

WHY ALQUITY INDIA? THE INVESTMENT CASE

Q3 2024



LIFE CHANGING INVESTMENTS

 PRI Principles for Responsible Investment	
<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



India is an uncorrelated, stock picker's market with significant alpha potential

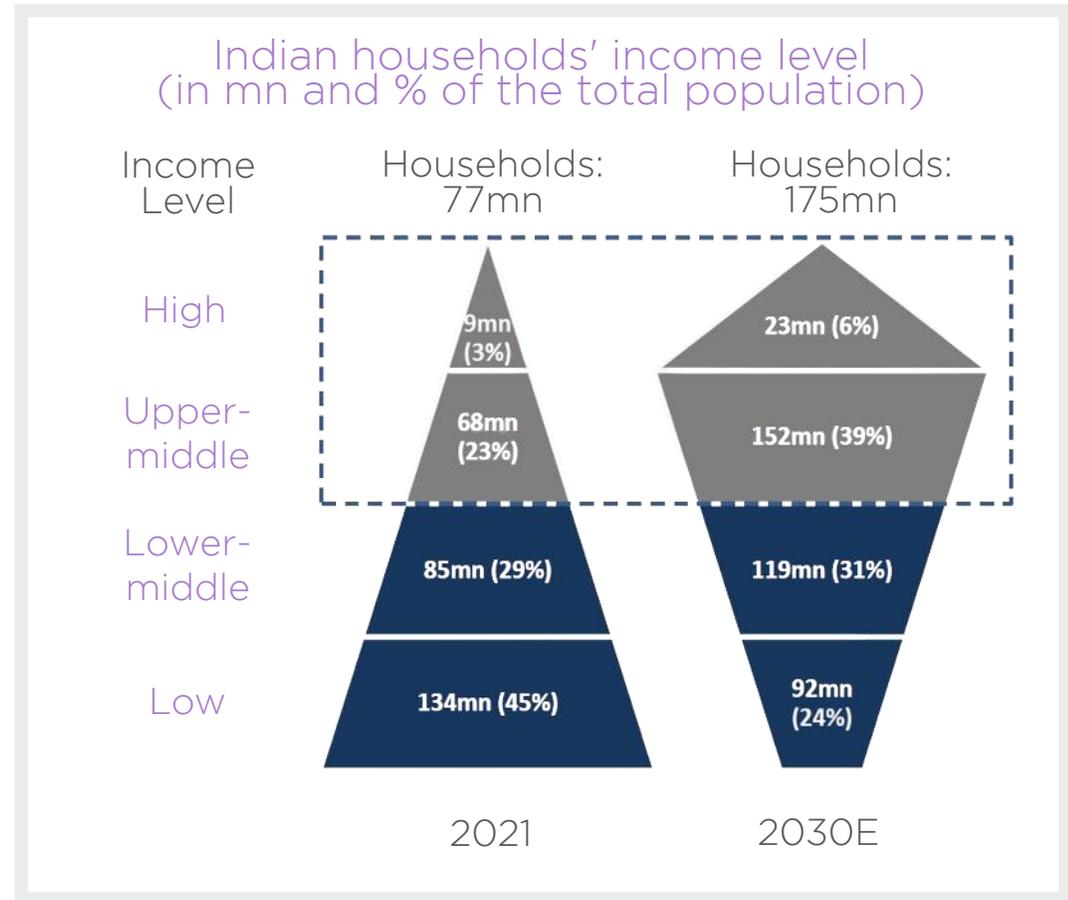
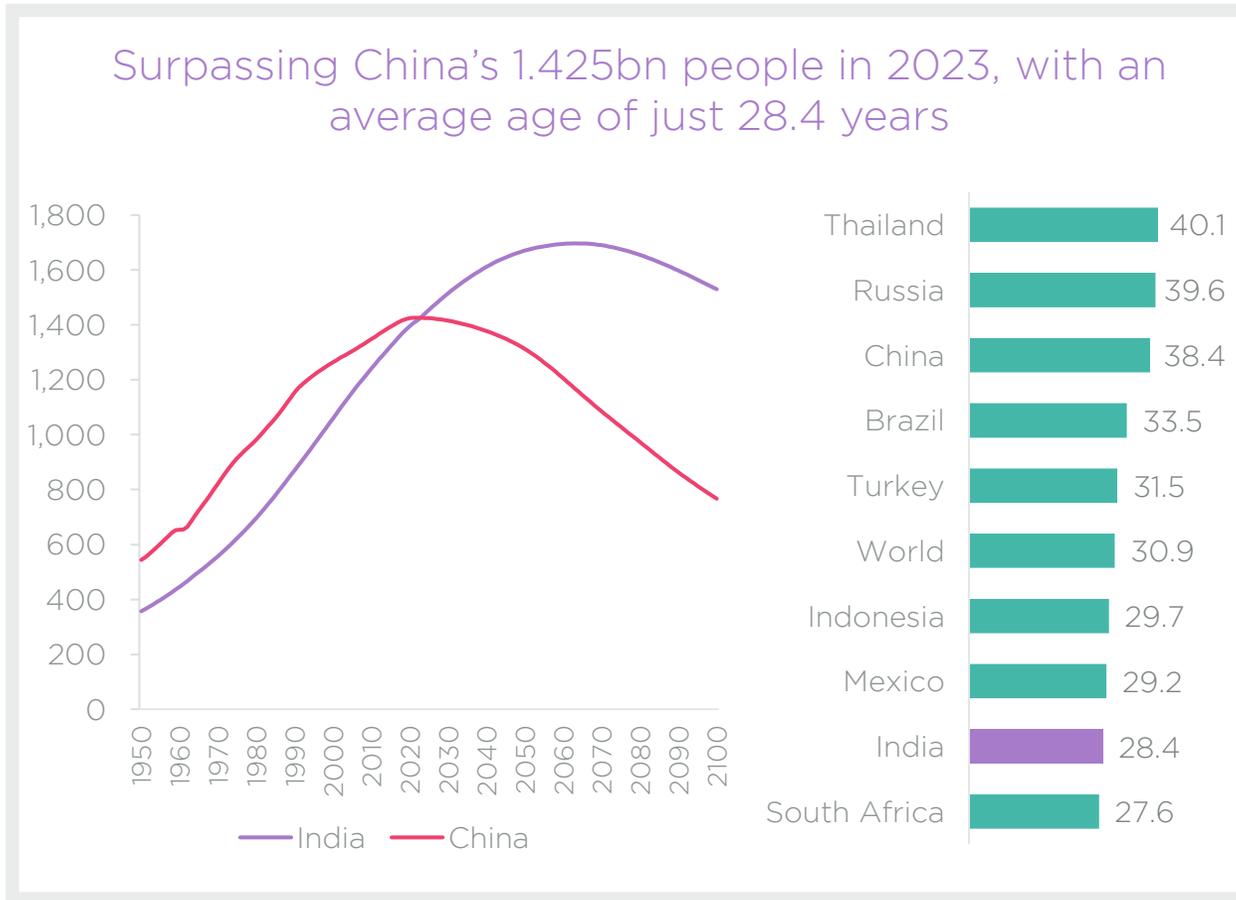
Stock index	Correlation with MSCI India
Hong Kong H shares	0.37
Taiwan	0.48
FTSE	0.54
Nasdaq	0.31
World Index	0.47
Brazil	0.40
Eurostoxx	0.53
S&P 500	0.37

- Daily liquidity of approximately US\$ 7-9bn
- 60% of turnover is driven by retail investors
- Second largest EM market



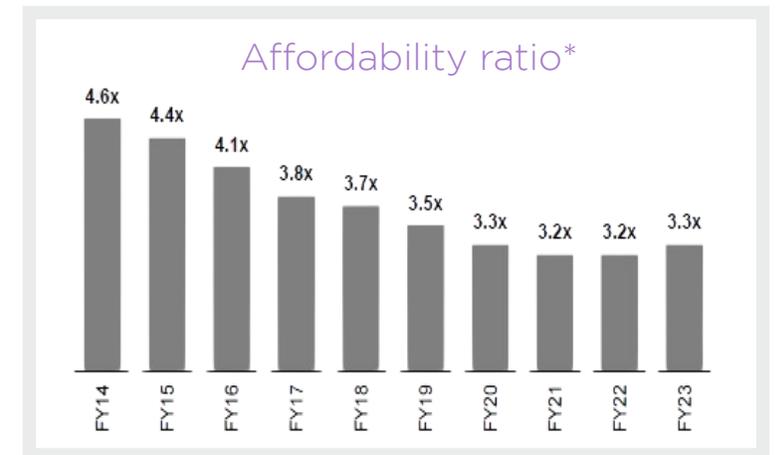
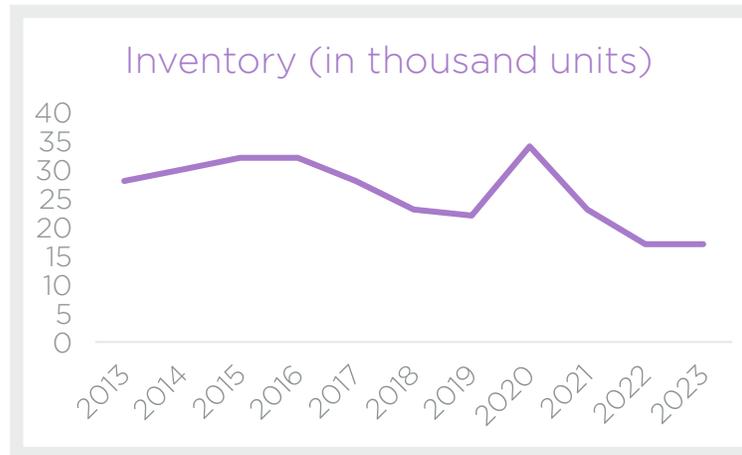
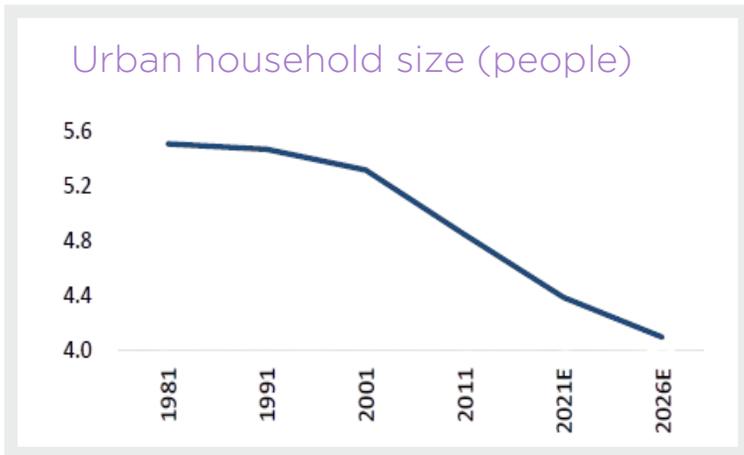
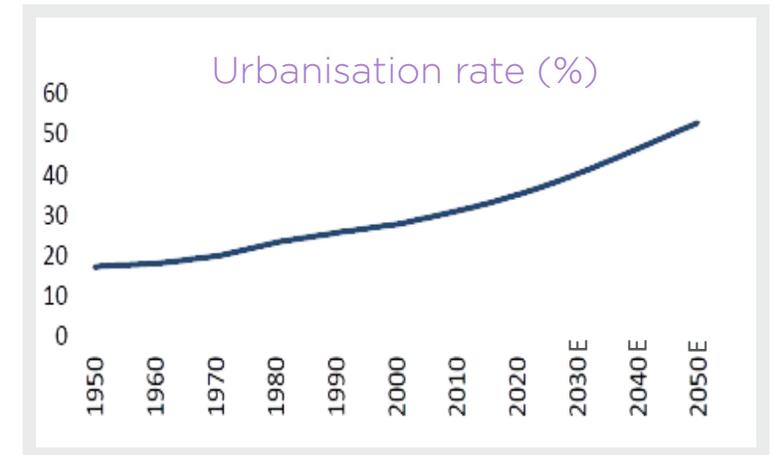
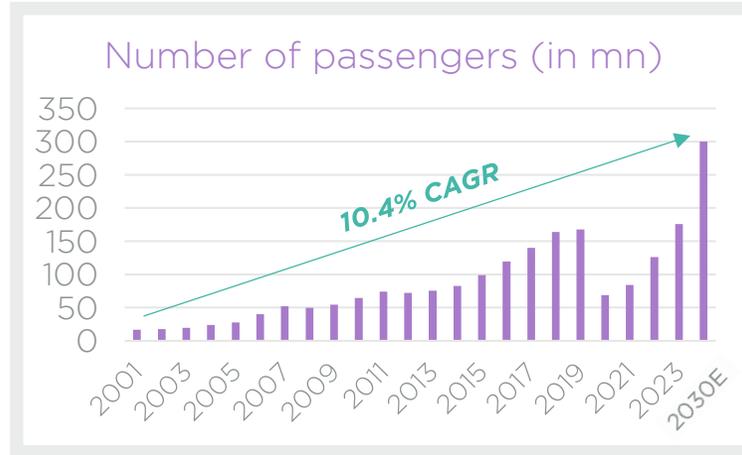
Country	P/E ratio 2024	EPS growth	PEG ratio
China	9.2x	15.7%	0.6
Brazil	8.3x	9.7%	0.9
Thailand	16.5x	15.1%	1.1
India	22.3x	17.0%	1.3
Korea	11.5x	7.7%	1.5
US	19.9x	12.1%	1.6
Japan	13.7x	7.8%	1.8
Europe (ex. UK)	12.8x	4.9%	2.6
UK	10.8x	2.4%	4.5

The strongest demographic story worldwide...

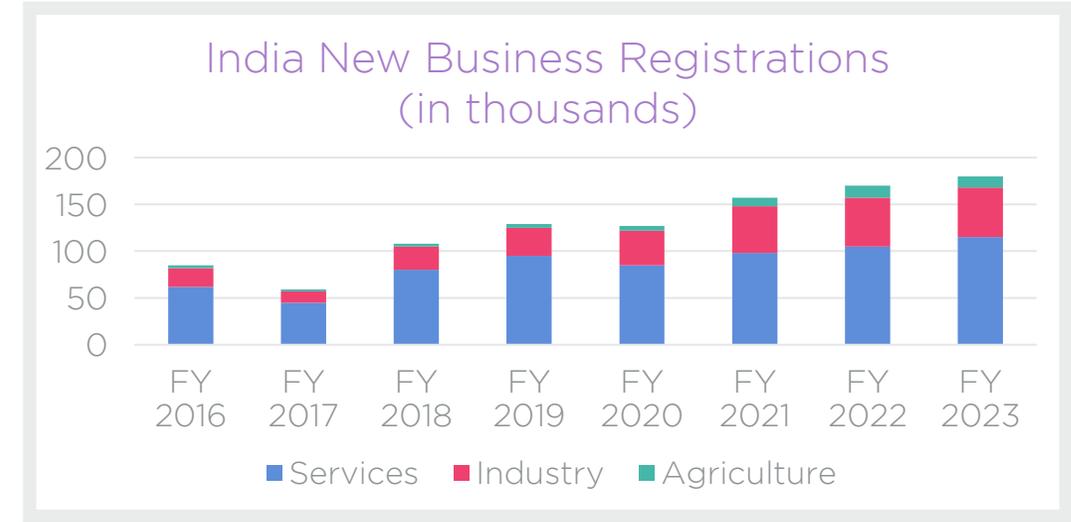
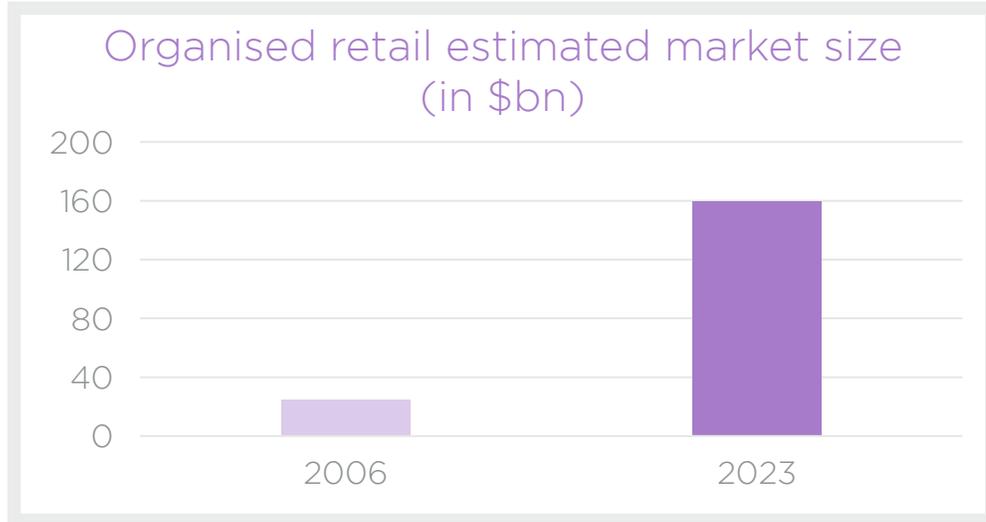


India has the largest Gen Z and Millennial population globally

...which has been unlocked by Modi's reforms...



...and complemented by an improving business environment



THE WALL STREET JOURNAL

Apple Aims to Make a Quarter of the World's iPhones in India

Supplier Foxconn plans to build more factories and give India a production role once limited mostly to China

Dec. 8, 2023 12:01 am ET

India clears \$2.7 billion Micron chip testing plant ahead of Modi's U.S. visit

Reuters

June 20, 2023 8:26 PM GMT+4

Applied Materials to invest \$400 million in India for new engineering center

Reuters

June 22, 2023 4:09 PM GMT+4

NIKKEI Asia

China's Xiaomi accelerates push into India despite tensions

Smartphone maker enters new supply deal with contract manufacturer Dixon

September 30, 2023 00:40 JST

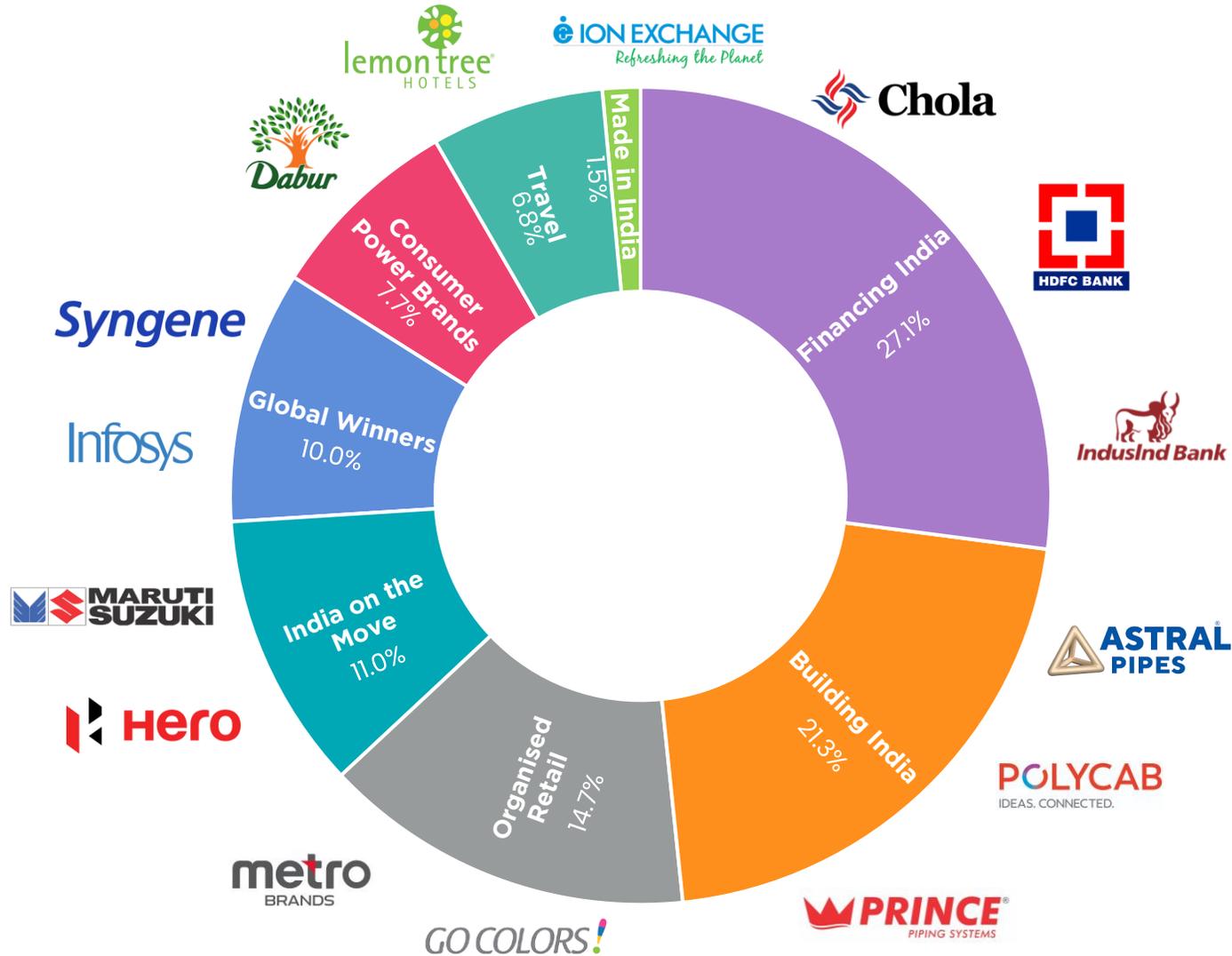


HOW WE UNLEASH **NEW INDIA**

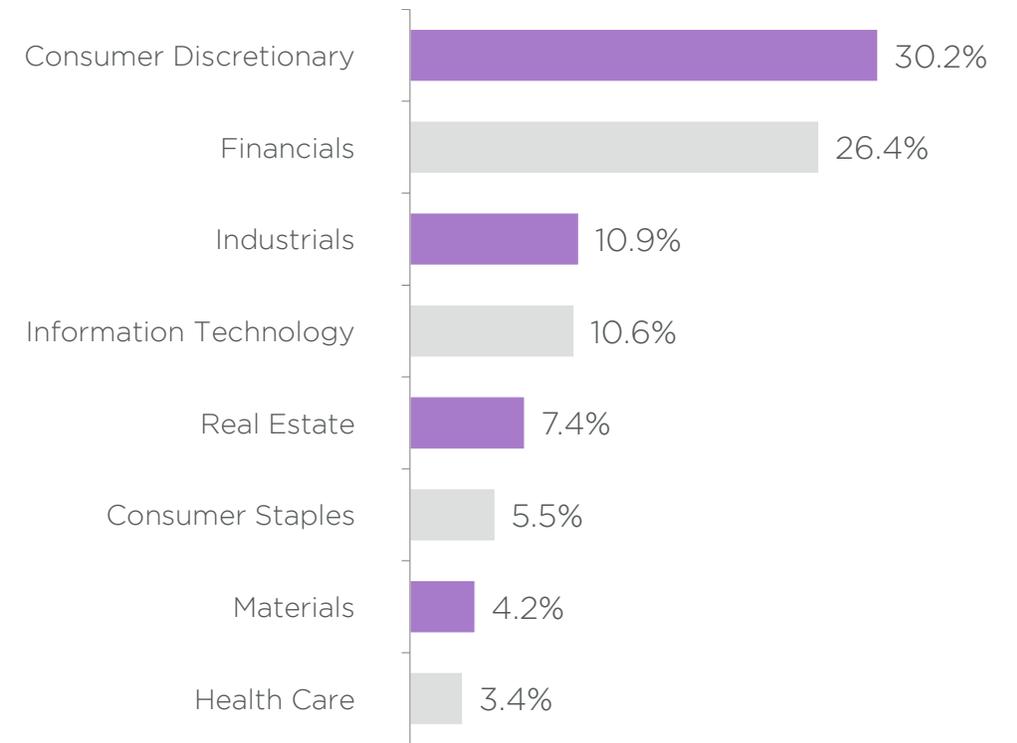
LIFE CHANGING INVESTMENTS

 **INDIAN
SUBCONTINENT
FUND**

We focus on India's dynamism and domestic growth

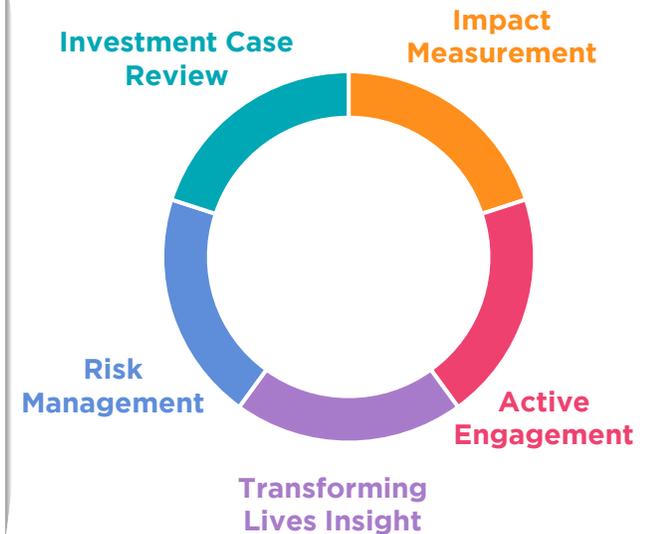


Sector Allocation

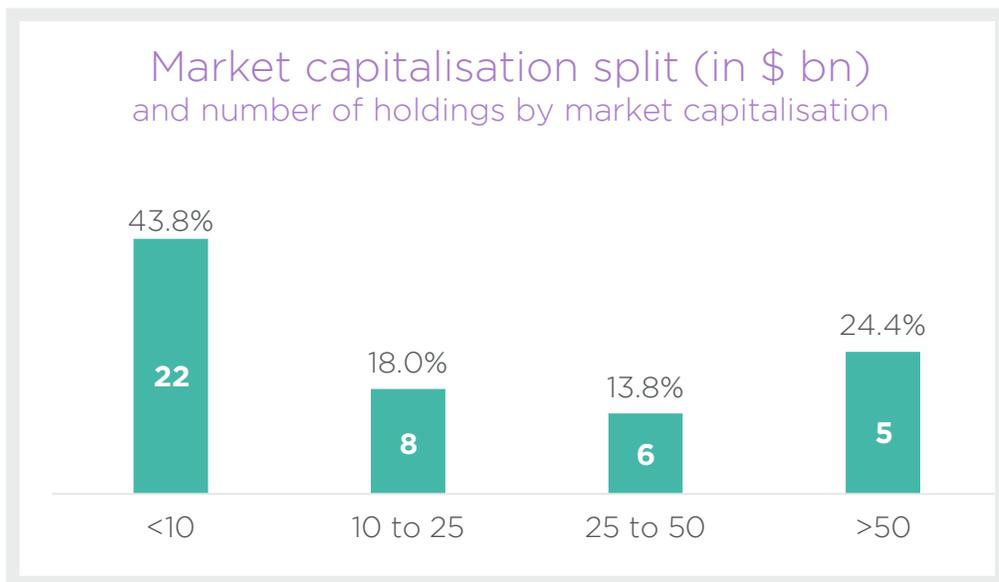


38/41 holdings are domestically focused

...which is driven by our robust investment process



Resulting in a unique and differentiated multi-cap portfolio focused on 'New India'



We concentrate on quality growth companies

Our portfolio consistently has faster earnings growth than the index

	Fund	Index
2024	40.0%	35.8%
2023	15.4%	-1.2%
2022	36.8%	24.2%
2021	26.7%	-10.8%

Portfolio characteristics	Number of holdings	Active share	Annual name turnover
Fund	41	68.6%	12.2%
Index	154	-	-

- Alquity India is **10-15% cheaper than the index** on a PEG basis
- 21/41 holdings are out of index

The advantages of the Alquity India Fund

A long-term perspective, combined with in-depth knowledge delivers results



Performance (in USD)	10yr	5yr	3yr
Fund	177.9%	109.4%	29.2%
ETF	117.9%	87.8%	27.7%
Index	158.7%	114.2%	39.2%
Quartile	1 st	1 st	2 nd

2023	2022	2021	2020
19.9%	-10.1%	44.5%	14.4%
17.5%	-9.4%	22.4%	14.7%
20.8%	-8.0%	26.2%	15.6%
3 rd	2 nd	1 st	2 nd

- A greater focus on New India, structural themes and domestic growth
- We look for the ‘Best of India’, regardless of capitalisation and index inclusion
- A portfolio with a lower environmental footprint
- ESG is a critical risk mitigation tool, avoiding issues such as:

Volatility data (3 years)	Alquity India	Index
Standard Deviation	15.55%	15.59%
Tracking Error	5.33%	-
Sharpe Ratio	0.81	0.71
Information Ratio	0.25	-



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 India
- 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 India
- 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 India
- 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

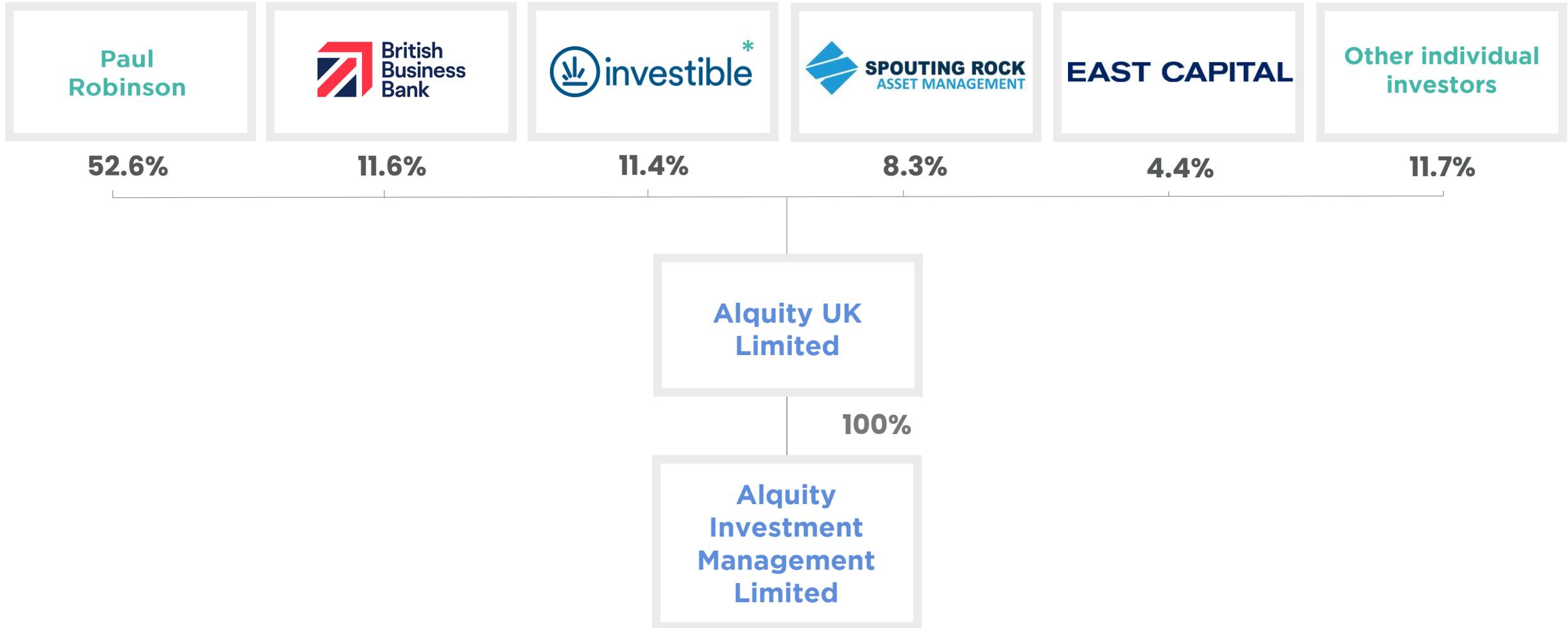
- Joined VAM in 2010 and assists with on the ground research
- Vikas also has extensive knowledge in AI/automation that we are using to enhance efficiency within the investment team



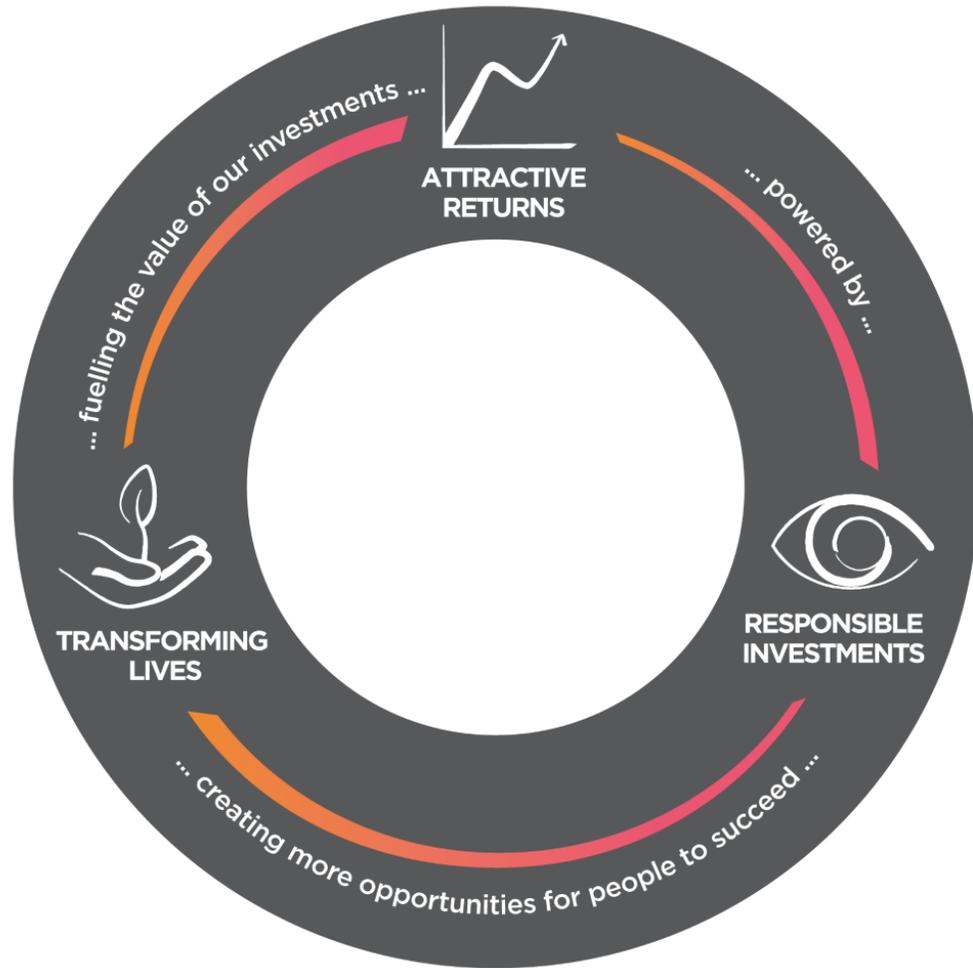
Suresh Mistry
Head of Sustainability

- 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

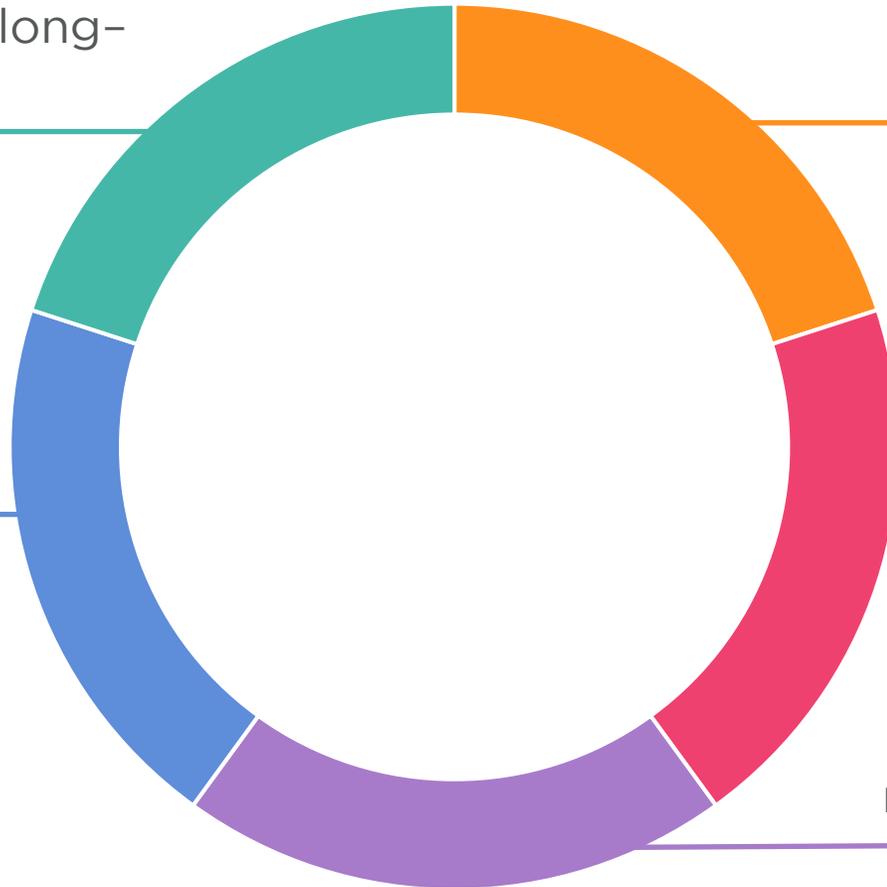


Transforming Lives: a hand up not a hand-out

Conclusion

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

Direct impact both from our portfolio and our TL Foundation



Differentiated, domestically focused growth portfolio focusing on the Best of India

Fully integrated ESG process

India is an uncorrelated, stock picker's market with significant alpha potential stable and numerous secular growth trends

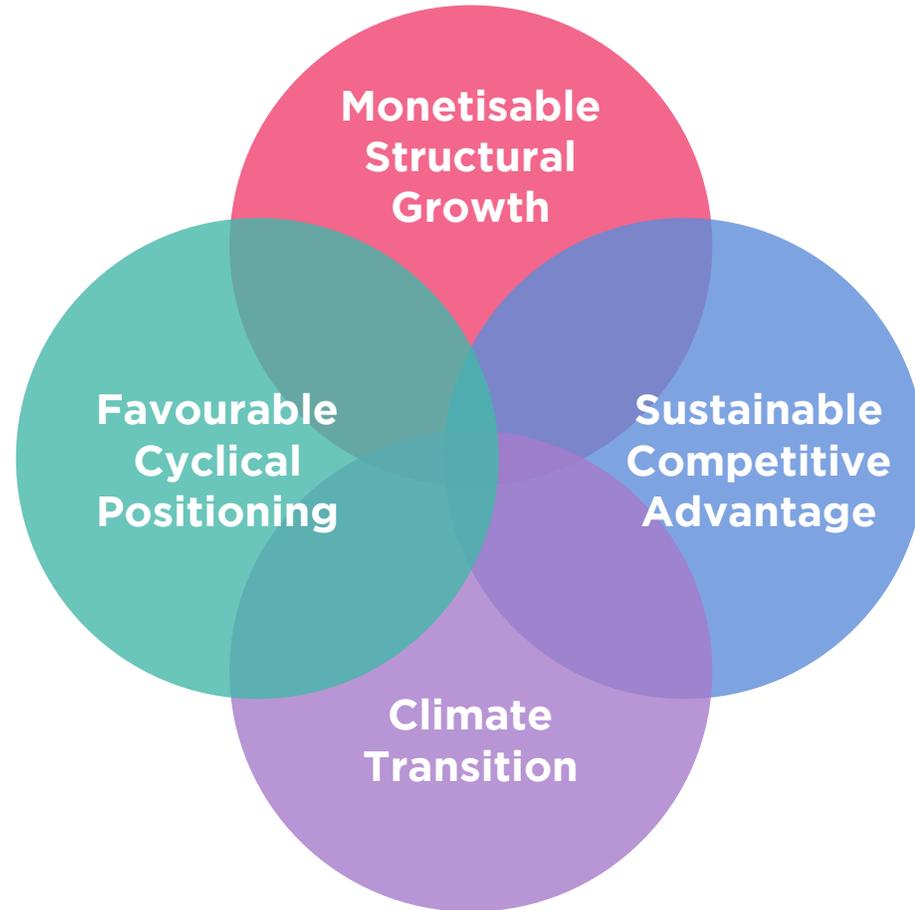
APPENDIX



LIFE CHANGING INVESTMENTS

 **INDIAN
SUBCONTINENT
FUND**

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



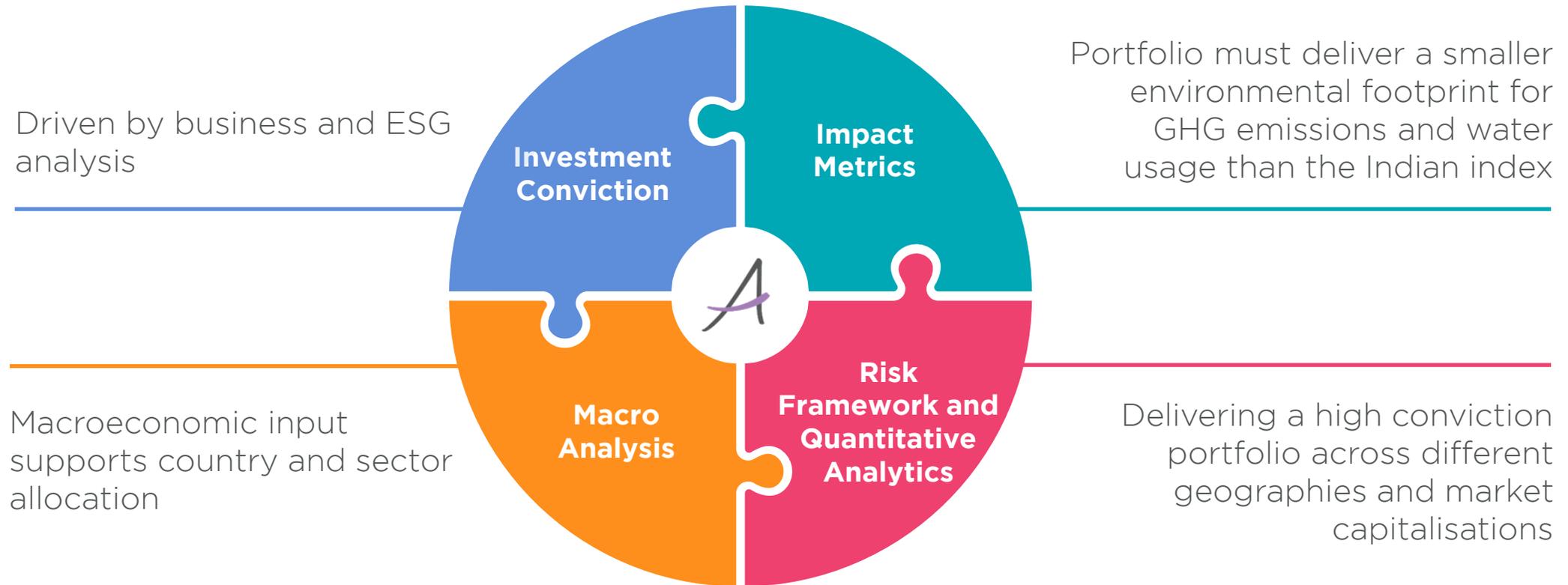
Only companies with a clean bill of health and without ongoing ESG controversies and unresolved scandals

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



Step III: Portfolio construction – Our risk guidelines

Construction Guidelines

Sector: Maximum concentration of 40%; Typically +/- 20% vs India Index

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

Numbers of holdings: 30-50 companies

Position size: 0.5% to 10%

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%

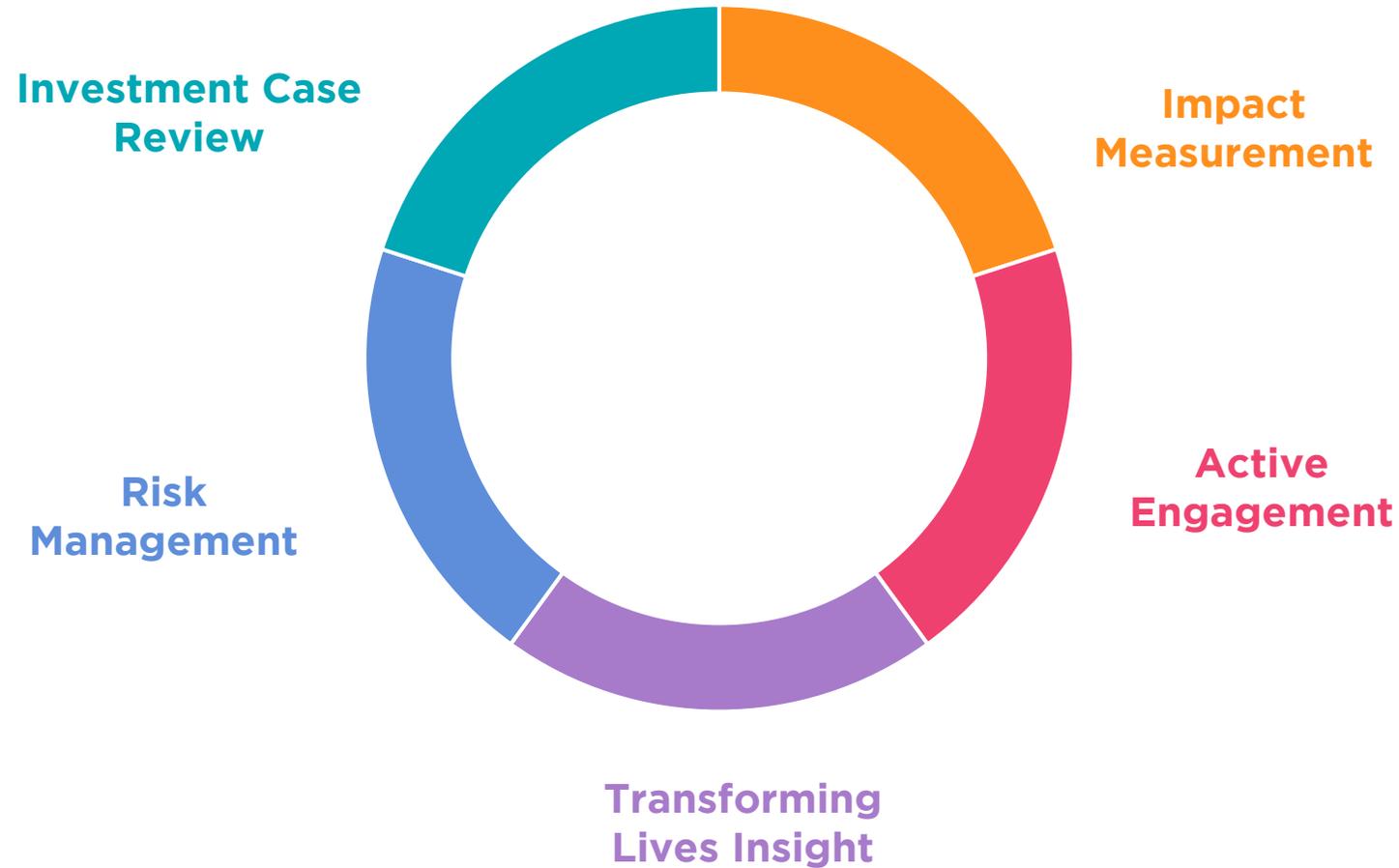
Holding period average: 3-5 year

Tracking Error vs India Index: Approximately 5% to 10%

Active share: >70%

Beta: 0.8 to 1.2

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

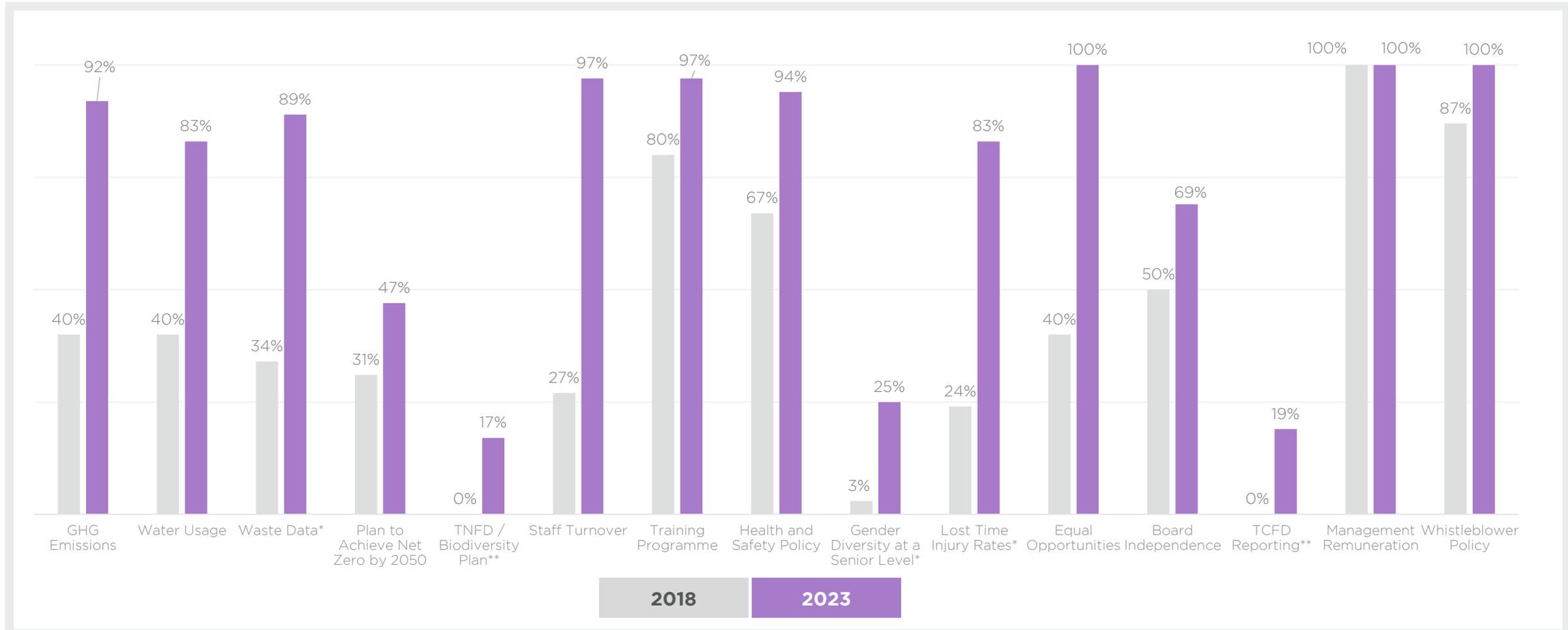
- ✓ Whistleblowing policy available to all employees
- ✓ Percentage of independent directors on the board \geq than the free floating share percentage of the holding
- ✓ Management remuneration packages disclosure



- 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 India Fund meeting each KPI (% of companies)



Step IV: Portfolio management – Alquity’s ESG advocacy

We engaged with 32 of our investee companies on a range of E, S and G issues in 2023



Cage-free supply chain and antimicrobials use disclosure and potential phasing out



Horseshoe crab blood harvesting disclosure and potential phasing out



Gender and GHG emissions targets



Plastics reduction and packaging



Auditor tenure across our companies, examples include APL Apollo and HUL



Auto-related companies – We engaged on supply chain monitoring, in response to reports of Hyundai’s use of child labor in Alabama



Alquity led group engagement



Engagement on climate related lending policies

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
- 468 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

Company example - Lemon Tree

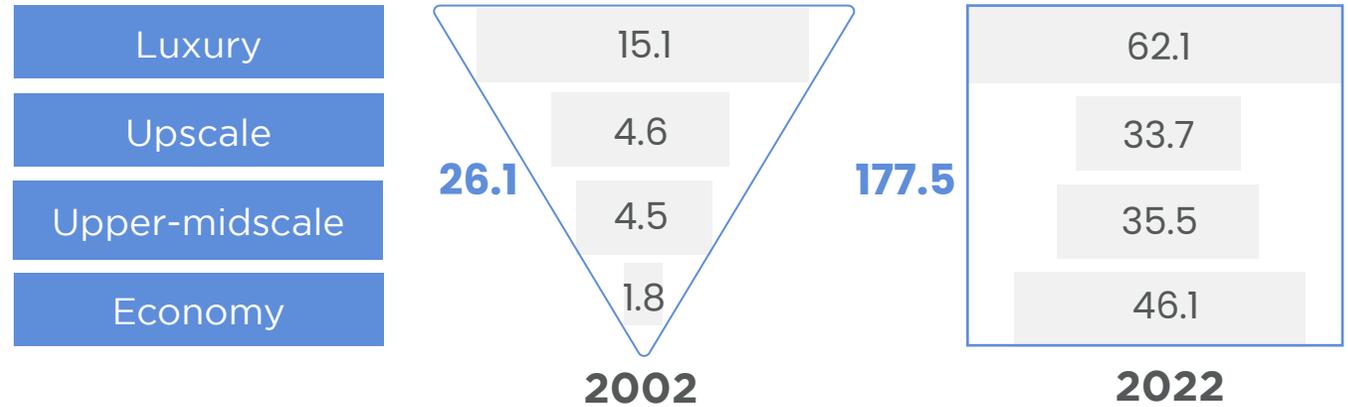


Market Cap (USD): 1.2bn
Out of index

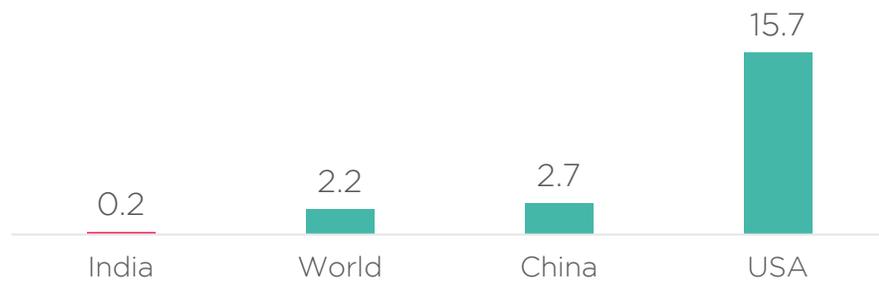
INVESTMENT CASE

- **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

Company example – Metro Brands



Market Cap (USD):

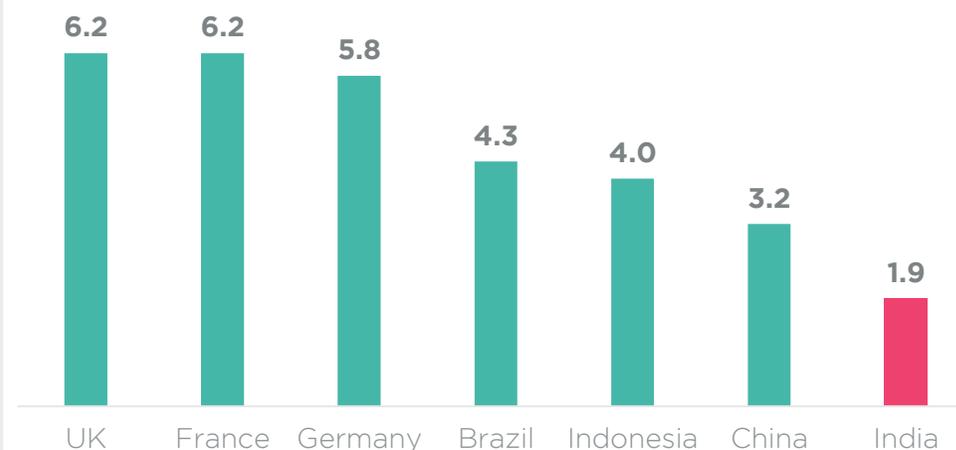
4.1bn

Out of index

INVESTMENT CASE

- One of India's largest footwear retailers
- India is amongst the **lowest per capita consumer of footwear globally**, providing a huge runway for growth
- Just **35% organised retail penetration** in footwear
- Recent **FILA acquisition can supercharge growth** (FILA in China has a dominant position and boasts over 2,000 outlets)
- Signed a **multi-decade licencing agreement with Footlocker** in late 2023, providing a unique customer proposition

Per capita consumption of footwear (2019)



ESG HIGHLIGHTS

- Metro recycled 2 million pairs of discarded shoes in FY23. Longer term, Metro **aims to recycle one pair of shoes for every pair it sells**
- **ESG rating: C**

VALUATION

- 70% upside in bull case
- 31% upside in base case
- 7% upside in bear case

Company example – Polycab

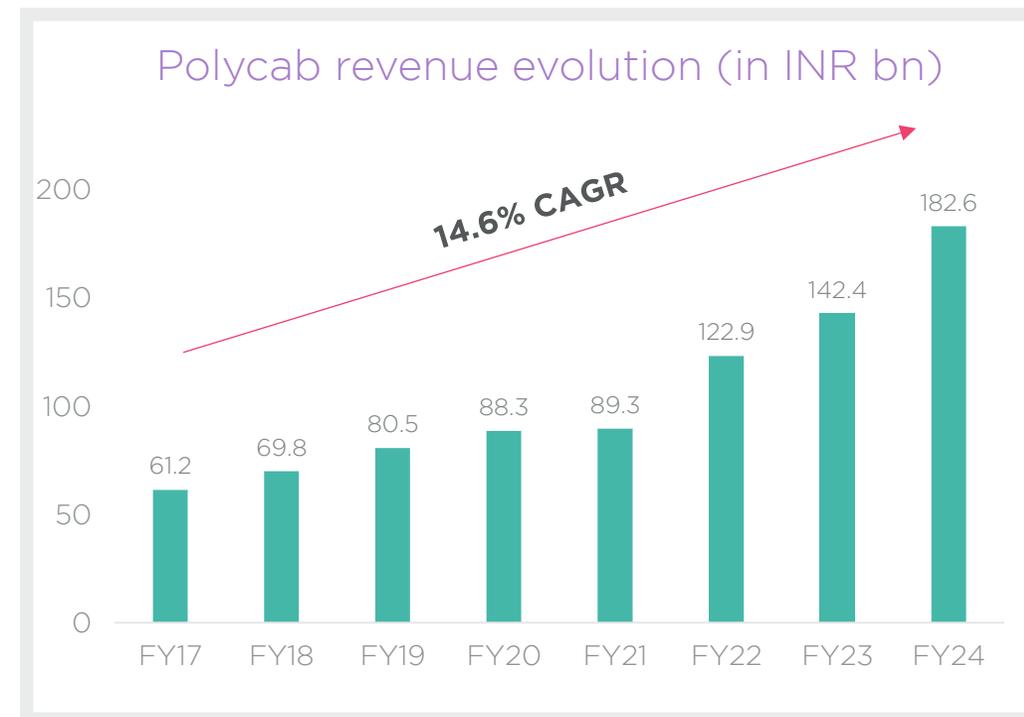
POLY CAB

Market Cap (USD): 4.7bn

Added to the EM index in November 2023*

INVESTMENT CASE

- **Largest manufacturer of cables and wires** in India
- **Urbanisation:** Urban population expected to increase from ~35% to ~41% by 2030. 70% of wire demand is driven by real estate
- **Strong cable demand** from burgeoning industries and government infrastructure drive growth (data centres, EVs, railways, metro, etc.)
- **Transitioning to clean energy** requires an overhaul of existing systems, requiring fresh cables for power transmission. Renewables capacity is expected to increase from 184 GW to ~500 GW by FY30E as India aims to meet 50%+ energy needs through non-fossil fuel power sources



ESG HIGHLIGHTS

- 10% of energy consumed is from renewable sources
- **ESG rating: B**

VALUATION

- 84% upside in bull case
- 17% upside in base case
- -13% downside in bear case

Company example – Vmart

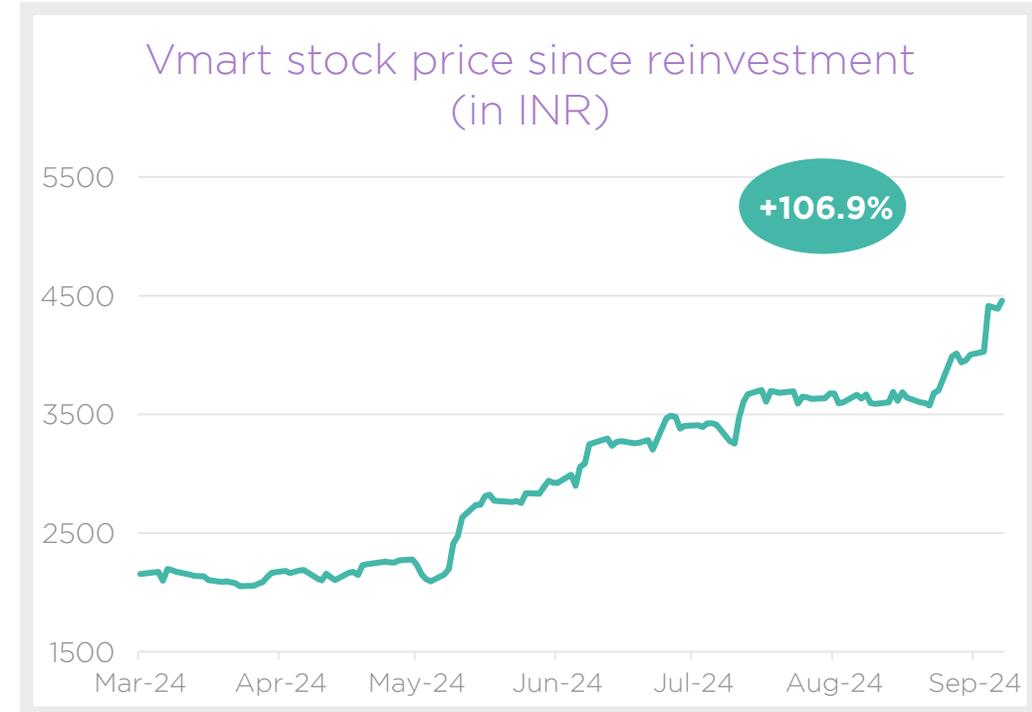


Market Cap (USD): 0.95bn

Out of index

INVESTMENT CASE

- **Small-town, rural focused retailer** with 467 stores (vs just 214 in 2019)
- Beneficiary of the **structural shift to organised retail** and **India's favourable demographics**
- **First met in February 2014** (we have met Vmart 21 times in total)
- **Our Transforming Lives consumer panel** in January suggested a rural recovery
- We reinvested in the company on March 28th 2024



ESG HIGHLIGHTS

- Training academy focusing on disadvantaged people
- **ESG rating: Upgraded from C to B in June 2018**

VALUATION

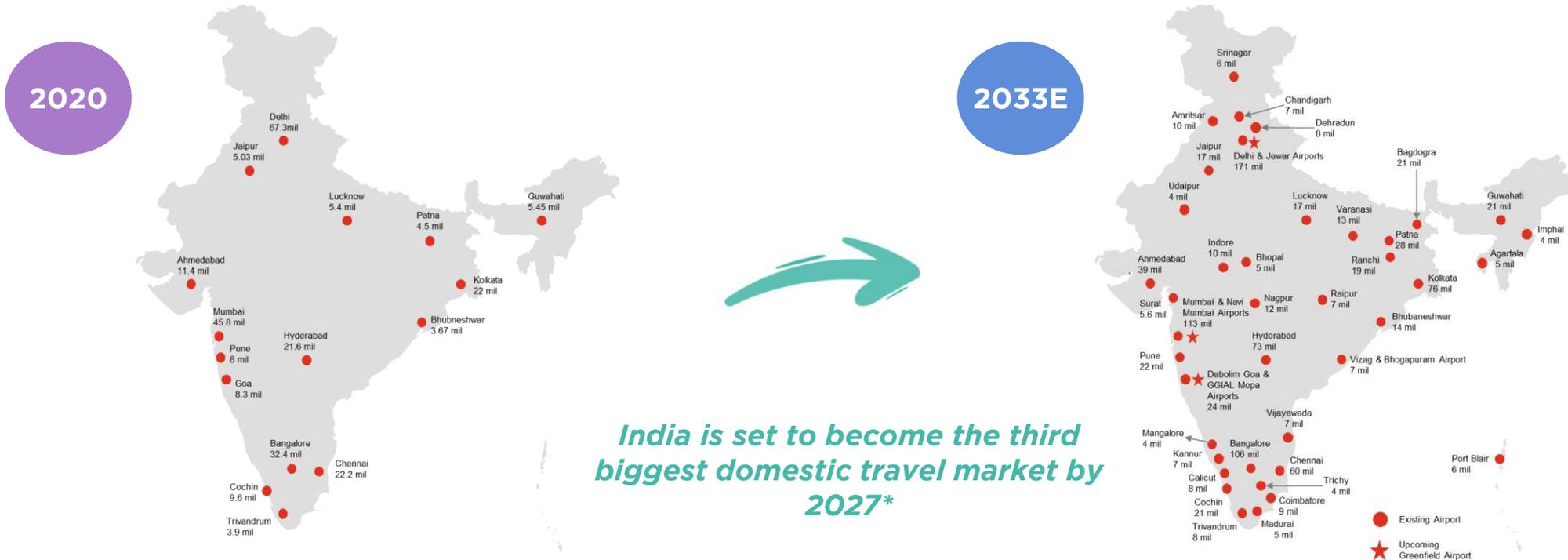
- 137% upside in bull case
- 72% upside in base case
- -17% downside in bear case

Domestic travel is an unrecognised structural opportunity...

...and largely small-cap and out-of-index



Major airports with over 3.5 million passengers per year



Top 10 holdings

Alquity Indian Subcontinent	
ICICI Bank	5.8%
HDFC Bank	5.6%
Infosys	4.8%
Mahindra & Mahindra	4.6%
Tata Consultancy	3.8%
Aptus Value Housing Finance	3.3%
Lemon Tree Hotels	3.3%
Dabur	3.2%
Skipper	3.1%
Oberoi Realty	2.9%

Index	
Reliance Industries	6.6%
HDFC Bank	5.4%
ICICI Bank	4.9%
Infosys	4.6%
Bharti Airtel	3.2%
Tata Consultancy	2.9%
Mahindra & Mahindra	2.1%
Axis Bank	2.1%
Larsen & Toubro	1.8%
Hindustan Unilever	1.8%

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

Fund details and contacts

Fund	Alquity India Fund
Structure	SICAV, UCITS V
Domicile	Luxembourg
SFDR Classification	Article 8
Liquidity	Daily
Fund Inception Date	30 April 2014
ISIN / Bloomberg GBP	LU1070052268 / ALQISGY
ISIN / Bloomberg EUR	LU1070052342 / ALQISYE
ISIN / Bloomberg USD	LU1070052185 / ALQISYU
Type	Institutional
Management fee	0.9% p.a.
Performance fee	None

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The Fund's investment approach is long-term, investors must expect to be committed to the Fund for an extended period of time (3-5 years) in order for it to have an optimal chance of achieving its investment objectives.

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