Q4 2024 INVESTMENT MARKET UPDATE

PERFORMANCE

Global equity markets diverged in Q4, with **the US outperforming other regions meaningfully**. Following the US election in November, Donald Trump secured his second term and the Republican party obtained a majority in both chambers of Congress. Expectations of de-regulation and tax cuts drove US assets to historic highs, while the threat of tariffs and a strengthening US dollar led to heightened volatility outside the US.

Emerging Markets suffered in Q4 as sentiment deteriorated given the risks of a shorter Fed cutting cycle, Trump tariffs and a strengthening USD.

Alquity's fund performance was as follows:

Indian Fund (B class)

Fourth quarter 2024: 1.14% in Euro terms (net); 0.51% in GBP terms (net)

Asia Fund (B class)

Fourth quarter 2024: 1.68% in Euro terms (net); 1.05% in GBP terms (net)

Future World (B class)

Fourth quarter 2024: 2.68% in Euro terms (net); 2.04% in GBP terms (net)

Source: Alquity, Bloomberg, as of 31st December 2024. To access to longer term performance numbers and details for the funds, please, visit www.alquity.com

UNITED STATES

The anticipation of further tax cuts, a more isolationist trade agenda and deregulation plans led the **US equity market to new highs** in Q4. Small caps, that are more exposed to domestic policies, rallied significantly during the quarter. Macro data such as retail sales (+0.7% in November, +0.5% in October) and PMI readings (55.3 in November) demonstrated the **continued resilience of the US economy**, although payroll numbers suggest a cooling of the labour market, which has impacted Fed rate expectations.

UNITED KINGDOM AND EUROPE

In contrast, **Western European equity markets weakened** in Q4. There were a combination of reasons for this decline including: political turmoil in France, malaise in the European automotive sector, weakening macro data in UK and a general unease around US trade policy towards Europe.

CHINA

Following a record rally in September, **Chinese equities fell sharply in Q4 as optimism towards the previously announced stimulus measures faded**. Sentiment towards China also worsened given the concerns around tariff threats from the US, with the current proposal being a 60% tariff. Encouragingly, there were **signs of a modestly improving economy**, with urban youth unemployment falling for a third consecutive month in November to 16.1% and the Caixin composite PMI in November being in expansion territory (52.3). Total property sales by floor space rose 2.7% compared to November last year, after declines narrowed in October and September. During the recent Politburo meeting in December, authorities highlighted the prioritisation of economic growth and signalled a shift in **monetary policy**. The term "moderately loose" replaced the previous "prudent" stance, suggesting a **more accommodative approach** going forward. The meeting also called for **increased fiscal spending and consumer stimulus**. While this indicates continued policy support, expectations for a dramatic stimulus package may be tempered.

INDIA

The Indian equity market weakened in Q4, as foreign investors shifted their focus from India to China. This is temporary in our view. **Corporate earnings showed moderating growth**, but there were many one-offs and seasonal factors including: national elections, a skewed wedding season and extreme weather (heatwave, plus severe flooding in Southern India). **We returned from our 39-meeting trip with a very positive outlook**. The Reserve Bank of India (RBI) maintained its benchmark repo rate at 6.5%, despite easing ex-food inflationary pressures. The RBI is expected to consider rate cuts in early 2025.

REST OF ASIA

Despite the risks from a Trump presidency and the languid growth in China, **strong tech demand (led by the AI boom) bolstered the outlook for Taiwan**. Taiwan's statistics office raised their 2024 GDP growth estimate to 4.3% (vs 3.9% previously). The **South Korean market performed poorly in Q4** amidst worsening economic data and tariff fears, plus a short-lived coup. The central bank unexpectedly cut interest rates by 25bps to 3%, as well as lowering their 2024 GDP forecast to 1.9%. **The Philippine equity market retreated in Q4**, reversing strong gains made during the year. 2024 GDP growth was impacted by adverse weather disruptions, affecting both government spending and farm output. **Thailand also lagged during the quarter**, although tourism and domestic demand remained strong. The **weakening Indonesian Rupiah** and the uncertainty regarding the upcoming Trump administration led to Indonesia's central bank keeping rates unchanged at 6%.

LATIN AMERICA

Equities in Latin America sold off in Q4, underperforming both Asia and Global Emerging markets. Fears of a shorter Fed cutting cycle, a **strengthening US dollar and the threat of tariffs weighted on Latam markets**. Additionally, both Mexico and Brazil suffered from higher than anticipated inflation, with energy and food costs being the major contributor. **Brazil is facing its own fiscal challenges** and investors were left dissatisfied by the government's latest budget plan. Brazilian investors are now facing the prospect of a higher for longer rate cycle, which has impacted the equity market as investors rotate into high yielding fixed income. Brazil's central bank raised interest rates by 100 basis points in their December meeting and signalled matching hikes for their next two meetings.

CONCLUSION

Emerging and Developed equity market performance diverged meaningfully with US in Q4, following Donald Trump's election victory. Whilst investor sentiment has weakened towards Emerging Markets, **growth has generally remained robust across regions and valuation differentials with the US have widened to historic levels, providing an attractive opportunity for long-term investors**. We remain confident for the outlook for our predominantly domestically-focused portfolios for 2025.

FOR MORE INFORMATION ON ALQUITY, PLEASE, VISIT:

www.alquity.com

DISCLAIMER

The information in this document (this "Document") is for discussion purposes only. This Document does not constitute an offer to sell, or a solicitation of an offer to acquire, an investment (an "Interest") in any of the funds discussed herein. This Document is not intended to be, nor should it be construed or used as, investment, tax or legal advice. This Document does not constitute any recommendation or opinion regarding the appropriateness or suitability of an Interest for any prospective investor.

This material is for distribution to Professional Clients only, as defined under the Financial Conduct Authority's ("FCA") conduct of business rules, and should not be relied upon by any other persons. Issued by Alquity Investment Management Limited, which is authorised and regulated in the United Kingdom by the FCA and operates in the United States as an "exempt reporting adviser" in reliance on the exemption in Section 203(m) of the United States Investment Advisers Act of 1940.

The Alquity Asia Fund, the Alquity Future World Fund, the Alquity Indian Subcontinent Fund and the Alquity Global Impact Fund are all sub-funds of the Alquity SICAV ("the Fund") which is a UCITS Fund and is a recognised collective investment scheme for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA"). This does not mean the product is suitable for all investors and as the Fund is invested in emerging market equities, investors may not get back the full amount invested.

This Document is qualified in its entirety by the information contained in the Fund's prospectus and other operative documents (collectively, the "Offering Documents"). Any offer or solicitation may be made only by the delivery of the Offering Documents. Before making an investment decision with respect to the Fund, prospective investors are advised to read the Offering Documents carefully, which contains important information, including a description of the Fund's risks, conflicts of interest, investment programme, fees, expenses, redemption/withdrawal limitations, standard of care and exculpation, etc. Prospective investors should also consult with their tax and financial advisors as well as legal counsel. This Document does not take into account the particular investment objectives, restrictions, or financial, legal or tax situation of any specific prospective investor, and an investment in the Fund may not be suitable for many prospective investors.

An investment in the Fund is speculative and involves a high degree of risk. Performance may vary substantially from year to year and even from month to month. Withdrawals/redemptions and transfers of Interests are restricted. Investors must be prepared to lose their entire investment, and without any ability to redeem or withdraw so as to limit losses.

All Fund performance results presented herein are unaudited and should not be regarded as final until audited financial statements are issued. Past performance is not necessarily indicative of future results. All performance results are based on the NAV of fee paying investors only and are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, if any, and include the reinvestment of all dividends, interest, and capital gains.

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. Capital at risk.

This Document may not be reproduced in whole or in part, and may not be delivered to any person (other than an authorised recipient's professional advisors under customary undertakings of confidentiality) without the prior written consent of the Investment Manager.