

WHY ALQUITY FUTURE WORLD? THE INVESTMENT CASE

Q3 2024

LIFE CHANGING INVESTMENTS



Principles for
Responsible
Investment

Policy, Governance and Strategy

Process - Active Fundamental

Process - Active Quantitative

Confidence Building Measures



88/100

94/100

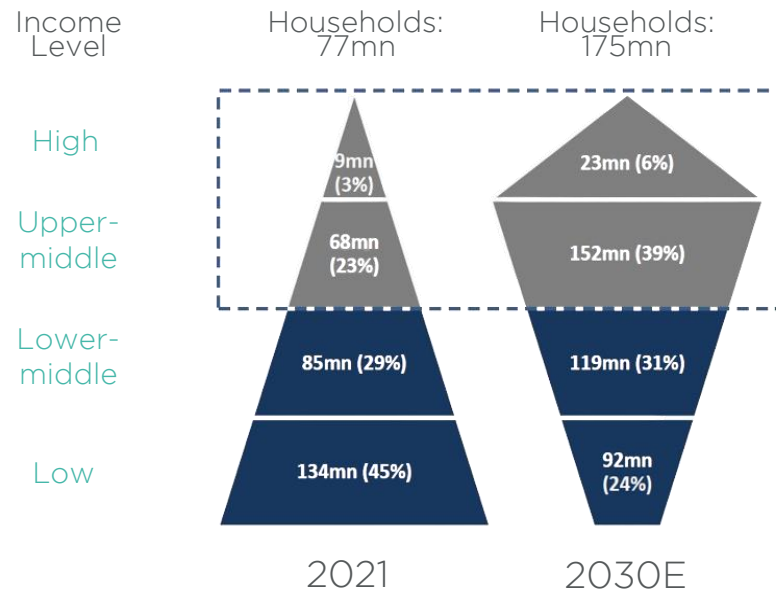
91/100

85/100



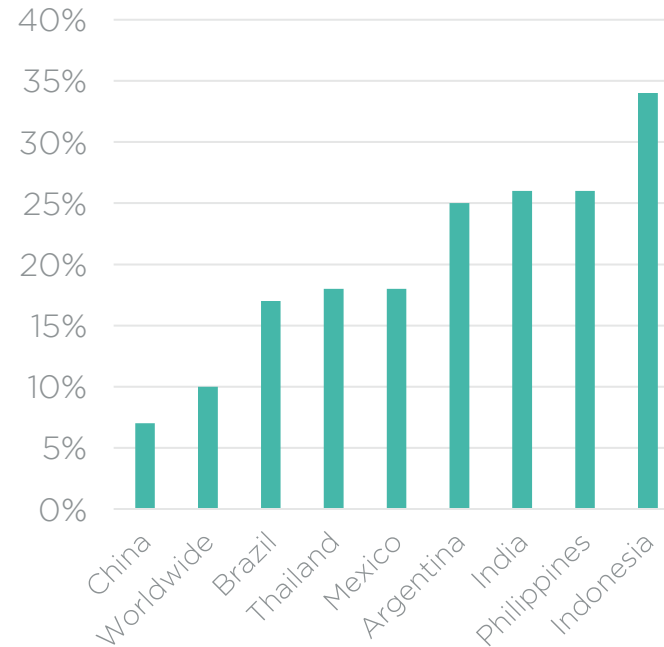
We believe EM funds should primarily focus on beneficiaries of domestic structural growth

Demographics Matter Indian households' income level

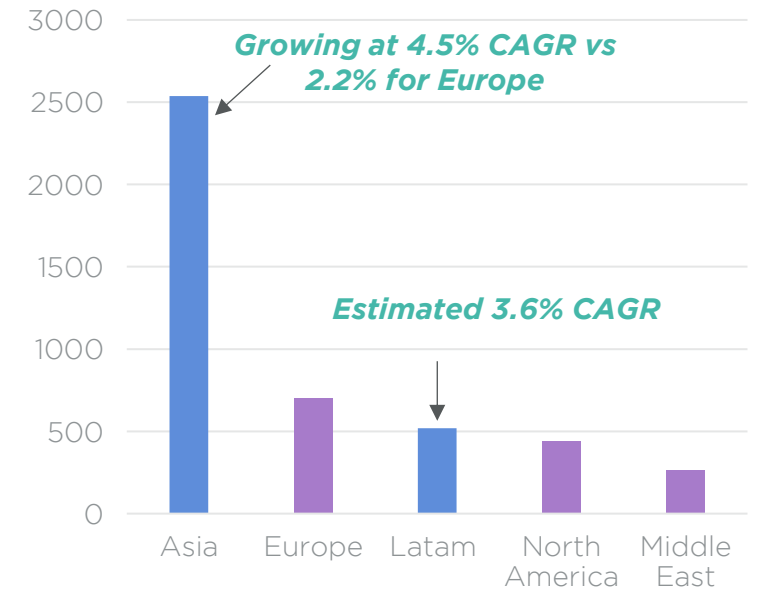


Figures in millions

E-commerce growth (2023)



Travel is a key theme Estimated passengers by 2040



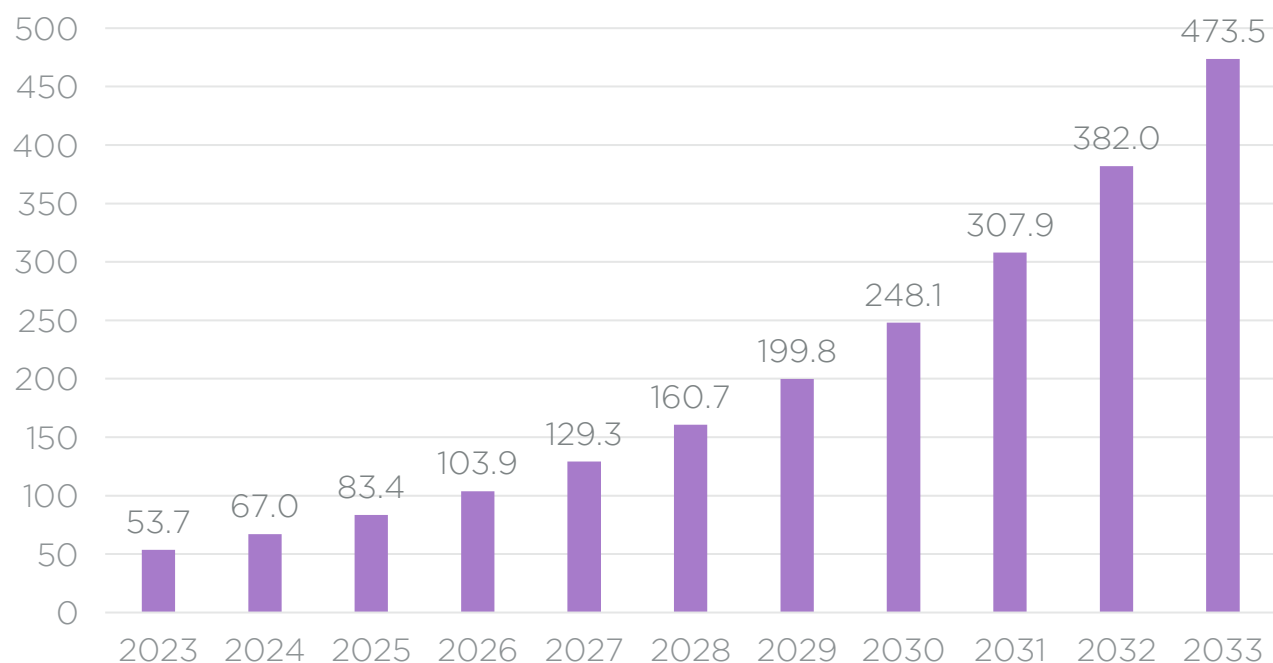
Figures in millions



...but global trends can also be powerful

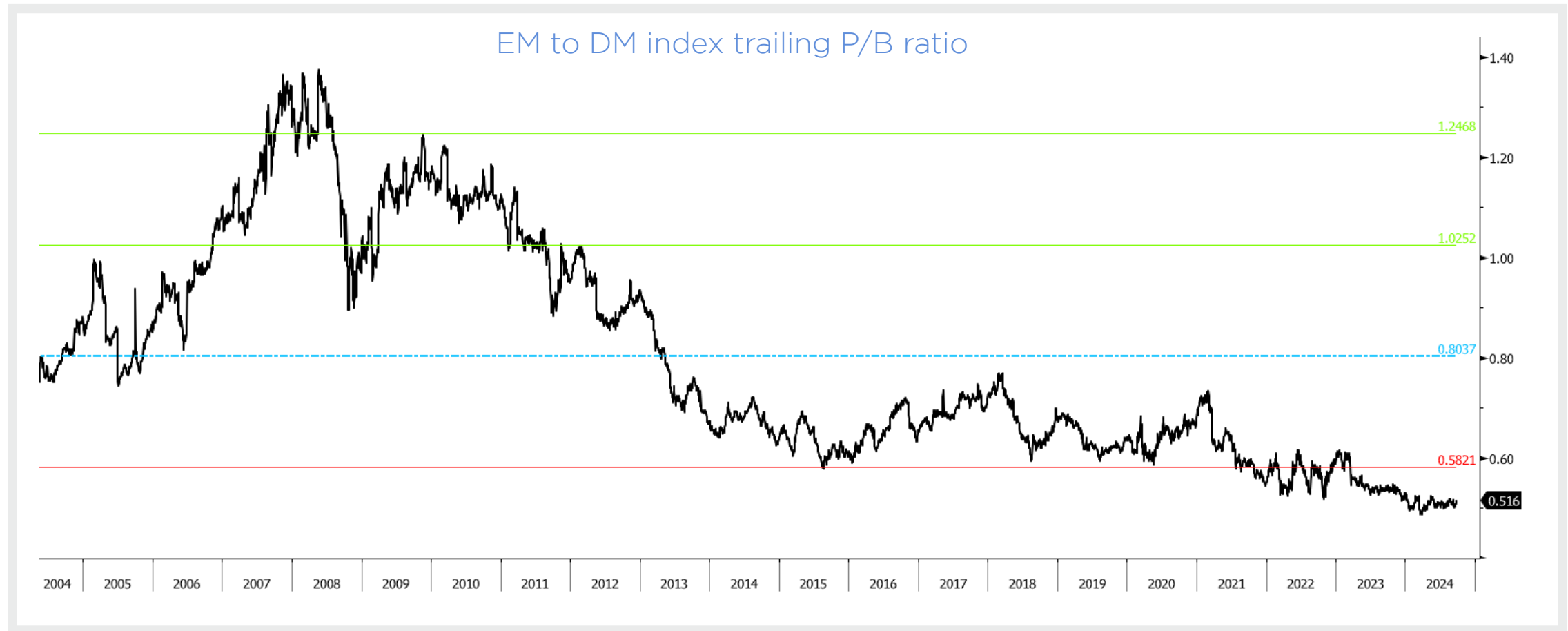
AI is very meaningful for Korea and Taiwan

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**

Emerging Markets have never been this cheap versus Developed Markets



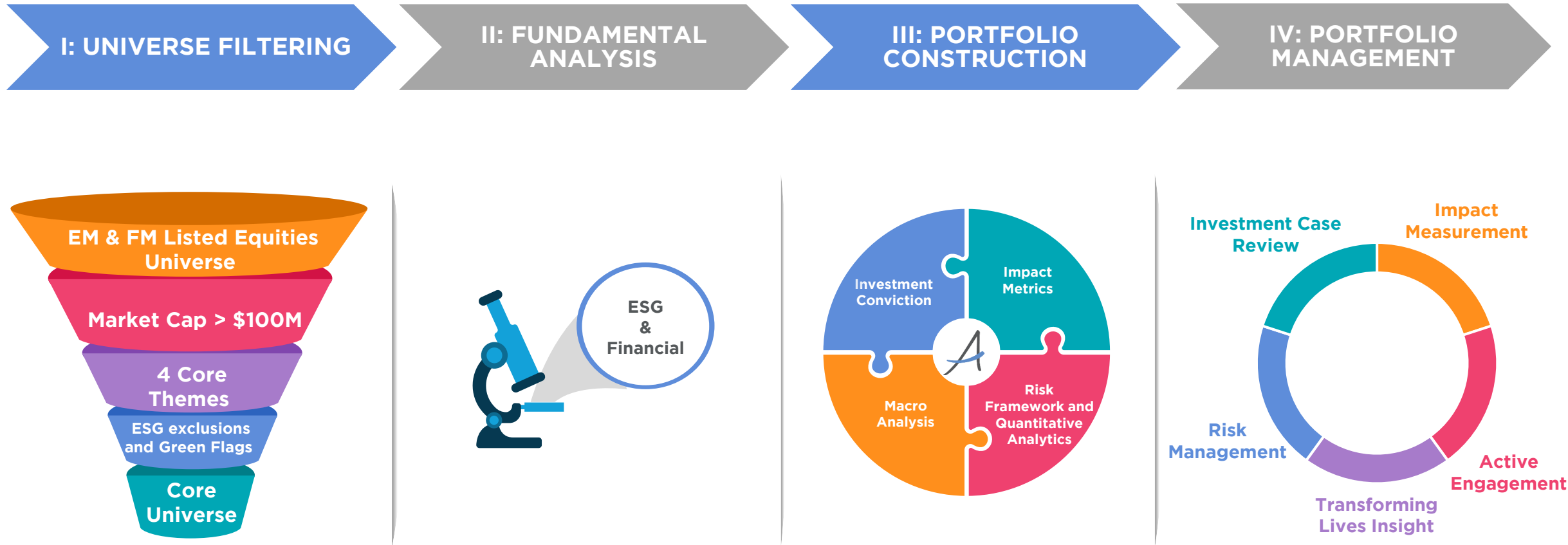


HOW WE **DELIVER** ALPHA

LIFE CHANGING INVESTMENTS



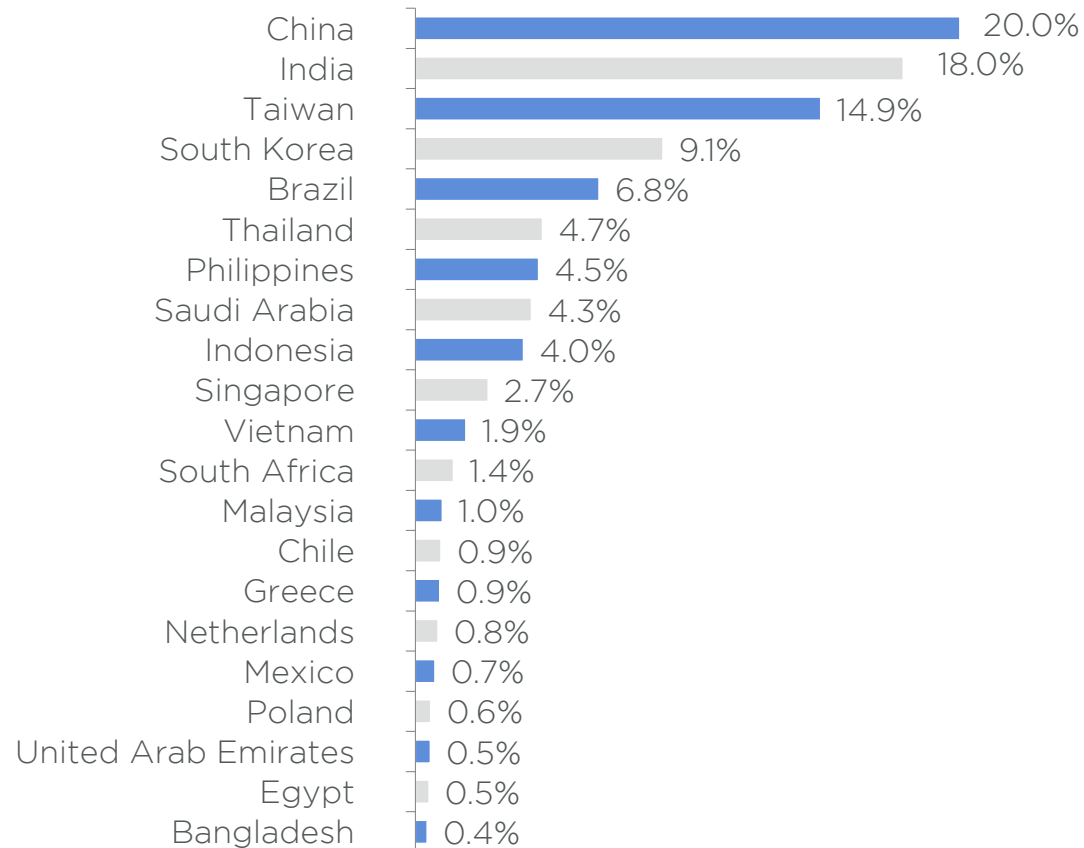
A robust and differentiated investment process



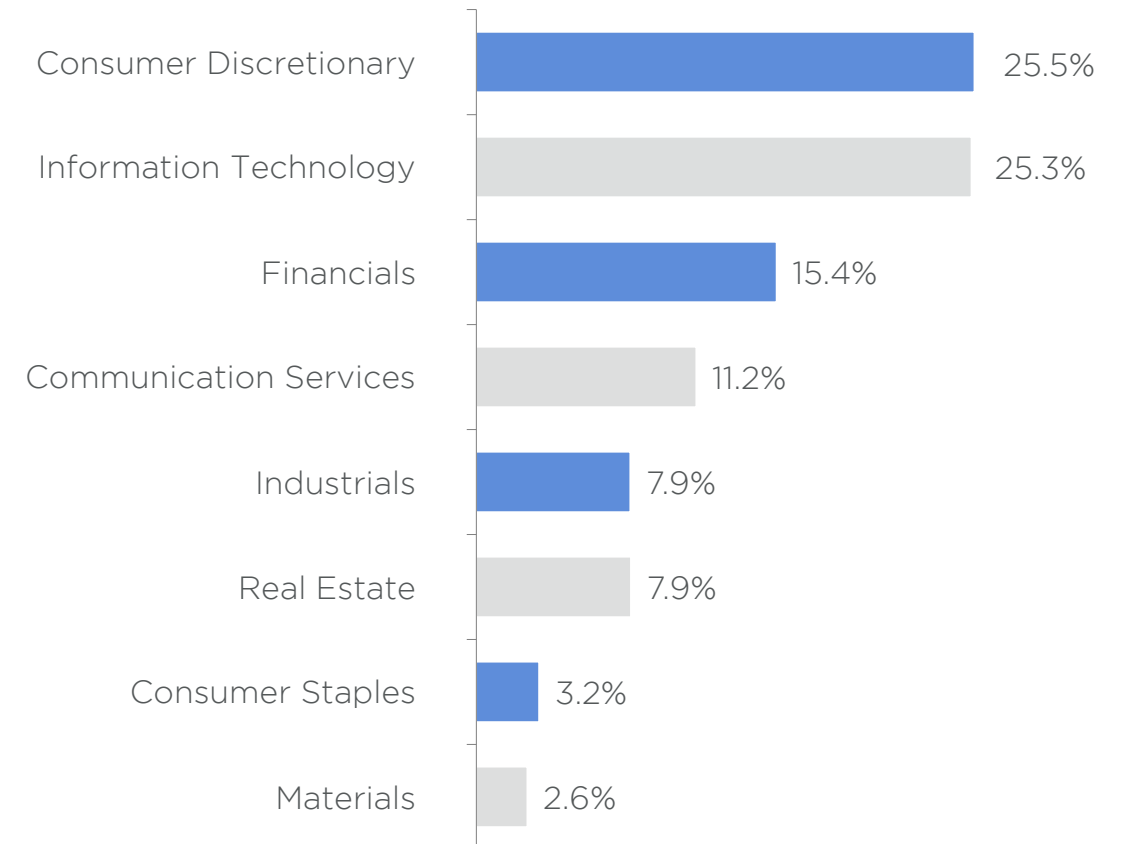
Diversified allocation focused on domestic growth

33/78 holdings are out of index

Geographical Allocation



Sector Allocation



Top 10 holdings - We do not compromise on ESG

Alquity Future World	
TSMC	9.6%
Tencent Holdings	7.5%
SK Hynix	3.9%
Despegar.com	2.3%
Lemon Tree Hotels	2.0%
MediaTek	2.0%
Minor International	1.9%
Mahindra & Mahindra	1.8%
HDFC Bank	1.8%
Delta Electronics	1.7%

Index	
TSMC	9.0%
Tencent	4.5%
Samsung Electronics	2.7%
Alibaba	2.6%
Meituan Dianping	1.3%
Reliance Industries	1.3%
Pinduoduo	1.1%
HDFC Bank	1.1%
ICICI Bank	1.0%
Infosys	0.9%

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

Company example: Lemon Tree

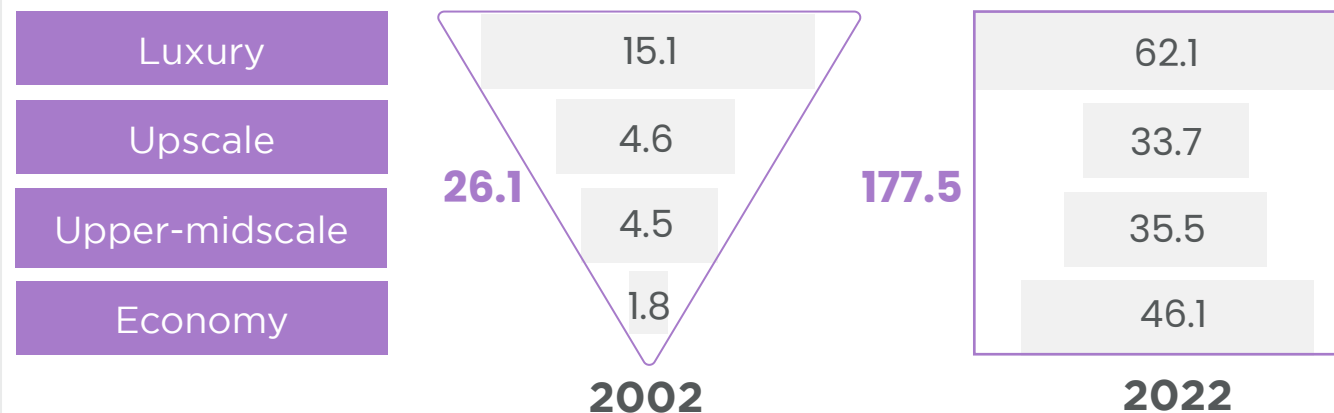


Market Cap (USD): 1.2bn
Out of index

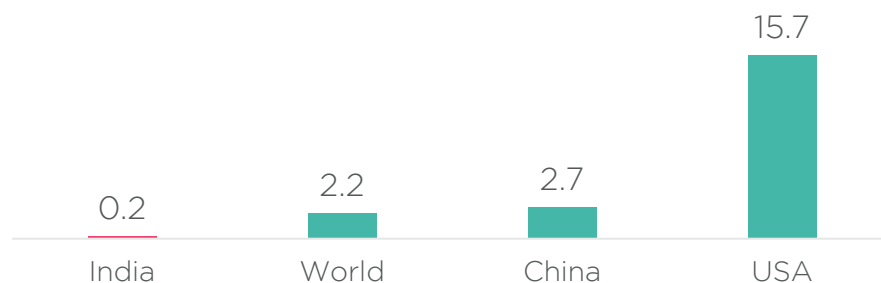
INVESTMENT CASE

- 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

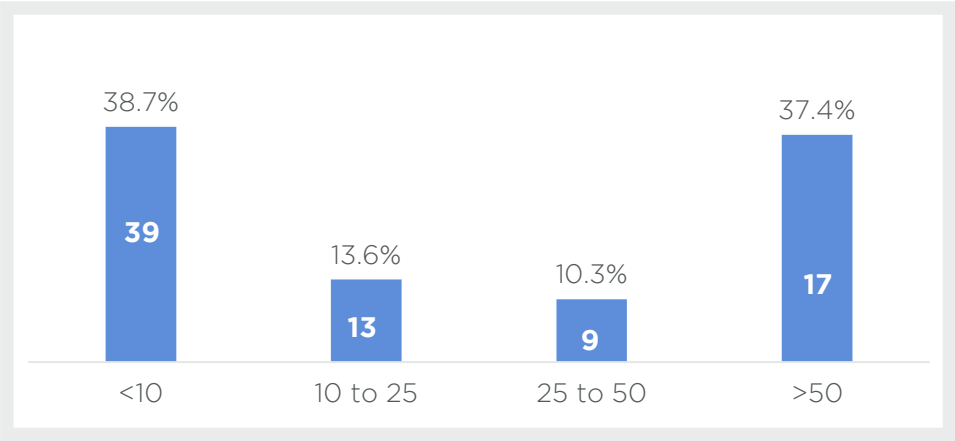
Portfolio Characteristics

Alquity Fund vs Index*

	# Holdings	Active Share	Annual Turnover	3Y Volatility
Fund	78	77.2%	17.1%	16.3%
Index	1,277	-	-	17.6%

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	20.1x	20.6%	21.2%	13.1%
Index	2.2%	27.9x	22.0x	17.3%	18.9%	10.5%

Net Performance (in USD)

Alquity Fund vs Index*

	YTD	2023	2022	2021	3 years
Fund	18.0%	3.3%	-21.2%	0.5%	-6.2%
Index	16.9%	9.8%	-20.1%	-2.5%	1.2%
ETF	14.9%	8.9%	-20.6%	-3.7%	-2.2%
Quartile	1 st	4 th	2 nd	2 nd	2 nd

Source: Alquity, Bloomberg, Lipper, as of 30th September 2024. The performance shown is based on our I class charging structure with an OCF of 1%. I class is active in GBP. Past simulated performance is neither an indicator nor a guarantee of future returns. Actual results will vary from the analysis. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, expressed or implied is made regarding future performance. The index used is the iShares EM ETF. Performance data from the iShares ETF and the relevant EM index. The volatility displayed is gross and based on portfolio data, not specific to the NAV of the USD I share class.

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 Emerging Markets
- 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



Marnie Aragon-Uy

Head of Quantitative Risk /
Portfolio Manager

- 25+ years of experience in quantitative research
- Overseen assets of \$100bn+ as Global Head of Quantitative Analytics at Aberdeen
- Since becoming a part of Alquity in 2019, Marnie has been involved in co-managing the Fund, setting and monitoring its risk framework



Kieron Kader

Associate Portfolio Manager

- 9+ years of experience investing in Emerging Markets
- 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 Emerging Markets
- Dan joined Alquity in 2018 as an analyst from Invesco



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

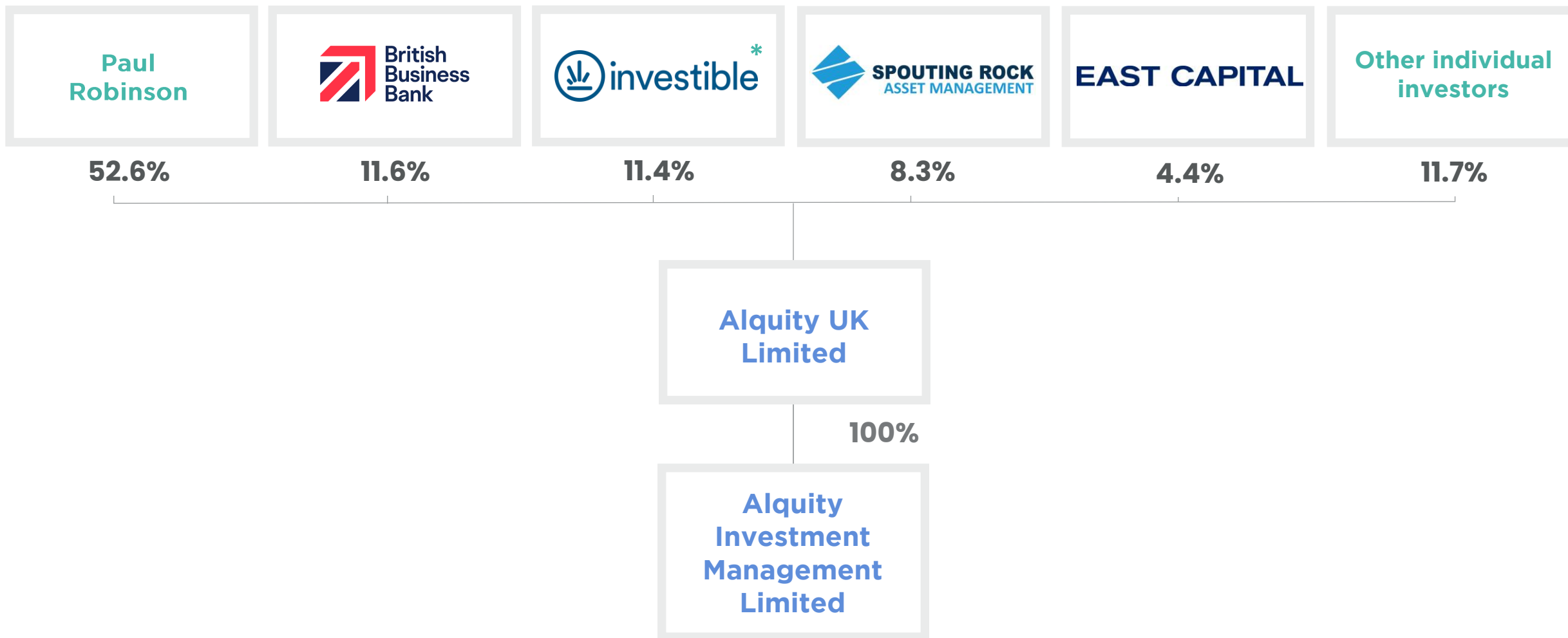


Suresh Mistry

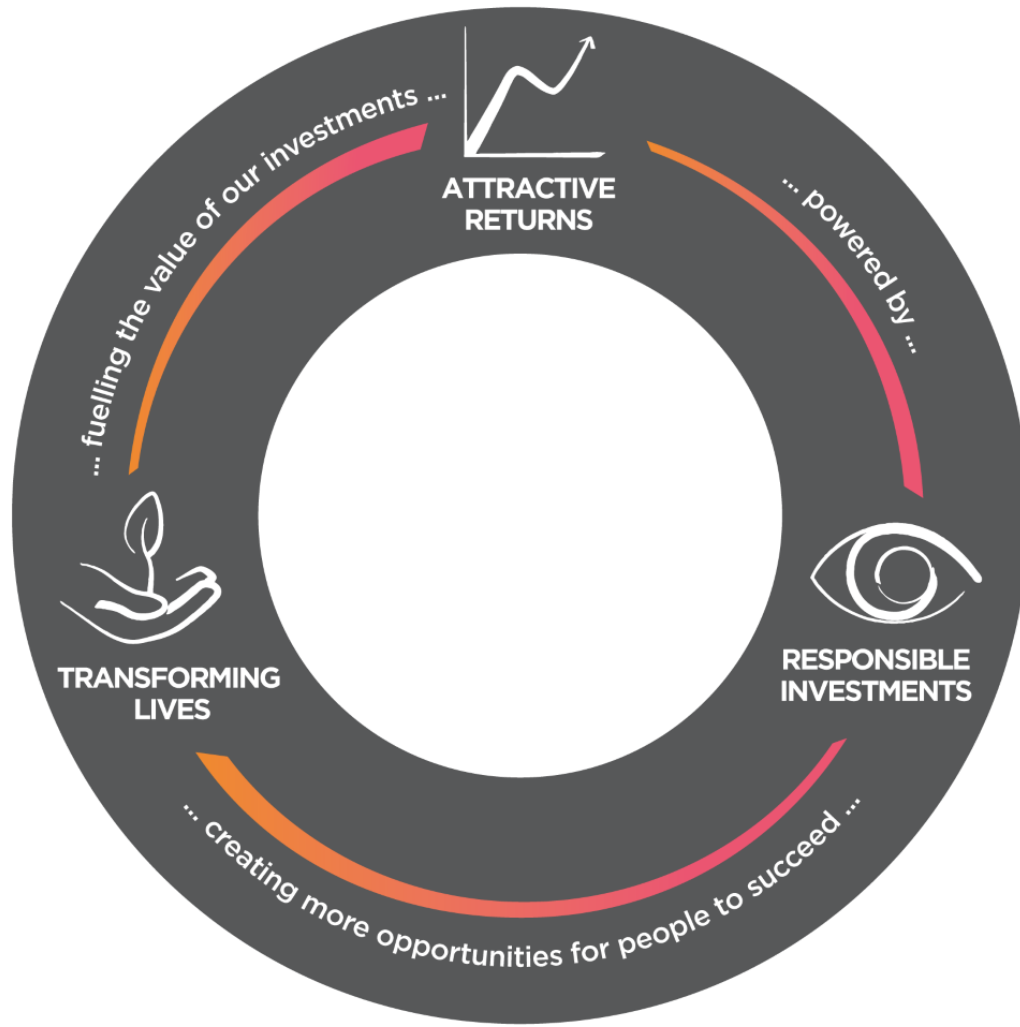
Head of Sustainability

- 25+ years of experience in the consulting and marketing field
- 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

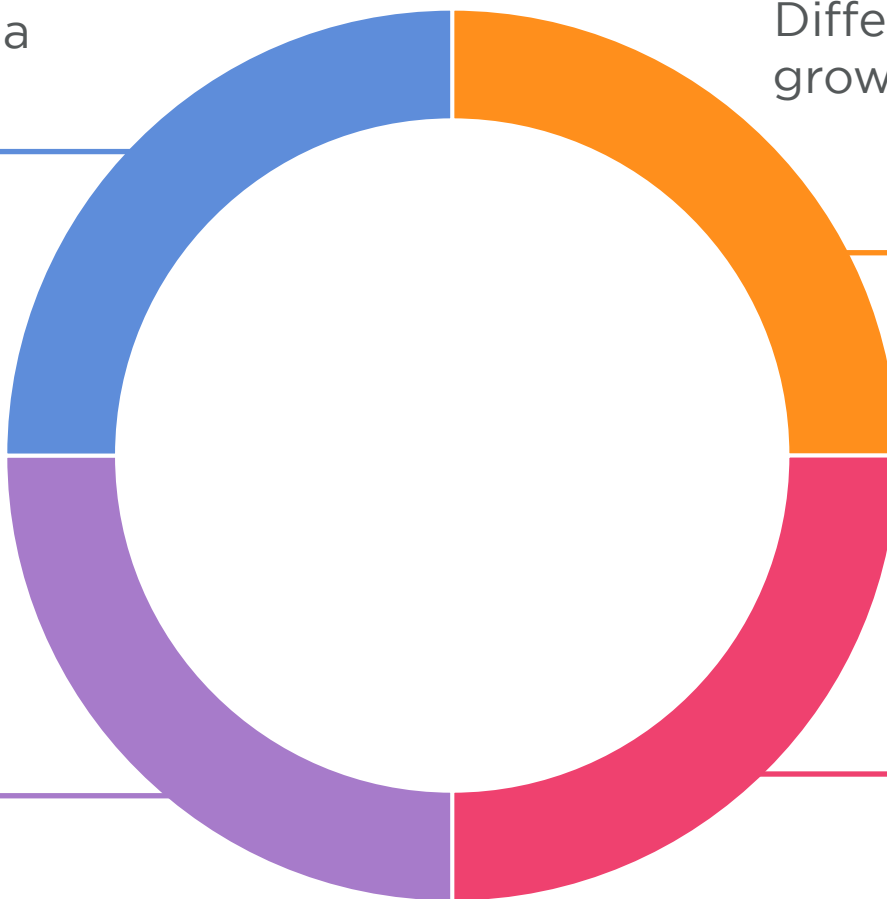
Conclusion

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

Differentiated, domestically focused growth portfolio focusing on quality companies in approximately 20 different geographies

Direct impact both from our portfolio and our Transforming Lives Foundation

Fully integrated ESG process

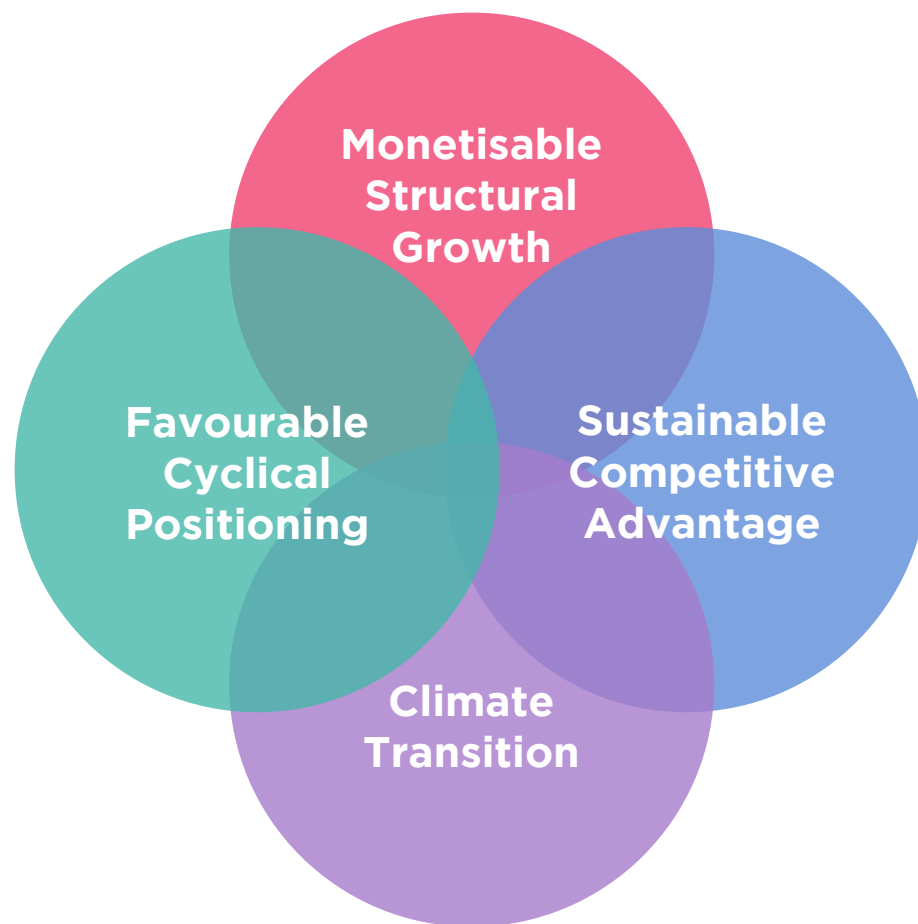


APPENDIX

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



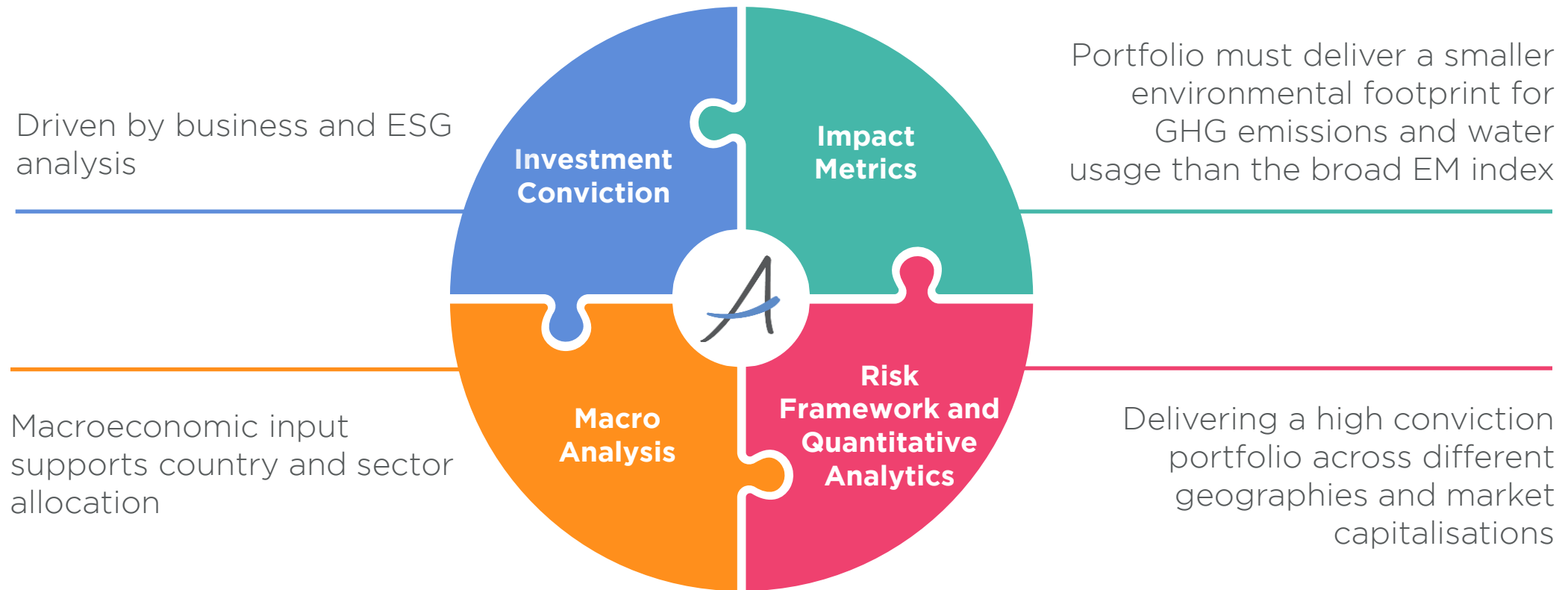
Only companies with a clean bill of health and without ongoing ESG controversies and unresolved scandals

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
- ESG and climate transition risks incorporated into DCF valuations

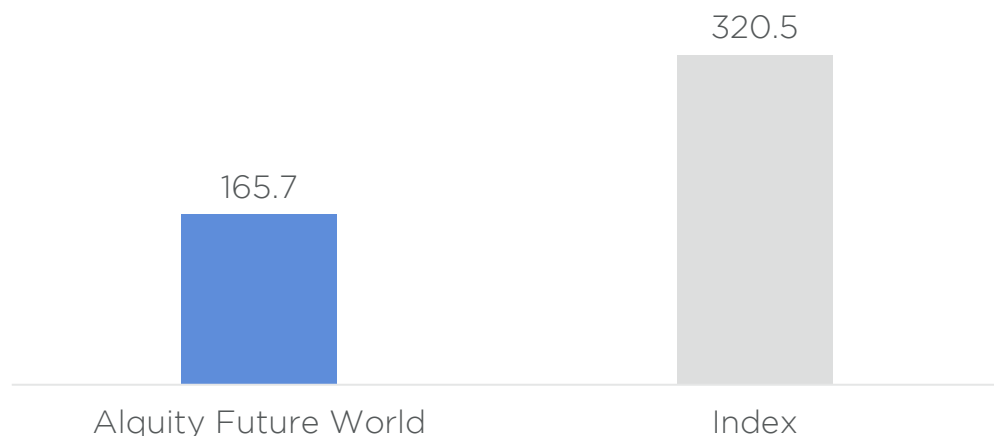
ESG Rating	Description of company achieving this rating
A	High risk industry demonstrating global best practice performance in ESG Lower risk industry demonstrating regional best practice in ESG
B	High risk industry demonstrating regional best practice in ESG Lower risk industry with satisfactory ESG performance better than regional peers; or in-line with regional peers but with a demonstrable intention to improve on material KPIs
C	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
FAIL	

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



Step III: Prioritising material impact outcomes across portfolio

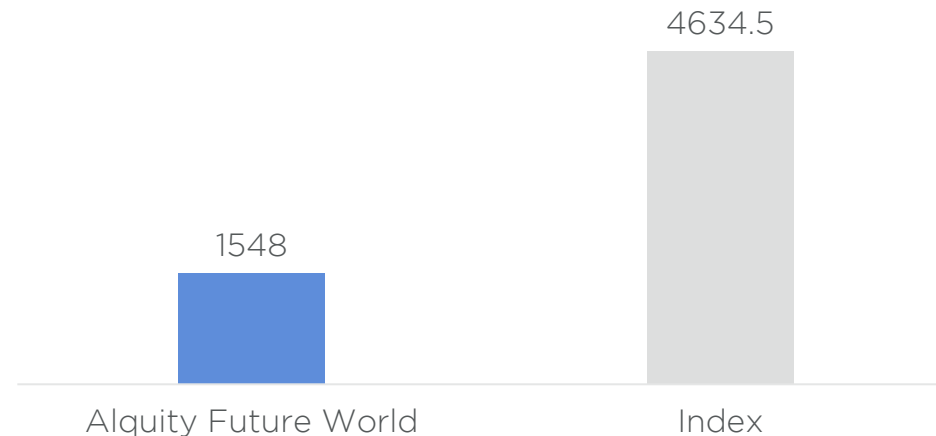
Scope 1 and 2 GHG Intensity (in tonnes/\$m)*



48%

less GHG Intensity than its index

Water Intensity (in tonnes/\$m)**



67%

less water Intensity than its index

Step III: Portfolio construction – Our risk guidelines

Construction Guidelines

Country: +/- 10% versus EM index

Sector: +/- 20% versus EM index

Typically 20% invested in Small Caps ($\pm 5\%$)**

Numbers of holdings: 50 to 75

Position size: 0.5% to 10%

Maximum 3% stock overweight versus EM 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%

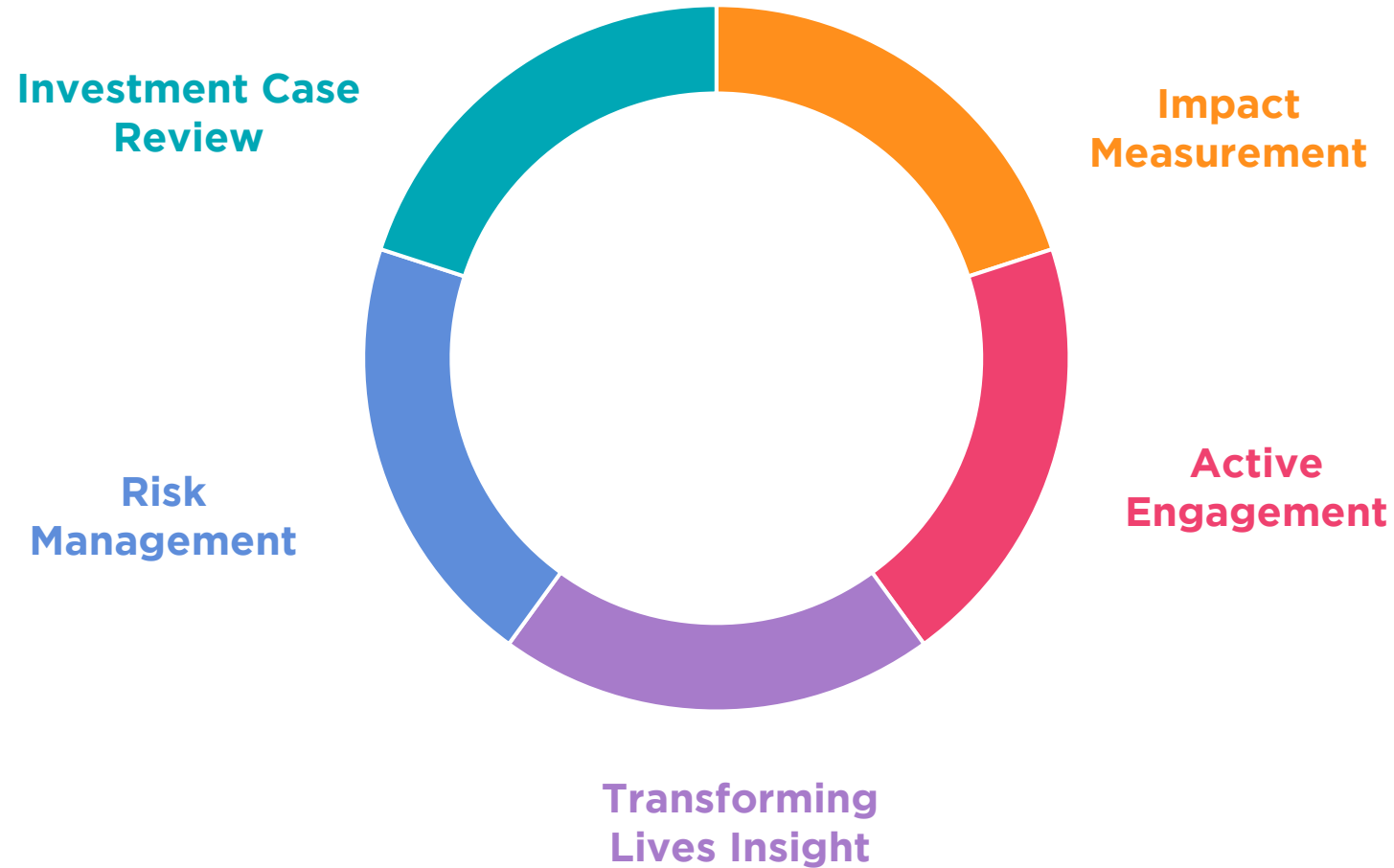
Holding period average: 3-5 year

Tracking Error vs EM Index: 4% to 6%

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 and 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

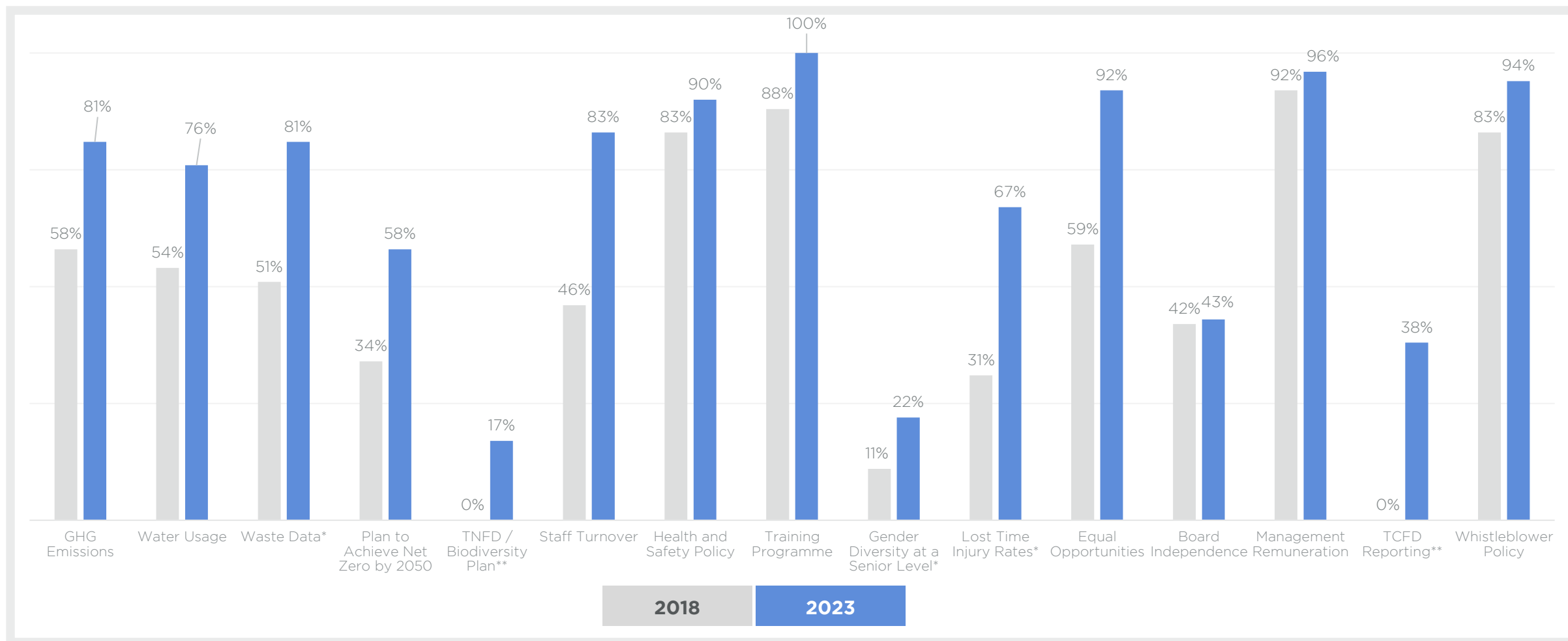
- ✓ Whistleblowing policy available to all employees
- ✓ Percentage of independent directors on the board \geq than the free-floating share percentage of the holding
- ✓ Management remuneration packages disclosure



- 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 Future World 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



Publication of inaugural sustainability report



Inclusion of GHG data in ESG report

Bespoke engagement



GHG intensity
versus peers



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



on climate related
lending policies



on governance and auditor tenure

Step IV: Portfolio management – Alquity’s total EM voting in 2023

- Alquity fund managers review 100% of resolutions, in line with both ISS recommendations and our own Principles of Governance
- Over 1200 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 Future World Fund
Structure	SICAV, UCITS V
Domicile	Luxembourg
SFDR Classification	Article 8
Liquidity	Daily
Fund Inception Date	4 June 2014
ISIN / Bloomberg GBP	LU1070052854 / ALQFWGY
ISIN / Bloomberg EUR	LU1070053076 / ALFWLYE
ISIN / Bloomberg USD	LU1070052771 / ALFWUSY
Type	Institutional
Management fee	0.9% p.a.
Performance fee	None

UK AND EUROPE

Marc Rugel

+33 644 3265 04

marc.rugel@alquity.com



www.alquity.com

MIDDLE EAST AND ASIA

Suresh Mistry

+44 7973 309687

suresh.mistry@alquity.com



Alquity Investment
Management Limited

NORTH AMERICA

Renee Arnold

+1 215 350 9063

renee.arnold@alquity.com



www.alquityfoundation.org

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