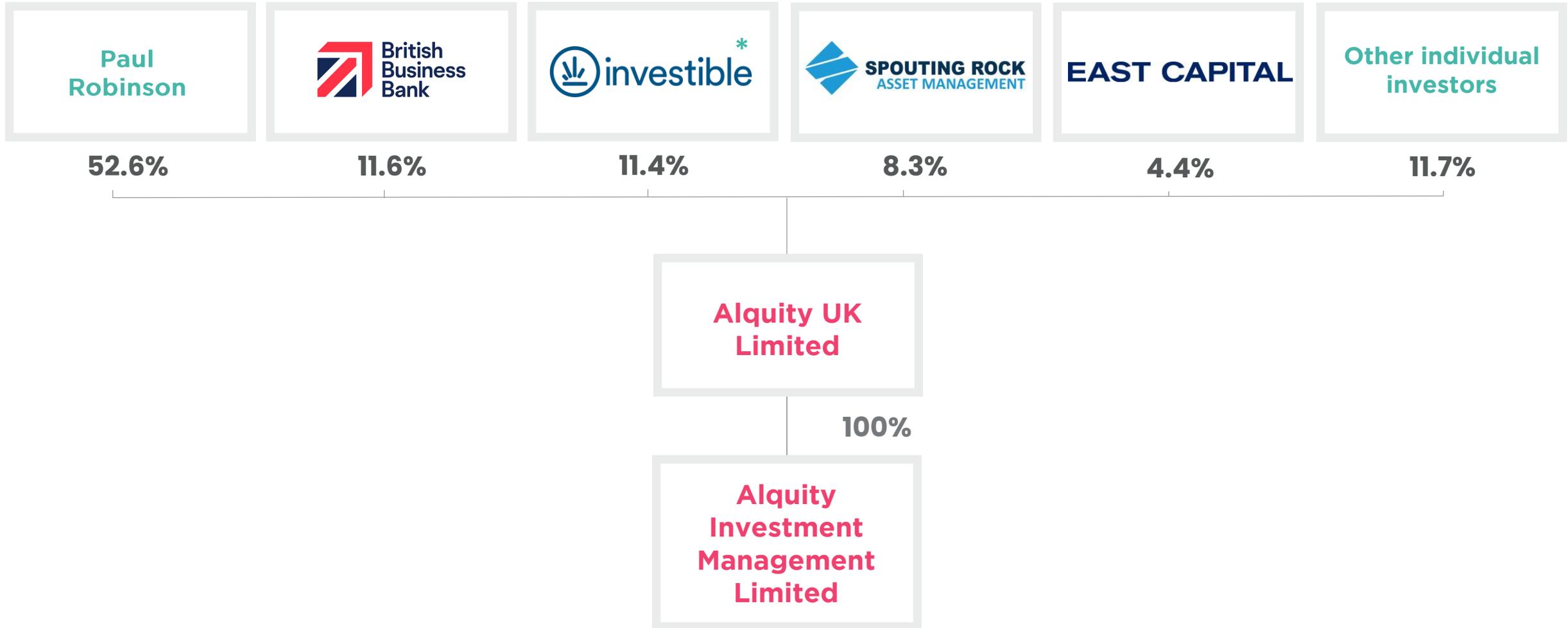
- Joined VAM in 2010 and assists with on the ground research
- Vikas also has extensive knowledge in AI/automation that we are using to enhance efficiency within the investment team



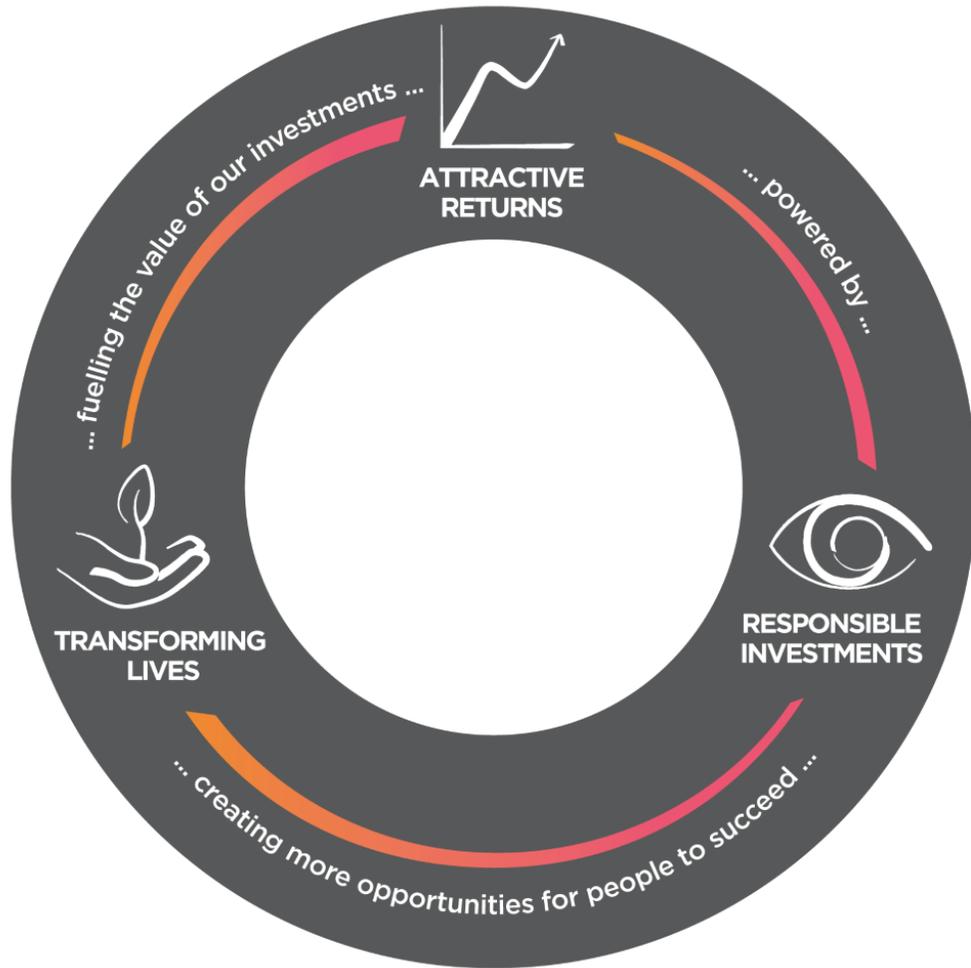
**Suresh Mistry**  
Head of Sustainability

- Suresh was instrumental in establishing the Alquity business in 2010 and works alongside the team on Alquity's ESG development

# Alquity's shareholder base



# Our unique Virtuous Circle underpins our Investment Philosophy



**Attractive Returns** across 3 dimensions



**Responsible Investments:** portfolios that you can be proud to own



**Transforming Lives:** a hand up not a hand-out

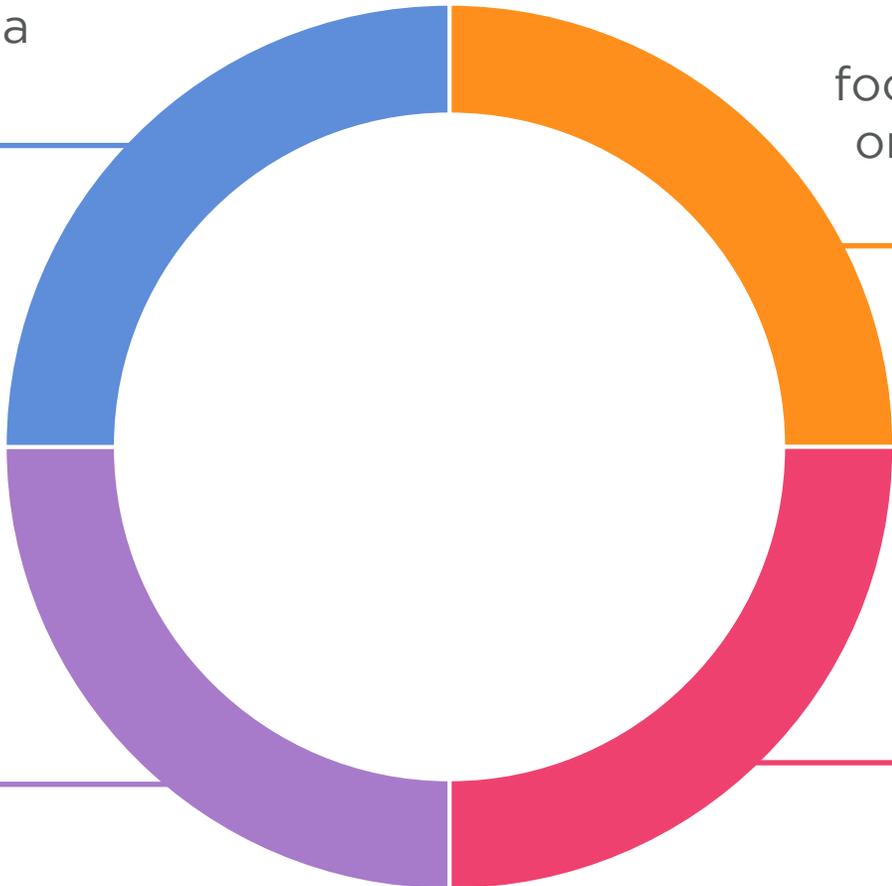
# Conclusion

A highly experienced team, with in-depth knowledge and a long-term perspective

Differentiated, domestically focused growth portfolio focusing on quality companies across Asia ex Japan

Direct impact both from our portfolio and our Transforming Lives Foundation

Fully integrated ESG process

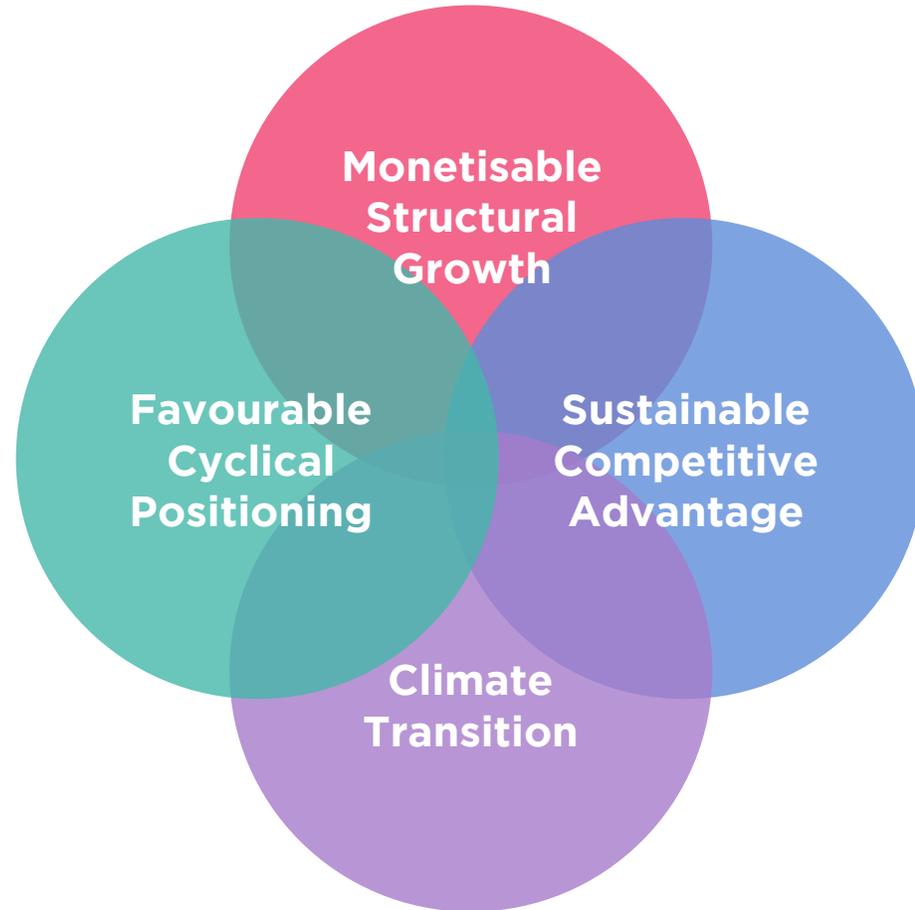


# APPENDIX

LIFE CHANGING INVESTMENTS



# Step I: Finding firms that are well positioned – Our core themes



# Step I: ESG exclusions and Green Flags

## Exclusions “Red Flags”

We exclude companies\* within the following sectors:

- Tobacco
- Alcohol (including beer)
- Narcotics
- Non-renewable power utilities
- Nuclear power
- Adult entertainment
- Fur trade
- Armaments (zero tolerance for controversial weapons)
- Gambling
- Gas/oil exploration and production
- Coal mining
- Hydrogen power (unless green hydrogen)
- Fast fashion
- Palm oil (unless demonstrably sustainable)
- Commercial fishing (unless demonstrably sustainable)
- Financial institutions engaging in abusive lending practices\*\*

## ESG Positive Inclusion Criteria “Green Flags”



- ✓ Companies with a pro-active approach to engaging with investors and arrange regular open-access calls with management
- ✓ Companies that provide transparency on identity of majority shareholders
- ✓ For high-risk industries, we only select companies that publicly disclose critical practices such as Health and Safety policies
- ✓ For non-pharmaceutical companies, we only select those that ban animal testing (unless it is required by law and must be a substantial minority (<20%) of overall sales)
- ✓ For companies that use significant natural resources such as water in their operations or production processes, we only select companies that have a pro-active approach to management and disclose usage and/or conservation levels
- ✓ For high-risk industries we only select companies that publicly provide or disclose when requested GHG emissions data



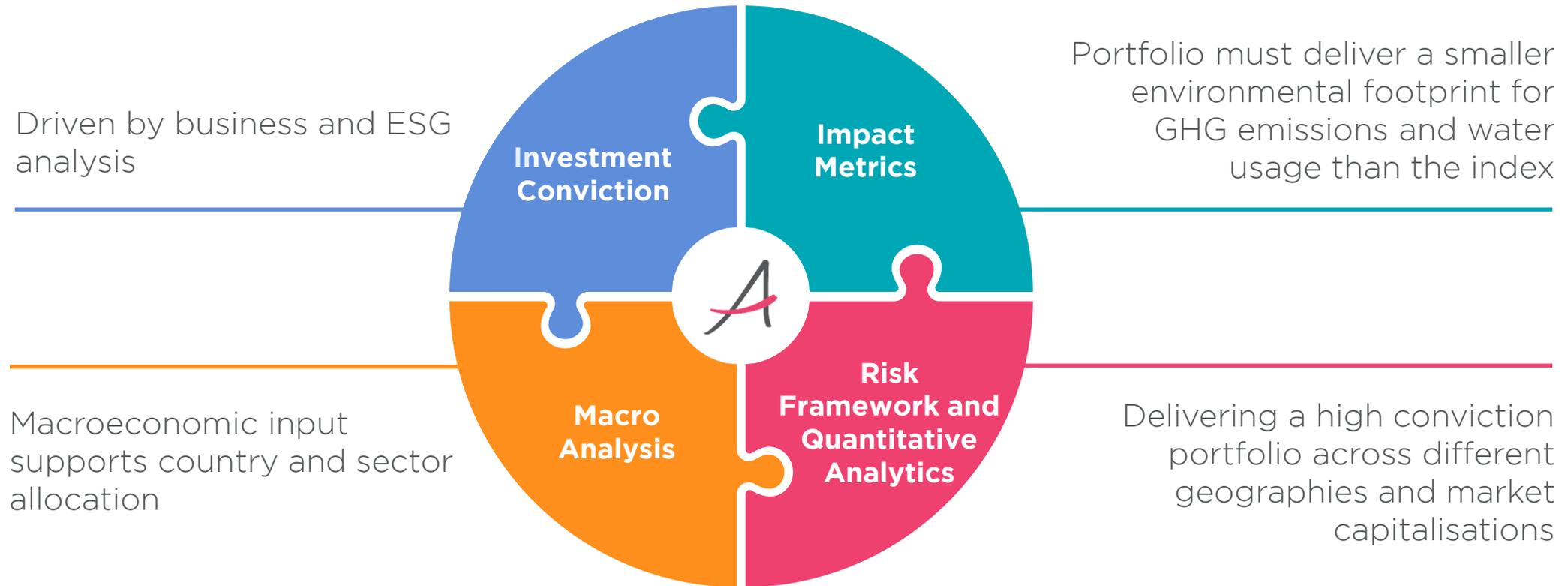
Only companies with a clean bill of health and without ongoing ESG controversies and unresolved scandals

## Step II: Proprietary ESG rating methodology

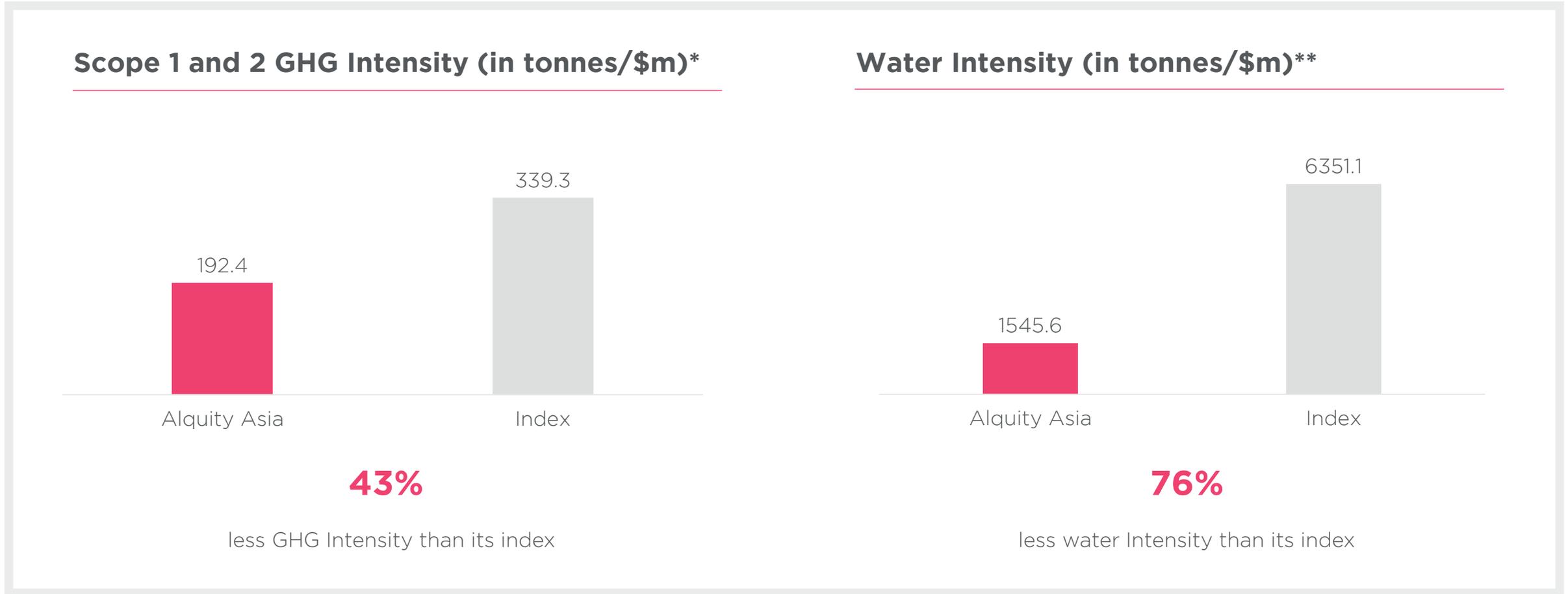
- Deep fundamental financial analysis with a long-term perspective
- Market and site visits help verify our analysis and management claims through first-hand experience
- Forward-looking, qualitative ESG assessment
- DCF valuations influenced by the ESG scoring

ESG Rating	Description of company achieving this rating
<b>A</b>	High risk industry demonstrating global best practice performance in ESG Lower risk industry demonstrating regional best practice in ESG
<b>B</b>	High risk industry demonstrating regional best practice in ESG Lower risk industry with satisfactory ESG performance better than regional peers; or in-line with regional peers but with a demonstrable intention to improve on material KPIs
<b>C</b>	High risk industry with satisfactory ESG performance, in line with regional peers, but demonstrating a meaningful commitment to improve on material KPIs Lower risk industry with satisfactory ESG performance in-line with or better than regional peers, but with no demonstrable intention to improve on material KPIs
<b>FAIL</b>	

# Step III: Portfolio construction – Holistic, risk-managed and impact driven



# Step III: Prioritising material impact outcomes across portfolio



## Step III: Portfolio construction – Our risk guidelines

### Construction Guidelines

Country: Maximum concentration of 65%; Typically +/- 20% vs Asia ex Japan index

Sector: Maximum concentration of 40%; Typically +/- 20% vs Asia ex Japan index

Typically 25% invested in Small Caps ( $\pm 5\%$ )\*\*

Numbers of holdings: Approximately 50

Position size: 0.5% to 10%

Maximum 4% stock overweight versus Asian index

No underweight limit

All holdings over 5% do not total more than 40%

### Liquidity

33% of the portfolio within 5 working days

90% of the portfolio within 90 working days

Minimum \$100m market cap

### Expected Portfolio Characteristics

Portfolio turnover: 20% - 33%

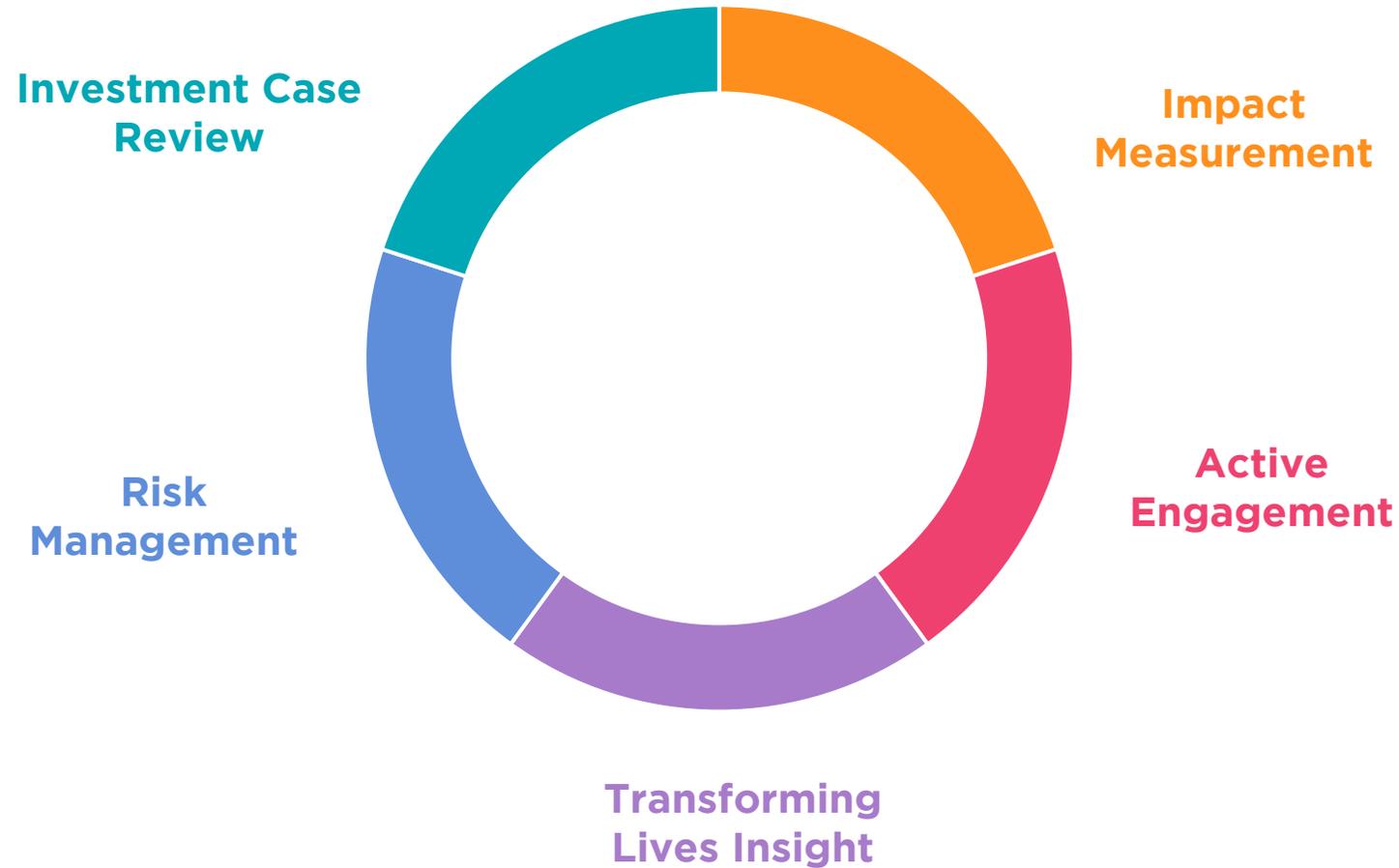
Holding period average: 3-5 year

TE vs Asia ex Japan Index: 5% to 8%

Active share: >80%

Beta: 0.9 to 1.1

# Step IV: Portfolio management – Ongoing risk control and stewardship



# Step IV: Portfolio management – active ownership and influence



## ENVIRONMENTAL

- ✓ Emissions and/or climate impact disclosure
- ✓ Water usage and mitigation efforts disclosure
- ✓ Production of waste material disclosure
- ✓ Plan to achieve Net Zero
- ✓ Prevention of biodiversity loss actively considered in the strategic plan and/or TNFD reporting\*
- ✓ Reporting in line with TCFD recommendations\*



## SOCIAL

- ✓ Health & Safety policy
- ✓ Equal Opportunities Policy
- ✓ Staff training policy in place
- ✓ Staff turnover data disclosure
- ✓ 'Lost Time Injury' rates available
- ✓ Gender diversity policy at senior management and board level



## GOVERNANCE

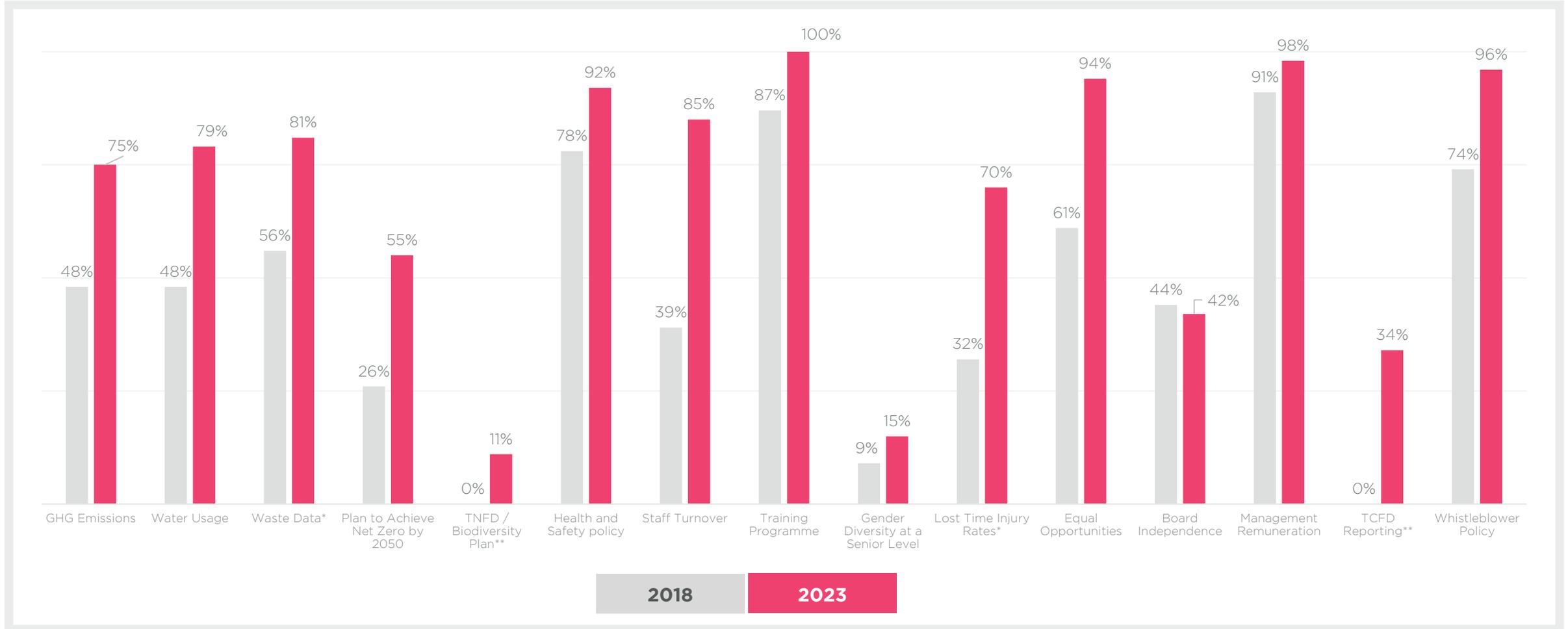
- ✓ Whistleblowing policy available to all employees
- ✓ Percentage of independent directors on the board  $\geq$  than the free-floating share percentage of the holding
- ✓ Management remuneration packages disclosure



- Voting and engagement driven by materiality and KPIs
- Impact measurement clearly defined against the SDGs

# Step IV: Portfolio management - The evolution of our KPIs

## Holdings of the Asia Fund meeting each KPI (% of companies)



# Step IV: Portfolio management – Alquity’s ESG advocacy

We aim to engage with all our companies on a range of E, S and G issues. We engaged with 87 companies during 2023

## Successes



India

Publication of inaugural sustainability report



China

Inclusion of GHG data in ESG report

## Bespoke engagement



Indonesia

GHG intensity versus peers



India



Korea

We engaged with auto companies on supply chain monitoring, in response to reports of Hyundai’s use of child labour in Alabama



Collaborative initiatives, including FAIRR-led and the investors coalition for a Global Plastics Treaty

## Alquity led group engagement



India

on climate related lending policies



Taiwan

on governance and auditor tenure

## Step IV: Portfolio management – Voting in 2023

- Alquity fund managers review 100% of resolutions, in line with both ISS recommendations and our own Principles of Governance
- Over 500 votes were reviewed in 2023
- We will vote against elections of all directors if zero board gender diversity exists
- Maximum 1% employee share grant issuance p.a., with suitable vesting and maximum 10% discount
- Maximum 9-year tenure for independent directors and maximum 6 other public, external directorships
- We will always vote for actions that support our KPIs

# Fund details and contacts

Fund	Alquity Asia Fund
Structure	SICAV, UCITS V
Domicile	Luxembourg
SFDR Classification	Article 8
Liquidity	Daily
Fund Inception Date	28 March 2014
ISIN / Bloomberg GBP	LU1070051708 / ALQASGY
ISIN / Bloomberg EUR	LU1070051880 / ALQASEY
ISIN / Bloomberg USD	LU1070051617 / ALQASUY
Type	Institutional
Management fee	0.9% p.a.
Performance fee	None

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