April 2021

IMPACT REPORT – 2021

Alquity LIFE CHANGING INVESTMENTS

Front Cover and inside cover; Flower-cyclers working at Phool, one of our Transforming Lives award winners.

CONTENTS

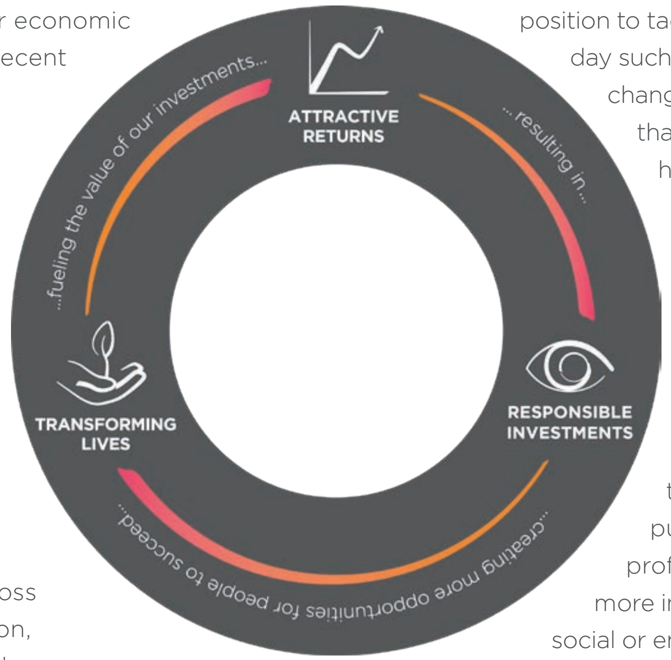
PART 1 **INTRODUCTION**

WELCOME TO ALQUITY'S THIRD IMPACT REPORT

During a year of unprecedented challenge for every single person, we saw first hand how reliant human development and our lifestyles are on respecting our planet and its resources. Whatever the learnings from how we deal with pandemics, the single clear message is that our relationship with the natural world has to change.

The latest trending phrase on the economic recovery from the crisis is to *"build back better"*. As a soundbite it clearly makes headlines and gains nods of approval but we suspect it will be easier said than done.

To move from an economic system built on exploitation of people and resources that is managed to protect the status quo for the most powerful, requires us to change the way we think about success. Narrow financial definitions of growth are no longer sufficient as they need the environmental and social cost of that growth to be discounted. A recent study by Schroders predicted that **global corporate profits would need to be reduced by 55% amounting to US$.1 trillion if the social (incl. environmental) costs of these profits were accounted for**.[1] In fact, the entire basis of our economic system is questioned in the recent Dasgupta Review for the UK Government.



The report titled ***"Economics and Biodiversity"*** correctly points out that most business and economic models do not allocate a cost to the use of the earth's natural resources rather just the extraction or collection of them.

Whilst clearly adding this cost to company profit and loss statements will focus attention, it does not necessarily shift the predominant mindset that growth requires increasing consumption. To solve the pressing issues we face requires us to shift our mindset, and perhaps one of the lasting legacies of the Coronavirus pandemic will be just that. An OECD report written before the pandemic, called How's Life in 2020, stated: ***"There are clear warning signs with respect to both economic and natural capital, and there has been virtually no progress with respect to Social Capital since 2010".*** Here social capital is defined as *"a set of shared values that allows individuals to work together in a group to effectively achieve a common purpose"*. Has the pandemic crisis bonded our communities to act collectively for the greater good? The following quote from an article in Psychreg.org[2] seems to suggest this may be so:

"There seems to be a strong case that in times of crises people's behaviour changes from one of individualism to one of collectivism, as a result community spirit increases and leaders, with empathy emerge who identify with this sense of community and solidarity. As past crises have shown us, this community spirit can linger long after the crisis has passed".

If society, governments and institutions can harness this spirit of solidarity, then we may be in a good position to tackle the major issues of the day such as poverty and climate change. Maybe history will show that in the end, this pandemic had benefits to society after all.

The business organisation is the ultimate representation of collectivism, where a group of individuals work towards a common purpose. So, to really *"build back better"* we must move to redefining the common purpose of business beyond profit to include solving (and more importantly) not creating social or environmental issues. This is not about just carbon offsetting or ESG or having more electric cars. This is about fundamentally redefining our measures of success in the world of business.

Sources:
1 https://www.schroders.com/en/insights/economics/sustainex-quantifying-the-hidden-costs-of-companies/
2 https://www.psychreg.org/hidden-benefits-coronavirus/

At Alquity, we always imagined our business to be firmly connected to social progress as much as financial success. Our virtuous circle model is predicated on the connection between environmental and social good supporting long term returns for our investors.

We see success in 3 dimensions rather than one. Financial returns are important but come hand in hand with investments that support the fair and just transition to a more sustainable world. This year we have launched our new Global Impact Fund which targets superior risk adjusted returns versus its index and substantially better climate and social metrics. This fund invests in ESG leaders as well as prioritising companies whose products and services deliver a tangible contribution to the UNSDGs. Our portfolios and our donations through the Alquity Transforming Lives Foundation will also help drive progress on the UN Sustainable Development Goals lifting up the poorest in society to build fairer, more resilient economies.

The major highlights of this year's report include:

1. **Detailed and independent review of our fund holdings against key sustainability metrics.**
2. **An analysis of our ESG ratings by company and the consequent stock performance and volatility.**
3. **A fact-based assessment of our engagement activity and improvements in accordance with our Key Progress Indicators.**
4. **A snapshot of some of our leading articles on ESG investing.**
5. **An overview of the Transforming Lives Awards winners and their impact in 2020 as well as the projects from our 40-40 campaign in response to Covid-19.**
6. **Introducing our new Global Impact Fund.**

> *Alquity has donated US$2.27 Million and transformed 65,479 lives**

* As at end of February 2021

> *Most business and economic models do not add a cost to the use of the earth's natural resources.*

PART 2 ATTRACTIVE RETURNS

INTEGRATING ESG ANALYSIS INTO OUR STOCK SELECTION

High standards without compromise

ESG assessment is not an after-thought but a core aspect of our investment process. From the Red Flags we use to exclude sectors and poorly behaving companies, to our Key Progress Indicators (KPIs) that drive already great companies to do even more; ESG is in our DNA.

This means that we establish clear standards and if companies do not meet them, we will not invest. Even when the purely financial investment case may be strong or our peers hold the company, we will allow only the facts to drive our decision making. There are several examples of companies that fail our criteria but are held in other ESG-titled funds. One example is Samsung Electronics, which we have never invested in as they have failed our governance red flags consistently.

We exclude a large number of companies from each fund universe due to their failure to meet our red flags. **For our Future World fund we exclude 27.2% from the EM universe, for our Asia fund we exclude 27.3% from the Asia ex Japan universe and for our Indian Subcontinent Fund we exclude 28.9% from the universe.** This is a significant number and reflects the fact that in many emerging markets, companies still operate with very poor ESG standards and attract unwary investors.

ESG Red Flags

ENVIRONMENTAL

- No disclosure on water usage/conservation levels for significant users (e.g. beverages)
- >5% of revenues or profits attributed to coal and fossil fuels exploration and production
- High risk industry company not publicly providing emissions data or when requested
- Ongoing business controversies and unresolved scandals

SOCIAL

- High risk industry company without a Health & Safety policy
- >5% of revenues or profits attributed to tobacco, narcotics, armaments, adult entertainment, gambling or liquor
- Zero tolerance for "controversial weapons"
- Ongoing business controversies and unresolved scandals

GOVERNANCE

- No independently audited accounts
- Company doesn't meet investors or arrange regular open-access calls
- Company refusing to provide identity of majority shareholders
- Ongoing business controversies and unresolved scandals

Governance policies and standards are only discussed in approximately 10 of the 120 page ESG report that the company produces. In addition, events relating to Jay Y Lee, grandson of the founder and de-facto leader of the company raise concerns.

Jay Y Lee was returned to prison on 18th January 2021. He was convicted in a retrial on charges of embezzlement and bribery in 2016, of Korea's then President Park. Furthermore, this is not the only ongoing legal action involving Jay Y Lee. In September 2019, he was charged in a separate case of accounting fraud and stock manipulation relating to Samsung C&T and Samsung Biologics.

Jay Y Lee is not on the Samsung Electronics board of directors, but he effectively runs the entities within the conglomerate following the death of his father Lee Kun-Hee in October, as Samsung is a traditional, hierarchical Korean company. He was described as 'chief decision maker' by Nikkei Asia in January 2021 who then further commented that; "experts say that the company may suspend big decisions such as M&A and large investments until Lee is in a position to take up the reins". We believe that the leadership vacuum will result in a negative impact on Samsung's outlook in future years.

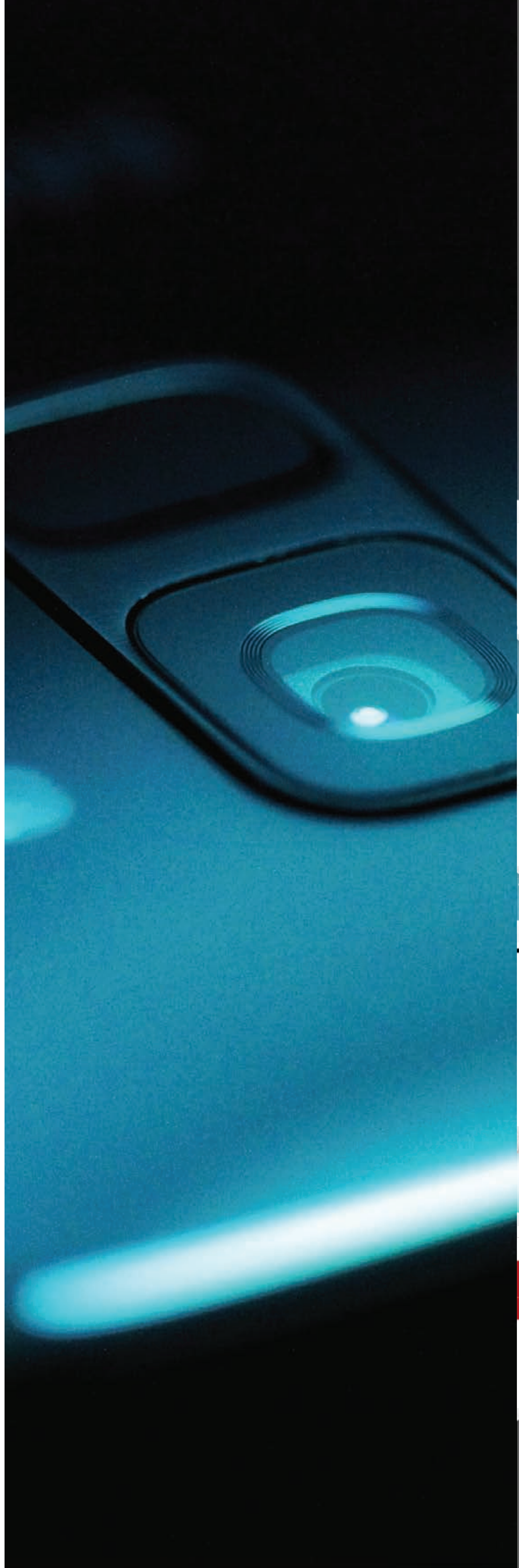
Jay Y Lee succeeded his father Lee Kun-Hee at the helm of the group, following the elder Lee's transformation of Samsung Electronics into a world-leader. During this time, Lee Kun-Hee was also convicted twice. Firstly, in 1996 for paying bribes to President Roh to help smooth the succession process within Samsung. Subsequently in 2008, police raided his house to investigate whether Samsung was operating a slush fund to bribe prosecutors, judges and politicians. As a result, he was convicted for tax evasion and given a 3-year suspended sentence. He was pardoned in 2009 by President Lee, whose own corruption trial sensationally revealed that this was in exchange for a further bribe.

In an attempt to draw a line under the family's troubled history with prosecutors, Jay Y Lee stepped down from the board in 2019 but remained Vice Chairman. In an effort to improve governance, the role of Chairman and CEO were separated with Lee Sang-Hoon (no relation) promoted from CFO to Chairman. This move, along with the appointment of 3 co-CEOs from long-term senior Samsung executives untarnished by the scandal, unfortunately did not prove successful. The newly appointed Chairman (Lee Sang-Hoon) was subsequently convicted of union sabotage in 2020, dating back to when he was CFO in 2013. He was sentenced to 18 months in jail.

He resigned and was replaced by Jae-Wan Bahk as Chairman, who is a former Finance Minister. He has not been charged with any crime, although his office was raided by prosecutors in 2018 on suspicion that he took bribes from the state spy agency in 2008.

This repeated, multi-year pattern is a significant governance issue in our view and one that should not be ignored. Our concern is further accentuated by the hierarchical nature of Korean companies, and lack of effective oversight from the independent directors on the board. Although 6 of the 11 directors are independent (including the Chairman), and thus the company "ticks a box" in terms of governance, we would question whether the directors actually have sufficient gravitas or relevant experience to act as an effective bulwark and protect the interests of minority shareholders. Their backgrounds include Korean banking, medicine, academia, law and politics. Compare this to the independent directors on the board of Taiwan Semiconductor, another dominant, mega Asian Technology company, who include the ex-CEO of British Telecom, the founder of Acer, the CEOs of Applied Materials (US) and Xilink (Israel) and the Chairman of Delta Electronics.

If Samsung were serious about a wholesale root-and-branch culture change, we would argue that major changes to the board would be a good place to start.



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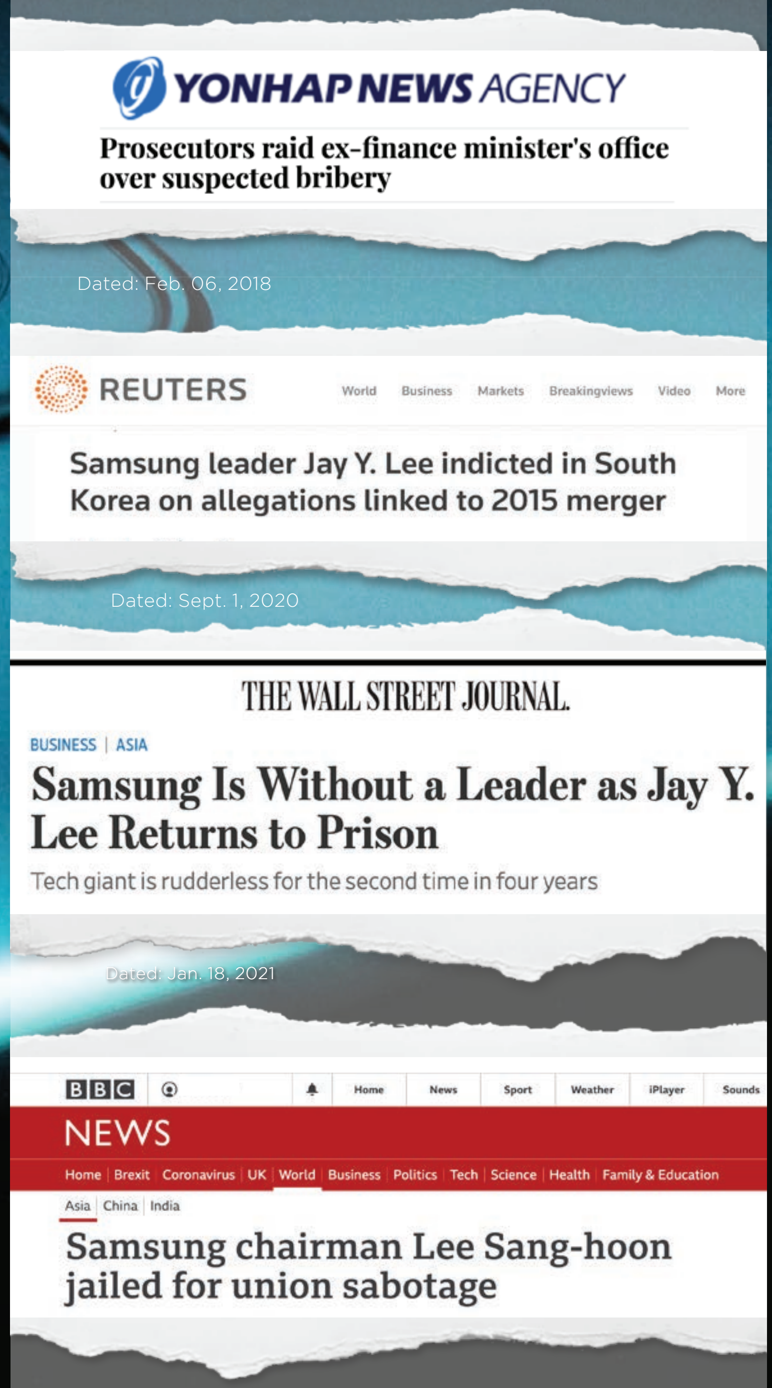


YONHAP NEWS AGENCY

Prosecutors raid ex-finance minister's office over suspected bribery

Dated: Feb. 06, 2018

REUTERS

Samsung leader Jay Y. Lee indicted in South Korea on allegations linked to 2015 merger

Dated: Sept. 1, 2020

THE WALL STREET JOURNAL.

BUSINESS | ASIA

Samsung Is Without a Leader as Jay Y. Lee Returns to Prison

Tech giant is rudderless for the second time in four years

Dated: Jan. 18, 2021

BBC NEWS

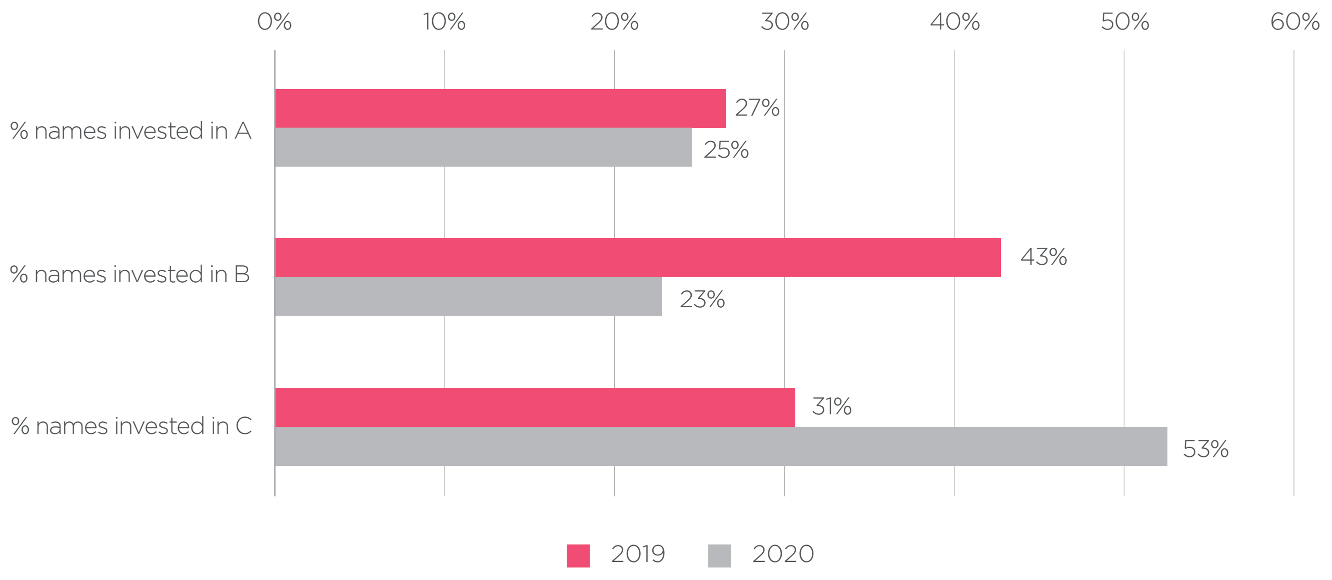
Samsung chairman Lee Sang-hoon jailed for union sabotage

Dated: Sept. 17, 2019

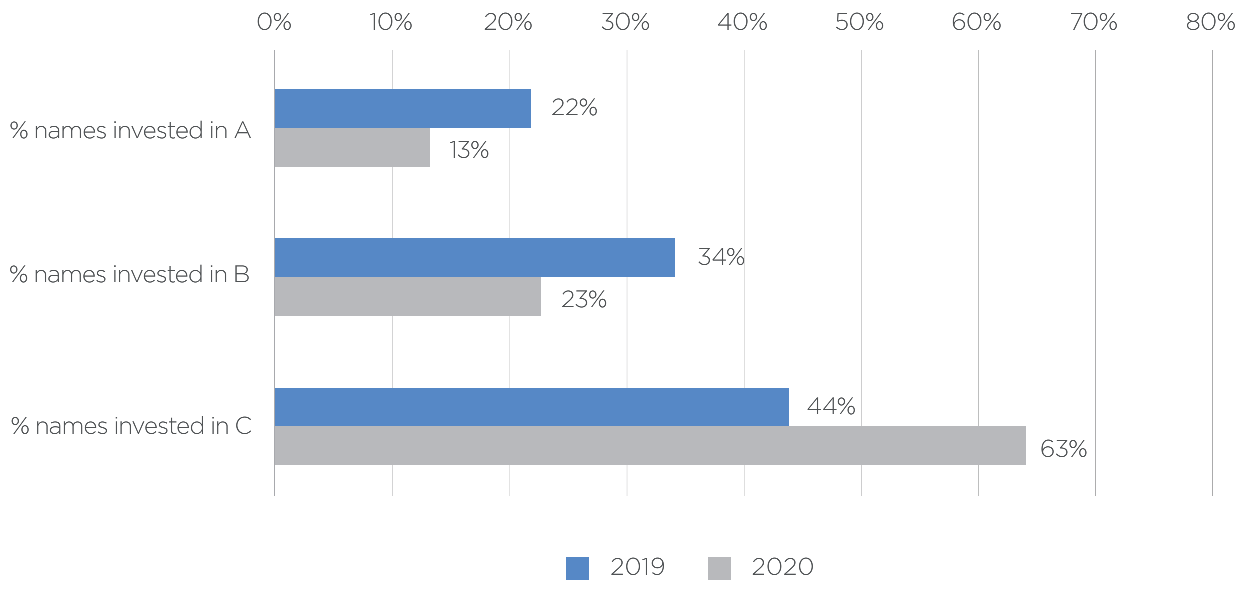
ESG Ratings based upon fundamental analysis

Every holding in our portfolios must have passed our ESG analysis and received an A-C rating. We do not target a specific number of A's, B's or C's but reviewing the makeup and progression of ratings for each portfolio helps provide useful insights. We have looked into detail at our ratings for each of our funds below:

Future World Fund *– ESG scores evolution per # names*

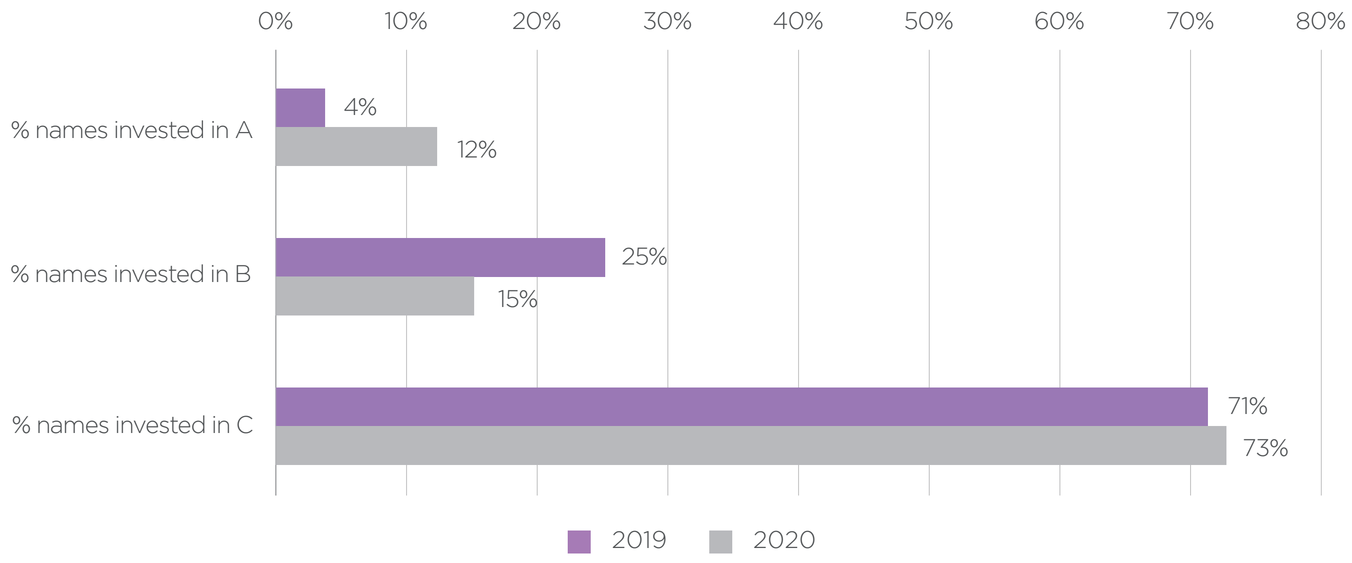


Asia Fund *– ESG scores evolution per # names*



Source: Alquity

India Subcontinent Fund *– ESG scores evolution per # names*



The key shift we have seen in 2020 is the increase in "C" rated stocks in both our Asia and Future World Funds. This is mainly a function of where we have found new compelling ideas, but also our tightening of the definition of the B rating by amending the wording from *"...with a credible intention to improve..."* to "with a demonstrable intention to improve". This led to more companies being rated "C" in the portfolios. As our Indian Subcontinent Fund already had a large number of existing "C" rated stocks, the change is less pronounced. See table below for our revised rating criteria.

A-C ratings table

ALQUITY ESG RATING	DESCRIPTION OF COMPANY ACHIEVING THIS RATING
A	**High risk industry** demonstrable global best practice performance in ESG** **Lower risk industry** demonstrable 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 ESG factors.
C	**High risk industry** with satisfactory ESG performance in-line with regional peers, but demonstrating a meaningful commitment to improve on material ESG factors. **Lower risk industry** with satisfactory ESG performance in-line with or better than regional peers, but with no demonstrable intention to improve on material ESG factors.
****HIGH RISK INDUSTRY:** those with extractive operations (Mining and Energy) heavy industry (Cement, Building materials, Steel, Chemicals), Livestock farming, Aviation and Shipping. **LOWER RISK INDUSTRY:** all other industries within the Alquity investable universe.	
FAIL	High or low risk industry with unsatisfactory ESG performance

ESG Ratings drive valuations

Our ESG ratings are not static and are formally reviewed annually but also after every meeting with management or if new information comes to light. We must have evidence of a material change, either positive or negative to change a rating. For example, a significant new or additional disclosure on environmental impact. One such company was Atacado in Brazil which was upgraded from a "B" rating to an "A" rating following the production of a comprehensive sustainability report.

We may adjust the discounted cashflow based valuations for companies using the ESG ratings they receive. Companies receiving an A rating may have their equity risk premium reduced by 50bps and those receiving C ratings may have their equity risk premium increased by 50bs. We believe this is an effective and quantifiable way of showing how our ESG process plays an integral part of our investment decision making.

Atacadao – Brazil

ATACADÃO

We recently upgraded our ESG rating for Atacadao, the Brazilian hypermarket operator to "A" following the release of their new sustainability report which provides significant disclosure in a variety of areas and provides illustrations of best practice in Emerging Markets. For example, they have extended their social audits to all manufacturers of their private label products, rather than just textile suppliers. This is supplemented by 'risk maps' detailing the history of labour conditions in the producing region. Two supplier relationships were subsequently terminated in 2019 for refusing to share traceability information and suspected labour law violations respectively.

In addition, Atacadao has policies regarding zero deforestation and animal welfare. Regarding the former, Atacadao has engaged with meat suppliers to explain their requirements but has supplemented this by mapping the locations of their farms and using satellite imaging to ensure deforestation is not occurring. In terms of animal welfare, Atacadao encourages suppliers to follow the five freedoms of the Farm Animal Welfare Council, as well as specific policies for pig rearing and ensuring all eggs are from cage-free chickens by 2025.

opportunity

THOUGHT **BREAK OUT SECTION**

COVID-19: THE SILENT 'S' IN ESG

The coronavirus pandemic is shining a bright spotlight on the often conveniently forgotten "S" or social aspect of ESG. More than anything before, the coronavirus pandemic is bringing to the fore a company's relationship with its employees and communities and how it will hinder or help their ability to survive through the pandemic.

So why is this area such a blind spot for asset managers?

One theory is that most investment education pays very little attention to HR strategy or its impact on business performance. Generally seeing it as a "nice to have" rather than material to the financial success and viability of a company. So confronted by an HR challenge, many fund managers would not know what to ask or how to ask it, to gain any critical insight. This is scary, when you consider that in most businesses, the human resources cost is one of the largest single items and the only asset that walks out of the door every evening. How the company treats its employees during this pandemic will without a doubt have a bearing on its ability to survive and recover. Not allowing sufficient social distancing in the work environment will lead to higher likelihood of infection and loss in productivity. Clear staff furloughing and redundancy planning will enable companies to lower costs whilst maintaining employee and community goodwill, which if lost, may have severe consequences when hiring again after the pandemic. Also, remember, that employees are customers themselves and the reputational impact can be severe.

Today, as well as drilling deeply into the company's employee and community relations, we have established specific progress indicators for our engagement with companies. This includes encouraging all our companies to have staff training plans in place as well as staff turnover disclosure. We have also undertaken a critical review of how our holdings are responding to the Covid-19 pandemic within their facilities, with specific focus on health and safety and the fair treatment of employees and customers.

Expansion of sectors under our High-Risk Industry definition

We adjust our ratings assessment based upon the risk level of the industry.

High risk industries are defined as those most exposed to higher environmental risk from emissions, waste etc. The category includes all extractive industries, heavy industries, airlines, shipping and cement production. We hold these sectors to a higher standard.

As described earlier, we actively use the ratings to inform and adjust our valuation forecasts for companies, which can have a significant impact on the investment case. For some sectors, cement and automobiles for example, we also adjust the valuation to reflect the risks posed by the transition to a low carbon economy. We increase the equity risk premium by 1% for these companies and only invest if the investment case is still robust after this adjustment. A good example is Hero Motor in India.

The charts below show how DCF-based valuations under Bull, Bear and Base cases change when the equity risk premium is increased from our standard 5% due to the higher risk for automobile manufacturers in transitioning to a low carbon economy.

This year we expanded the list of companies within the high-risk sector with the addition of livestock farming as a high-risk industry. If global animal agriculture were a country, it would be the world's second highest emitter of greenhouse gases as the sector produces three times more greenhouse gases than the aviation sector. We wrote an in-depth article on ESG and the Food Supply Chain as a part of our analysis and this can be accessed on the link below:

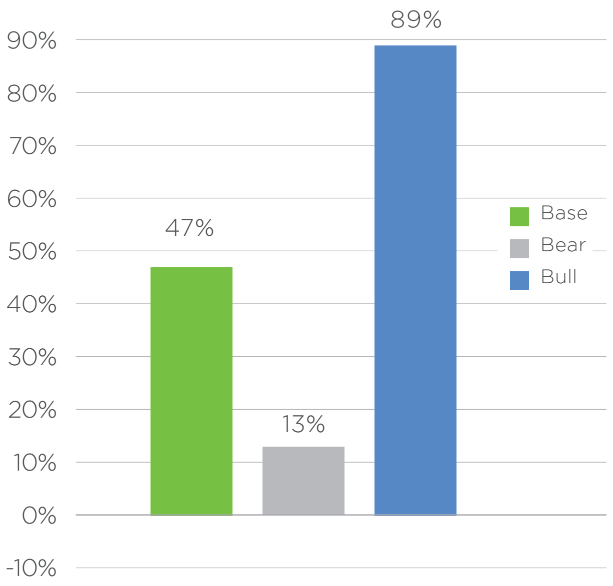
Download ESG & Food Supply Chain Article

We constantly review industries in light of the changing social and environmental challenges we face, ensuring our categorisation accurately reflects the risks in our portfolios.

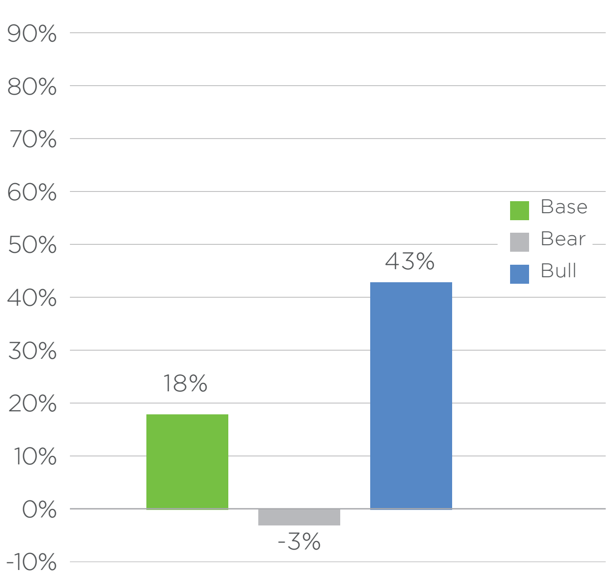
Hero Motor *- India - Discounted Cash Flow Valuation Upsides*

Hero

Risk premium 5%



Risk premium 6% (ie +1pp for carbon transition)



Source: Alquity

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Portfolio Impact Measures

Each quarter, the Alquity portfolios are ranked against 14 sustainability metrics by Impact Cubed Limited, an independent fund analytics provider. More details about Impact Cubed and the methodology they use can be found at:

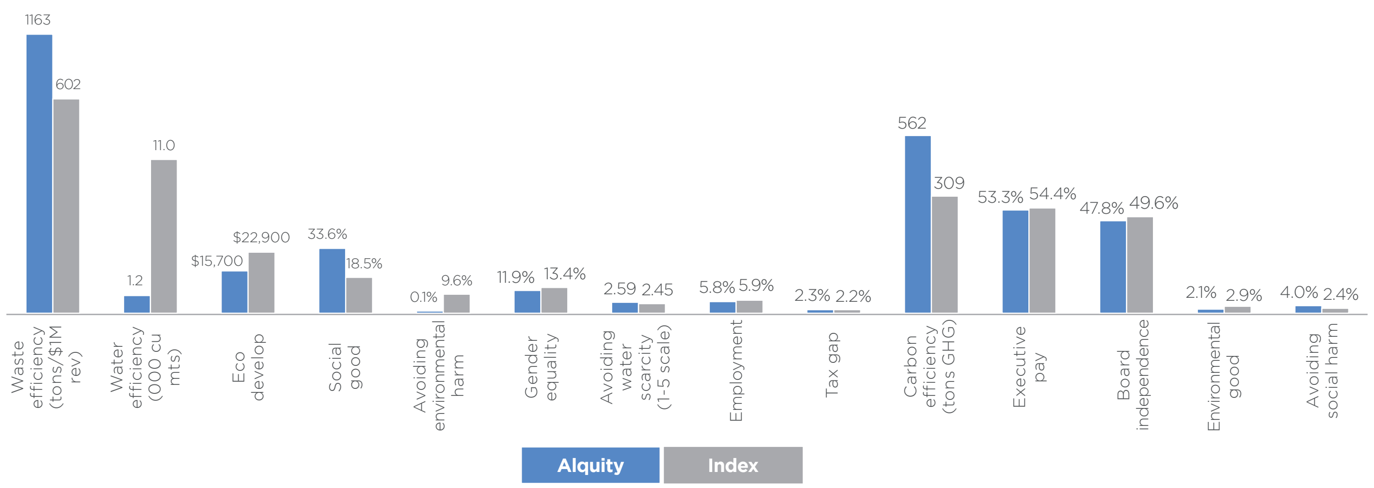
We have summarised the main outputs from their analysis and provided additional clarification on the results for our Future World, Indian Subcontinent and Asia portfolios. All this information is included in our factsheets.

Impact Cubed & the methodology

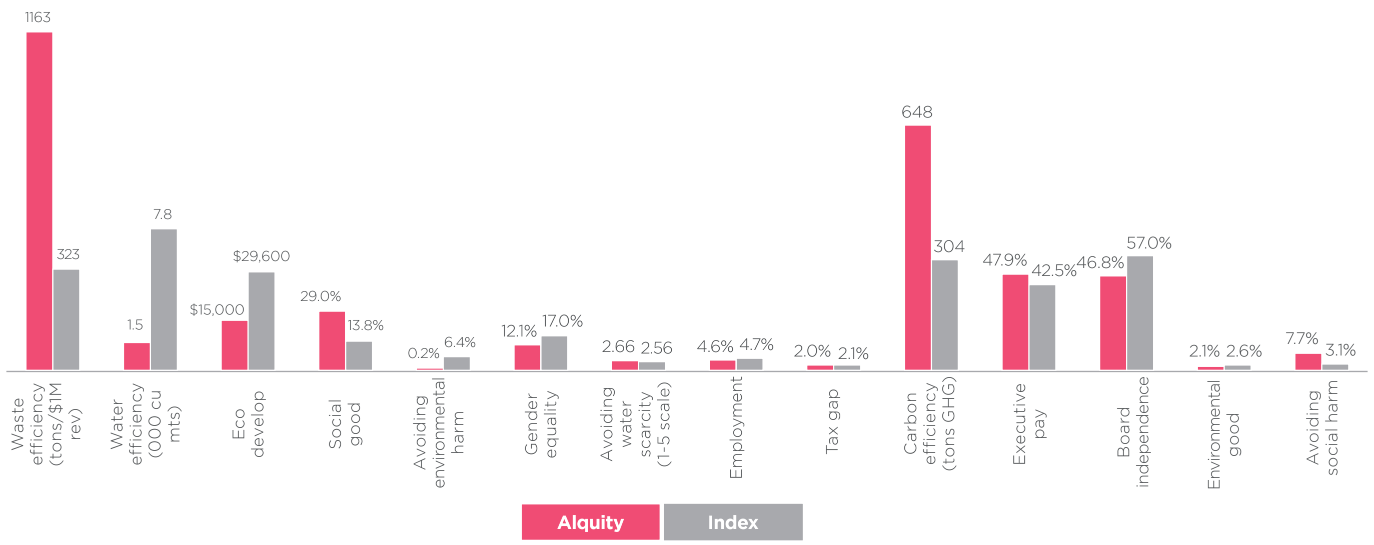
Fund Impact Analysis: Future World and Asia Funds

The charts below represent the results of the impact analysis for our Future World, Asia Fund and Indian Subcontinent Funds portfolios at the end of December 2020, versus their respective indices:

Alquity Future World Fund



Alquity Asia Fund



Source: Impact Cubed 2021

As there is a significant allocation to Asia in our Future World Fund, it is not surprising that the impact assessment for both funds is similar. Likewise, the EM Index has a dominant allocation to Asia based companies. We have highlighted and explained some of the key impacts of the funds below.

The focused nature of our funds does work against us, particularly with High risk industry investments. We have written extensively on the subject, particularly in relation to our holdings in cement producers as well as in Antofagasta, a leading copper mining company. In summary, we only invest in companies that can show demonstrably that they are ESG leaders in their sectors. In the case of cement, we see this as a critical material for infrastructure development and equitable social progress through the provision of affordable basic housing and sanitation in developing economies. Copper is a commodity that is used in the development of electrical infrastructure and products such as electricity lines and batteries for electric vehicles so is of critical importance in achieving the transition to a low carbon economy. For more details on the above, please use the links below to access our in-depth reports:

Report on Antofagasta

The Case for Cement

Waste and Carbon Efficiency

Our funds display a significantly higher waste and carbon emission intensity than the index. As explained earlier this is due to;

a. The focused nature of the fund portfolios, consisting of just around 50 names leading to any allocation to high risk industries having a disproportionate impact on emissions versus the indices, which typically have over 1,000 names

b. Our holdings in cement and copper, which we believe actually contribute to a "just and fair transition to a low carbon economy"

c. The EM and Asia indices are dominated by large technology companies whose revenues are derived from online services such as retail, messaging and gaming. Under Scope 1 and Scope 2 emissions, these companies have a relatively small carbon and waste footprint. However we believe this does not reflect the full picture. We recently produced a detailed study of Internet companies, which showed that modern computing is responsible for 3% of global CO^{2} emissions, the same as the aviation industry. To download our full report, please follow the link below:

Report on ESG and Internet Companies

Mercado Libre - Lower GHG emissions

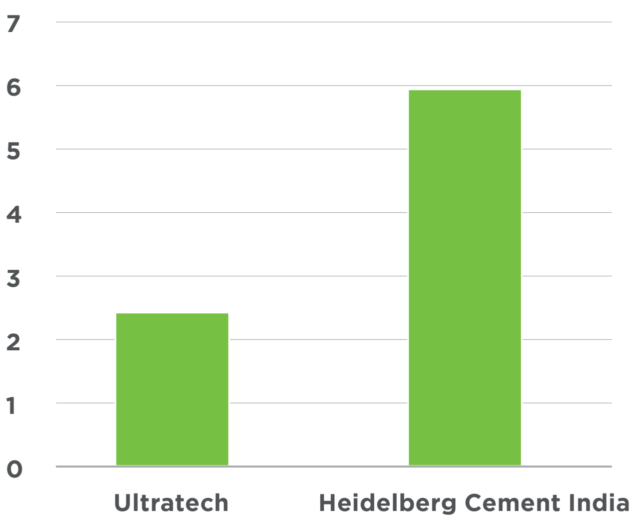
Mercado Libre, a holding of ours in 2020, is the largest online commerce ecosystem in Latin America. The company reports relatively low GHG emissions, water and energy consumption on both absolute and revenue intensity measures and have shown consistent improvements since 2017 in their overall performance through the increased use of renewable energy.

Water Efficiency

As highlighted in the charts, our portfolios show a much better water efficiency than the indices.

Despite our higher weighting to extractive and materials sectors, the strong ESG processes employed by our holdings mean they have very efficient water usage and effective water recycling facilities. For example, Heidelberg Cement India collects 6 times more water than it uses in its production process, so provides a net positive contribution to water availability.

Multiples of Water Collected vs Water Used



Source: Company data

In 2018, Antofagasta's water reuse rate varied between 80-96%. Furthermore, 45% of water was sourced from the sea rather than fresh water sources (up from 9% a decade ago).

Economic Development

This indicator reflects the annual mean income in the area of operations for the portfolio. It is significantly lower than the index as our funds focus on domestic opportunities in frontier economies such as Vietnam, Peru and Egypt, where incomes are lower and so economic development has a much greater impact on reducing poverty. This is in line with UNSDG 1 goal for the reduction of poverty and SDG 8 for creation of employment.

Social Good

The high score versus the index is due to our focus on the domestic growth drivers within emerging economies such as urbanisation and consumption. Our portfolio includes sectors such as financial services and building materials which support social development especially in countries where there is a deficit of these services and essential infrastructure.

A good example of a company that delivers Social Good is Mahindra & Mahindra Financial Services.

Mahindra & Mahindra Financial Services - Financial Inclusion in India

Another significant issue is that of financial exclusion; a large proportion of Indians are omitted from traditional financial institutions. This is problematic as it makes it difficult for people to save, as well as purchasing services such as insurance and school fees. In addition, it stifles entrepreneurship as it inhibits people from accessing credit. Whilst the number of individuals who are "formally banked" have increased rapidly, they are still largely excluded from functions such as borrowing - the World Bank (2019) reported that less than 7% of people in India borrowed from a licensed financial institution.

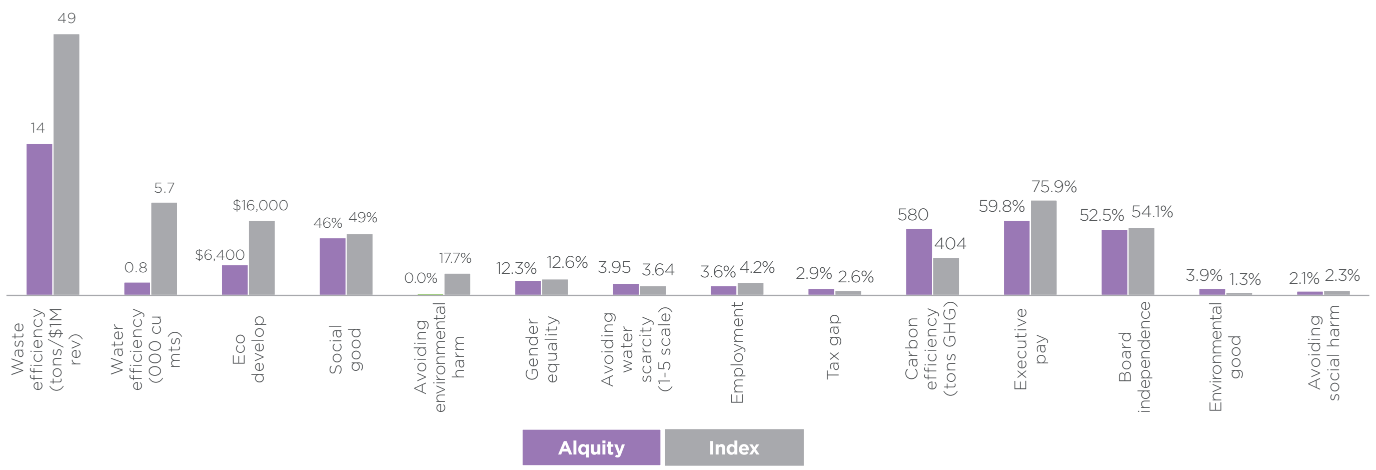
Non-Bank Financial Companies (NBFC) such as our holding Mahindra & Mahindra Financial Services (MMFS) play a very important role in financial inclusion. NBFCs typically target the customers that banks are unwilling to lend to ('aspirers' and below), given their lower incomes, having lower assets as collateral and/or limited credit history. NBFCs make up 80% of equipment leasing and hire purchases in India. In addition, 75% of vehicles are bought through finance which rises to 90% when only considering commercial vehicles.

MMFS focuses predominantly on lending in rural areas and providing loans for cars, utility vehicles and tractors, as well as personal and business loans, insurance broking and housing finance. MMFS addresses the lower part of the income pyramid and provides financial opportunities for those ignored by private banks, as these institutions only focus on the higher end of 'aspirers' and above. Thus, the core function of MMFS is significantly advantageous to social development.

MMFS management have set clear targets to achieve carbon neutrality by decreasing CO2 emissions per employee by 10% every year. The company has initiated waste recycling practices across all of their locations and promotes biodiversity by targeting to plant more than 120,000 trees every year. In addition, MMFS are one of the few lenders to incorporate climate risk as part of their operational risk management framework, additionally having specific targets to increase financing to electric vehicles and precision farming equipment (which improves agricultural efficiency). The company also actively promotes women in the workplace and have increased the percentage of women in management each year for the last 5 years by 50% (although starting at a low base). These measures are well above the standard of the rest of the industry.

Fund Impact Analysis: Indian Subcontinent

Impact Analysis as at Dec 2020



Waste, Carbon and Water Efficiency

Our focus on domestic structural growth favours industrial companies, particularly those supporting the strong rural economy. Companies such as Escorts (Tractors) and Hero Motor (world's largest two-wheeler manufacturer) are efficiently run and are highly responsible with water usage and reducing waste pollution. They are however reliant at the present time on India's coal based electricity generation which adds significantly to their Scope 2 GHG emissions.

Hero Motocorp: Driving lower GHG Emissions

Hero Motocorp is the largest manufacturer of two-wheeled vehicles (predominantly motorbikes) in the world and has held that title for the last 16 years in a row. Two-wheelers have been gaining significant share in the rural areas as an important method of transportation, and approximately half of Hero's sales are now derived from the rural areas. Hero is one of the most environmentally conscious companies in India.

Huge focus on environmental issues

Hero has consistently improved its carbon footprint over several years and has also targeted to become carbon neutral by 2030. It was also the first auto company in India to achieve the "GreenCo Platinum" status. In addition, Hero was one of the first companies to release an electric vehicle model in India and continues to work on new models and battery technology.

Hero was also a first mover with regards to meeting the latest emission standards. The BS-VI regulations were introduced by the Indian government to reduce air pollution, bringing vehicle engines equivalent to the highest standards used in Europe. Hero became the first manufacturer in India to receive a BS-VI certificate in 2019 for its Splender bike and since then they have introduced BS-VI compliant models across their range. Hero Motocorp has the goal of eliminating single use plastic from its operations and has so far eliminated 20% of its single-use plastic, the equivalent of 5 metric tonnes/month.

Furthermore, Hero Motocorp runs a Women in Leadership (WIL) Program which aims to build a pipeline of female leaders from low and middle management and offers an enhanced maternity leave policy which is significantly better than Indian peers. These initiatives have resulted in a significant increase in women employees.

Hero Motorcorp range

Economic Development and Social Good

The domestic and rural focus of our fund means most of the companies in our portfolio are solely focused on delivering products and services in India rather than internationally. As a consequence their operations are primarily in India rather than in more developed economies and as such help support economic growth from a lower base.

Delving deeper into the rural areas, another key issue is menstrual hygiene. Globenewswire reports that of out of the 365 million menstruating women in India, only 18% of them use sanitary napkins. The vast majority of the remainder live in rural India, and typically use unhygienic products like newspapers, cloths, rags, plastics, dried leaves, and wood shavings. Approximately 60% of women are diagnosed with vaginal and urinary tract diseases and infections every year as a result of poor menstrual hygiene. Menstruation taboos in India forces girls to drop out of school.

Amrutanjan detailed below helps alleviate this issue through providing affordable female hygiene products.

Amrutanjan - Providing affordable healthcare

One of our core investments is Amrutanjan, an Indian health care company founded in Mumbai in 1893. Their primary product lines are natural pain balm and female hygiene products. Their sanitary napkin brand 'Comfy' is more than 10% cheaper than equivalent brands. In addition, the company has superior distribution networks in the rural areas, which means the product can reach those most in need.

Typically, smaller companies in India disclose less ESG information compared to very large companies like Hindustan Unilever. However, this does not mean that all small companies are uninterested in ESG. We believe Amrutanjan falls into this category – for example, the company recycles 100% of wastewater and has invested in efficient waste management systems. The company only uses natural ingredients and has a strong focus on promoting biodiversity. We believe that Amrutanjan's vision is aligned with ours, and that they are on the journey to ESG excellence. We will continue to engage with them on how to improve.

PART 3 **ALQUITY GLOBAL IMPACT FUND**

At the start of 2021, we launched our new Global Impact Fund - a next generation product which is both global in scope and re-enforces the bridge we have developed linking listed equities and impact.

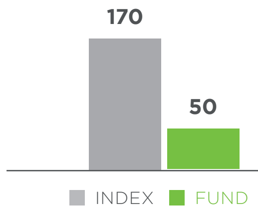
The fund's innovative approach harnesses the depth of companies' environmental, social and governance (ESG) metrics, as well as their contribution to the Sustainable Development Goals (SDGs). The portfolio prioritises companies from around the world which are committed to producing high quality products and services that have a positive sustainability, societal and environmental impact.

This is the next phase of our continuing approach to our 3-D investment model of delivering financial performance, high quality portfolio ESG and catalytic capital for grassroots impact through its Transforming Lives Foundation. This is Alquity's virtuous circle that is essential to building strong, inclusive economies.

This fund uses a unique process where impact metric outcomes are specifically targeted and monitored to ensure that they remain significantly ahead of the index.

Some of the key metrics for the fund portfolio are listed below[1]:

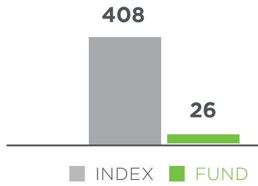
Carbon Intensity
tons of CO^2 e/\$M



-68% Emissions vs Index

8% of portfolio invested in Environmental Solutions

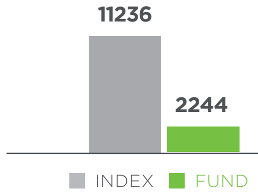
Waste Generated
tons of CO^2 e/\$M



-94% Waste vs Index

79% of our holdings have implemented initiatives to reduce the waste generated from their operations

Fresh Water Used
tons of CO^2 e/\$M



-80% Water Used vs Index

22% of waste water reused by fund holding, Suez a large water utility in 2018

30% average representation of Women on Boards

vs **23%** for the index

9% of portfolio invested in Healthcare Solutions

vs **6%** for the index

78% of Directors are independent across all our companies

vs **62%** for the index

Source: [1]Alquity as at 31 January 2021

Face mask production at Global Mamas, one of our Transforming Lives Award winners.

PART 4 **RESPONSIBLE INVESTMENTS**

TRACKING ACTIVE ENGAGEMENT ON CRITICAL SUSTAINABILITY MEASURES

Overview

Last year we included our engagement Key Progress Indicators (KPIs) for the first time in our Impact Report. These KPIs, based upon the principles enshrined in the UN Global Compact have allowed our clients to see the areas that we engage upon and track our progress. This tracking has also enabled us to identify those KPIs which a large proportion of our long-term holdings had successfully achieved. We have taken the opportunity to add additional KPIs that go further, thereby driving more progress. For example, close to 100% of our long-term holdings have a Health and Safety policy. We have now added an additional KPI targeting the disclosure of "Lost Time Injury" data (i.e. the number of workplace incidents that led to a fatality, permanent disability or time lost from work). Whilst the number of companies supplying this data is currently low, it provides a strong engagement theme, especially as many workers are returning to factories and offices during the Covid19 pandemic.

Our company level engagement also goes beyond the KPIs, targeting specific material issues by company and seeking to make a tangible improvement in ESG behaviour. In addition, we actively participate in collaborative industry initiatives to drive change, where the collective voice is more powerful. To provide greater granularity, this year we have detailed the KPIs at a fund level below:

KPIs provide tangible measures for engagement activity and support the UNSDGs

ENVIRONMENTAL

- ✓ **Emissions and/or climate impact disclosure**
- ✓ **Water usage and mitigation efforts disclosure**
- ✓ **Production of waste material disclosure**
- ✓ **Disclosure of environmental impact reduction plan over a defined period**

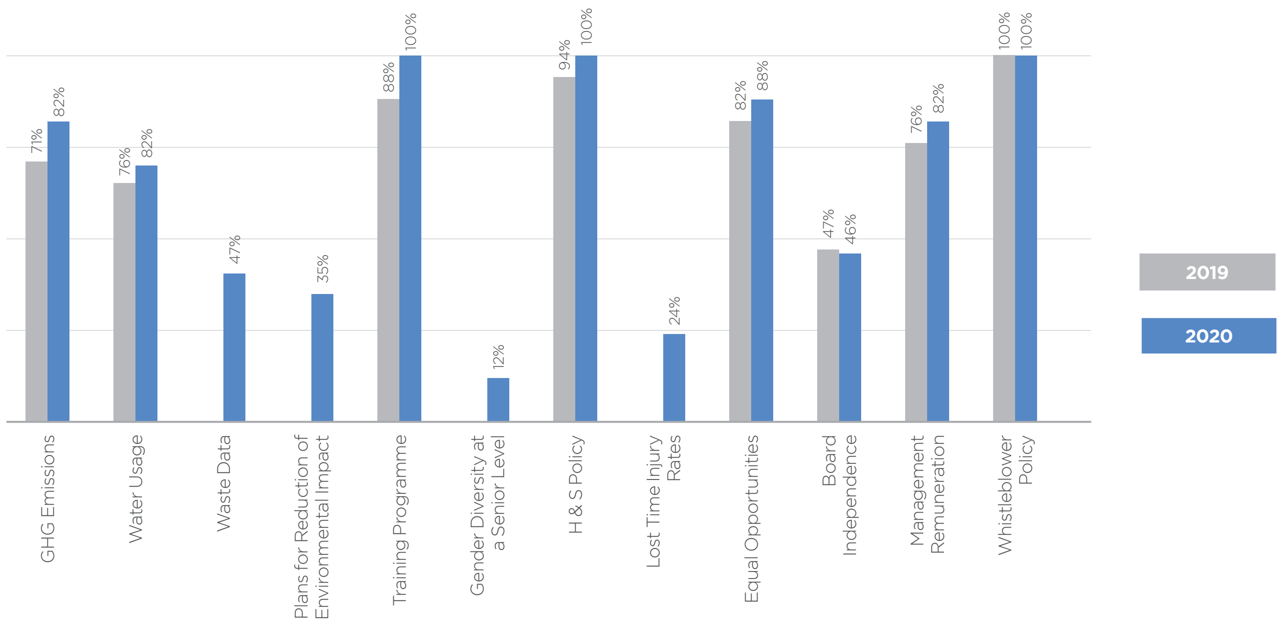
SOCIAL

- ✓ **Health and safety policy**
- ✓ **Staff development plan and equal opportunities policy**
- ✓ **Staff turnover data disclosure**
- ✓ **'Lost Time Injury' rates available**
- ✓ **Gender diversity policy at senior management and board level**

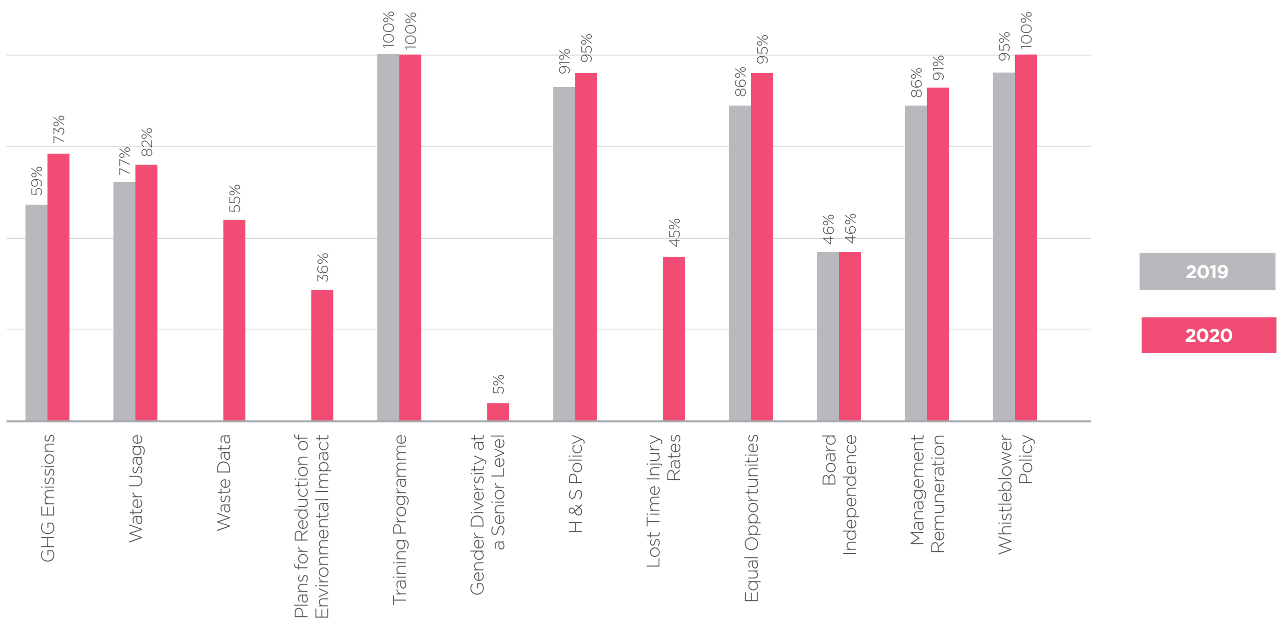
GOVERNANCE

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

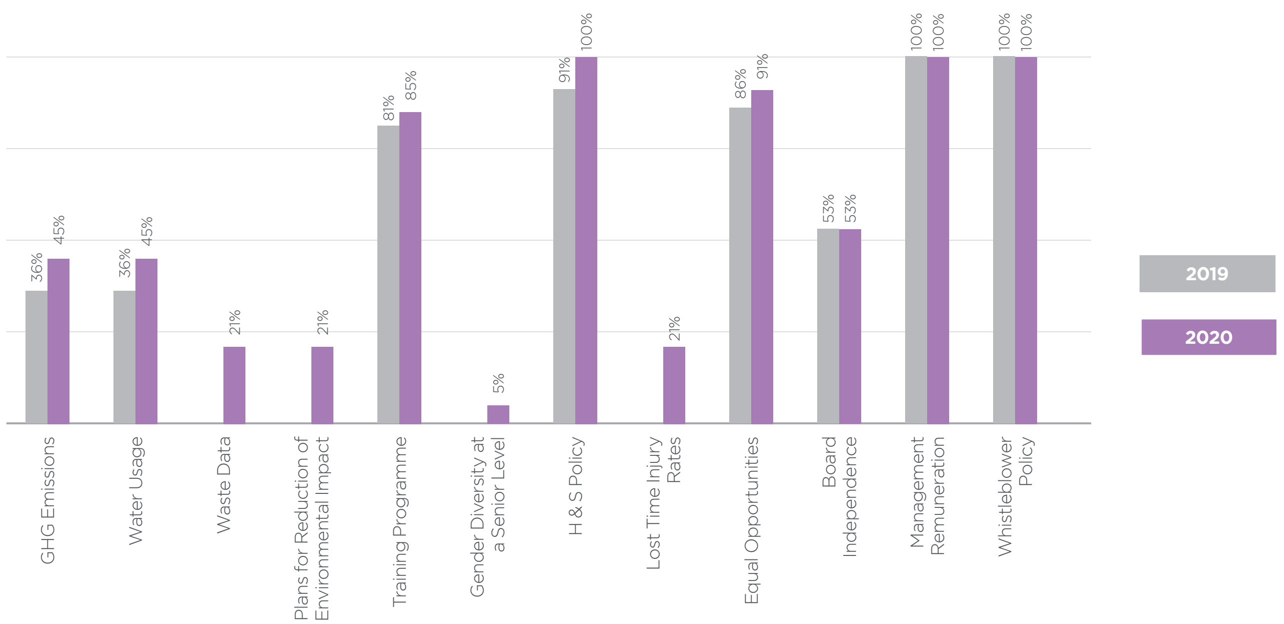
Future World *- Holdings meeting each KPI standard - % of companies*



Asia *- Holdings meeting each KPI standard - % of companies*



Indian Subcontinent *- Holdings meeting each KPI standard - % of companies*



KPI Analysis

Across all our funds we can point to some very consistent results from our engagement activity, Specifically:

1. **Improvements in GHG Emission and Water Usage reporting:** Our Future World and Asia funds now have around 3 out of 4 companies disclosing this information. The figure is lower for companies in India. This low figure is driven by limited regulatory requirements in India and our portfolio is biased towards small and mid-cap companies that don't have the resources to report the data accurately. We have engaged extensively on this subject in 2020 and one notable success was with Escorts, a tractor manufacturer, which following our engagement has produced its first Sustainability Report in 2020:

   Download the Sustainability Report 2020

2. **Plans for environmental impact reduction:** Over a third of the companies in our Asia and Future World funds and a fifth in our Indian Subcontinent Fund have plans in place to reduce their environmental impact. As mentioned, this is a new KPI that allows us to track progress towards the net zero carbon economy as well as water conservation. This will act as our base number and we will be tracking how this KPI evolves in the coming years.

3. **Equal Opportunities and Gender Diversity:** We have seen consistent improvements in the disclosure of equal opportunities plans across all our funds. Due to the high levels of this, we have added a new KPI looking for disclosure of gender diversity policies at senior levels and board levels. The current disclosure levels are very low and this provides a real opportunity for us to make tangible progress with our portfolio on this important topic in 2021.

Whilst the above clearly shows improvements across many of our engagement KPIs, it is often difficult to be precise about what actually led to the change; was it a consequence of our activity or did we just happen to own the stock when the change was made. Where possible, we seek out evidence to support our engagement outcome claims. For example, one of the companies in our Asia Fund, Xtep, a sportswear manufacturer produced their first ever GHG emissions data in 2020. The quote below is taken from an email sent to our investment team:

"Thanks for your time too last Friday and I really enjoy having an update with you. Certainly you are one of the key investors urging us to have a better disclosure on ESG particularly in GHG data. FY2020 we will keep enhancing our ESG disclosure, and I love to hear more about your recommendations".

Xtep, Investor Relations

Companies supporting the transition to a low carbon economy

Whilst our Emerging Market funds do not specifically target sectors directly involved in the transition to a low carbon economy, some of our holdings are major contributors to this. The two examples below, provide a good insight into the opportunities we are uncovering in our funds.

Delta - Leading energy solutions for a greener planet

Delta is a global leader in power management solutions as well as energy-saving and new energy solutions. Products include power supplies for notebooks, data centres, and telecommunications (5G base stations) as well as electric vehicle energy solutions.

The company benefits from multiple structural growth drivers. Electric vehicle solutions are expected to grow by 35% CAGR over the next 5 years as it offers innovative solutions related to charging batteries. In addition, Delta is a market leader in power management solutions with environmental certification such as Taiwan Green and Eco Label, and US Energy Star.

Delta became the first high-tech company in Taiwan to target the RE100 goal by 2030. The company implemented Science Based Targets (SBTs) in 2017 and has committed to a decrease in carbon intensity by 56.6% by 2025. The company has been included in the Dow Jones Sustainability Index for nine consecutive years and is recognised as an industry leader for the Climate Change Program by the CDP.

7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

Century Iron & Steel - building wind power in Taiwan

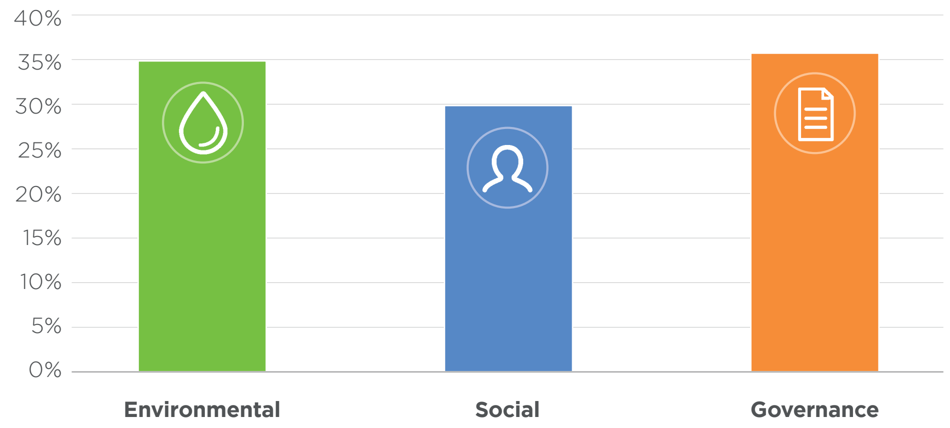
Century Iron & Steel manufactures the pins and jackets for offshore wind towers, and will commence fabricating the tower itself from next year in conjunction with a Danish company.

The company thus benefits from the drive towards decarbonisation in Taiwan, which is necessary to meet the country's target of 50% lower emissions by 2050 vs 2005. Taiwan is targeting 5.5 GW offshore wind energy by 2025 and a further 10GW by 2035, but has started relatively late with the first commercial wind power project in operation only in 2017. There is very little domestic competition and limited opportunities for imports, and hence Century Iron & Steel is in a strong position to help meaningfully contribute to Taiwan's climate goals.

7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 13 CLIMATE ACTION

Engagement across E,S and G issues

Over the course of the year, we engage with our holdings on many ESG topics beyond just the KPIs detailed above. The table below shows our 2020 engagement split by whether the engagement was E, S or G issue related.



Responding to Covid-19

In addition, the team made 13 separate Covid-19 related engagements with companies during the height of the pandemic. Many of our companies responded pro-actively to the impact of the pandemic, prioritising employee and customer wellbeing despite severe business disruption. Some examples are provided here:

Genterra

Mexico based microfinance bank which has responded to the crisis by deferring payments and interest on loans for 8 weeks as well as continuing disbursements of loans to customers, many of whom are the most vulnerable in society.

Magalu

Magazine Luisa is a Brazillian retail/ecommerce company. To preserve jobs, executives reduced their salaries by between 50-80% versus a 10-20% reduction for lower earners. In addition, by adjusting the holiday schedule, employees were able to use the shutdown for vacation. This means that at the busy Christmas period, the company had less reliance on temporary staff and were able to manage costs more efficiently.

Cholamandalam

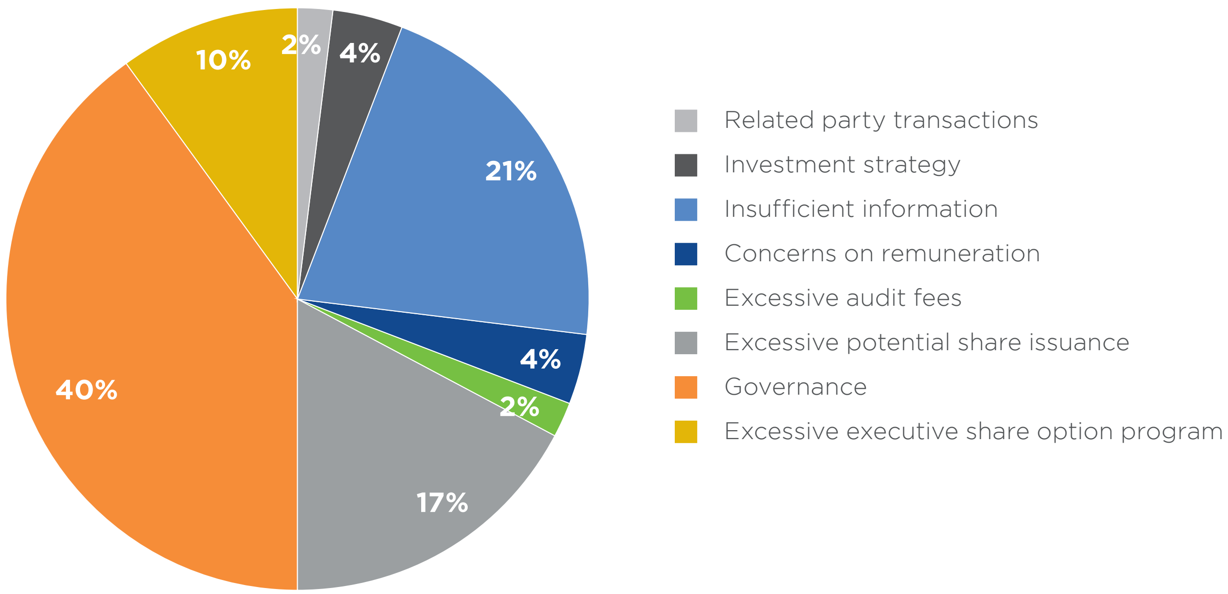
Cholamandalam is an Indian financial services company which is providing company-wide insurance that covers Covid-19 infection. In addition, they have established an Employee Assistance programme which includes counselling support to deal with anxiety and other issues caused by the pandemic. Their HR Department has also conducted one-to-one calls with all employees.

Voting

In 2020, we voted on 804 occasions, 112 times against management. In addition, in 23 cases we voted against the recommendations of ISS, our proxy voting provider but in the line with the Alquity Principles of Governance (See below). The table below details our voting by country:

Country	Total votes	Votes against management (%)	Votes against ISS (%)
India	245	15%	5%
Brazil	124	10%	0%
China	121	26%	6%
South Africa	46	4%	0%
Egypt	39	5%	0%
Vietnam	38	26%	0%
Indonesia	33	18%	3%
Taiwan	25	0%	12%
Poland	21	5%	0%
Chile	21	0%	0%
Peru	15	0%	0%
Philippines	13	15%	0%

A detailed analysis of the reasons we voted against management is provided below:

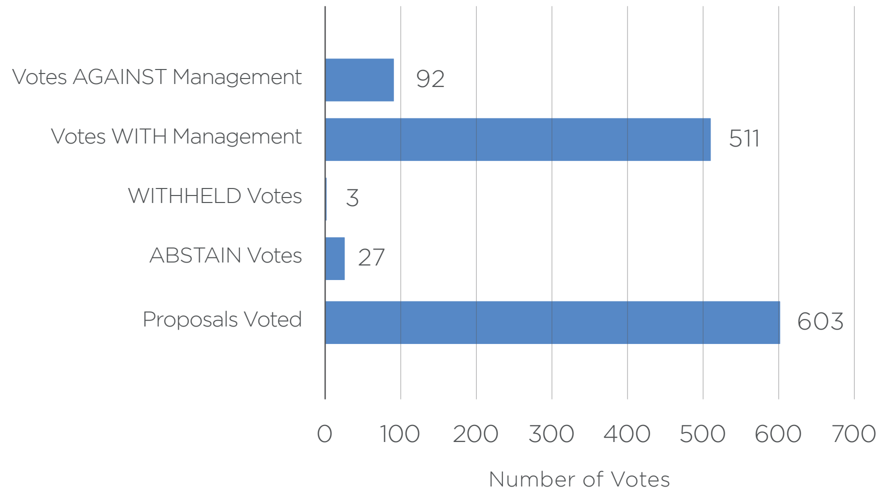


Fund level voting data

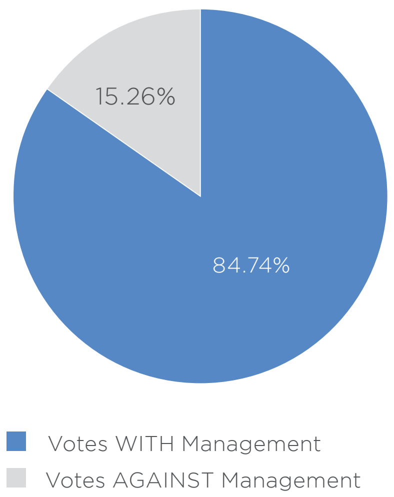
Below we have detailed our voting statistics for our Future World, Asia and Indian Subcontinent Funds:

Future World Fund

Voting Summary 2020

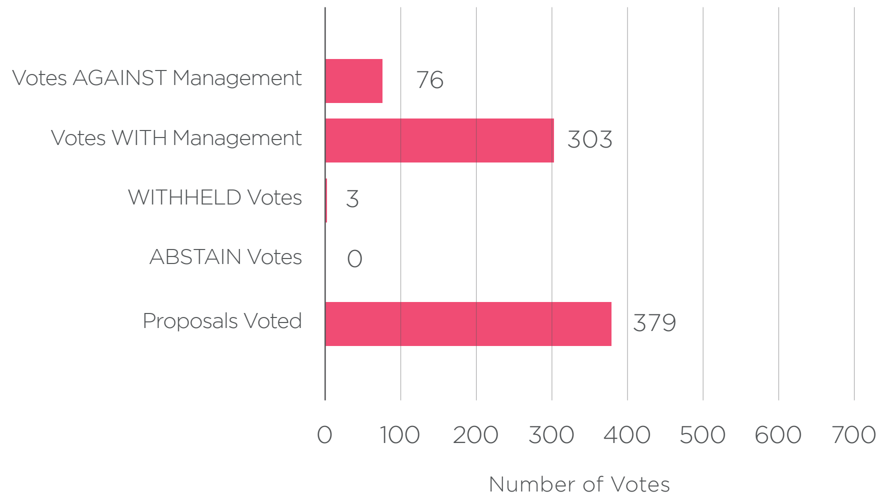


Voting Statistics

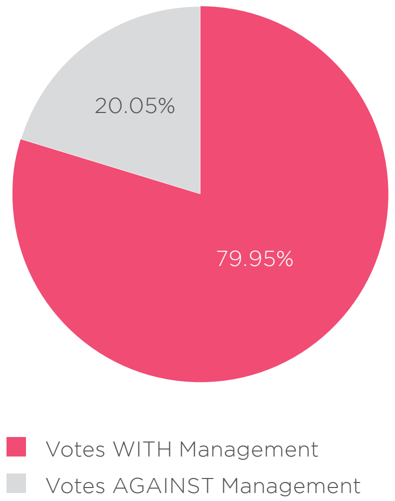


Asia Fund

Voting Summary 2020

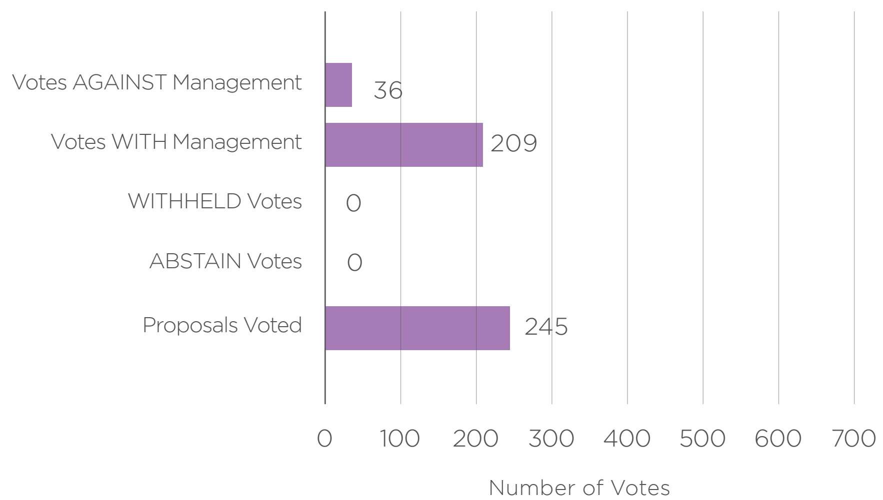


Voting Statistics

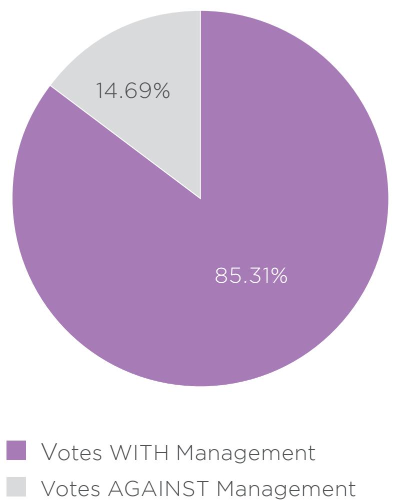


Indian Subcontinent Fund

Voting Summary 2020



Voting Statistics



Principles of Governance

Following a strategic review of our voting process and relationship with our proxy voting provider, in 2020 we introduced a clear set of voting guidelines across all emerging market companies. We call these our 'Principles of Governance' and they are applied across all our funds.

We established these so that we could maintain consistent standards across all our companies, for example:

1. **Independent Director Tenure:** a maximum of 9 years in line with the UK Corporate Code
2. **Meeting Attendance:** 75% minimum attendance at board meetings
3. **Audit and remuneration/nomination committees:** to be 100% comprised of independent directors. The members of the audit committee should have sufficient adequate financial experience
4. Companies should strive for **50% gender diversity on board/senior management level**. We will **vote against the entire board** where there is zero gender diversity at the board level.

These set a high bar for our companies but we believe this both protects our investors and drives positive change within our holdings. The principles can be accessed on our website from the link below:

Download Alquity Principles of Governance

Asian Paints

July 2020

asianpaints

Voted against management and ISS for the re-election of the non-executive Chairman, as his tenure of 9 years exceeds our Alquity Principles of Governance.

LG Household & Health

February 2021

LG

Voted against the re-election of directors Ha and Kim, as the board is entirely male with no credible plan to increase gender diversity.

A participant on REACH's web design training program
- REACH are one of our Transforming LIves award winners.

PART 5 **INTERNATIONAL CERTIFICATION AND AWARDS**

2020 was a year when ESG and responsible investing broke into the mainstream across many markets.

As well as the positive impact, this also created the opportunity for many new funds to be launched and just as many old funds to be re-badged as “ESG” or with a sustainability theme in their title. This has led to numerous accusations of “greenwashing” from investors who struggle to differentiate between authentic ESG funds and those using ESG as a marketing ploy.

Ever since Alquity was founded, ESG has been at the heart of the business both in terms of how we invest and also how we allocate our own capital. Over the last decade, we have honed our investment process through practice and experience and in 2020 we received numerous external validations of our expertise and market leadership. We have listed a few of these below:

PRI Principles for Responsible Investment
A+ ESG INTEGRATION

1. **UNPRI Triple A+ rating:** In the 2020 reporting period, our business was rated A+ for strategy and governance, A+ for ESG Incorporation and A+ for Active Ownership. Achieving the highest possible ranking across all three assessment areas is only achieved by a small number of signatories and reflects the depth and quality of our commitment to responsible investing.

Label ISR
INVESTISSEMENT SOCIALEMENT RESPONSABLE

2. **ISR Label:** We believe the global gold standard certification for ESG investing is the ISR label awarded by the French Finance Ministry. All our funds have been certified by the ISR label every year since 2018. The certification involves a detailed document review as well as an on-site audit of our process and team knowledge.

Winner
“Best Group for ESG Integration”
2020
Investment Week

3. **Best Fund for ESG Integration 2020:** We received this award at the Investment Week Sustainable Investing Awards, beating a host of large asset managers to this coveted title. This is a notable achievement as it shows that our process is market leading. Our pure-play ESG model, remains a competitive differentiator and an area we can continue to build upon in the future.

transformation

Face mask production at Global Mamas, one of our Transforming Lives Award winners.

PART 6 **TRANSFORMING LIVES**

BEST IN CLASS PROJECTS AND OUR 40-40 CAMPAIGN

Overview

Following the successful conclusion of our Transforming Lives Awards programme in 2019, we were very excited to follow our winners through 2020 and report on their projects supported by our awards. However, the Covid pandemic caused severe disruption with many programmes having to be halted or postponed, whilst resources were diverted to deal with supporting beneficiaries with urgent basic supplies such as food and medical aid.

Despite these extremely challenging situations, we were delighted by the resolve, ingenuity and passion shown by our award winners. This inspired us to help directly as well by launching our own 40-40 campaign, where we committed to donate 40% of our revenues from assets placed with us by 40-40 campaign partners. We had a great response from clients and as a consequence we have been able to donate a further $40,000 to Covid19 response projects with three of our award winners.

Our investment team have also continued to run consumer panels using Zoom calls with employees and beneficiaries of our projects and this has helped to provide us with a unique insight into the "on the ground" impact of the pandemic and how people have responded.

2020: A challenging year for our Transforming Lives Award winners

Our eight award winners received an initial total of US$530,000 towards their projects in Latin America, Asia and Africa. The map below shows the different award winners and the work they conducted using the funds we provided.

From an SDG perspective, all the award winners make contributions towards SDG 1 (Zero poverty), SDG 8 (Employment) and SDG 10 (Reduced inequalities). The majority also focus on female empowerment and so support SDG 5 (Gender diversity) within the context of reducing inequality. The award winners then can be split into two groups those that focus on Education (SDG 4) as their primary vehicle to contribute to the above: Educate, LPP, Laboratoria and REACH. For example, Luta Pela Pez (LLP) use boxing as a vehicle to provide counselling and education to youth in the Brazilian favellas.

The second group use employment creation through development of Sustainable communities (SDG11) and Responsible consumption and production (SDG 12) as their key focus: Phool, Global Mamas, PFC and Gjengemakers are in this group. For example, Global Mamas produce ecologically-friendly handicrafts to provide employment opportunities to women in Ghana.

Whilst the pandemic lockdown was challenging but manageable for many of us, it had disastrous impacts on many of our programme beneficiaries as well as the programmes themselves. Some of the impacts included:

1. **Closure of businesses and markets led to some of our projects having to cease trading entirely or move to online only operations.**
2. **Social distancing measures halted all classroom training leaving many individuals isolated and without support.**
3. **Many informal workers losing all income and without any social safety nets being unable to feed their families or pay for any essential medical care.**
4. **Children out of school and unable to continue education as they could not afford to have wi-fi or mobile data facilities.**

Our award winners adapted their approaches and delivery methods rapidly in response to these challenges. Please see the section on our 40-40 Campaign for examples.

Case Studies

Organisation: **Luta Pela Paz, Brazil**

Name: **Maria Clara de Souza Gomes**

- Resident of Nova Holanda, Maré
- Studied business administration through LPP's job training programme
- Graduated in July 2020
- Currently an entrepreneur working in her own community.

"In times of pandemic I had to think of an alternative to help financially at home, and that's when the idea of selling Brownie's came up, and together with a friend we started the project "Brownie's Marie" on May 20th. Staff helped me to put into practice everything I learned on the course. Applying costs and price formation, I learned what was direct and indirect, variable and invariable costs and so I was able to form the price of my product and calculate the margin of expenses and profits. Today with 3 months of sales we have already sold over 600 Brownies. I am very grateful to Luta Pela Paz for the opportunity to take this job training course, which also took me to places that I would never have imagined such as an internship at Banco do Brasil, an incredible professional experience that I will keep for the rest of my life".




Organisation: **REACH, Vietnam**

Name: **Anh**

Course: **Hairdressing**

Anh's father was killed by storm floods when she was seven. Her siblings were raised by their mother with Anh dropping out of school to help with farming crops. When her mother fell ill, Anh became the sole breadwinner working in a food processing factory for long hours. She heard about Reach and their free training and job placement programmes. She had dreamed of being a hairdresser as a child so enrolled on the course. REACH even supplemented her income so that she could continue to support her family and siblings whilst studying. Anh completed her course with flying colours. She now works at KOKO salon in Hanoi. She now works less and earns more than she ever could at that food packing factory.

"Everything I learnt at REACH, I could apply at work immediately. In my first month of working, I earned 6 million dong. I received praise from the customers and I even got a few tips! I feel very happy and very satisfied with the job".

Anh has a new lease on life and is excited for the future.

"I needed to have a professional skill so that I could get a stable job. Studying hairdressing provided me with a solid skill that allows me to work flexibly anywhere that I want".

The Awards totalling US$530,000 were distributed amongst the Transforming Lives Award winners.




Organisation Global Mamas

Country Ghana

Award US$60,000

Lives Transformed 610 women now have a sustainable livelihood

Focus: Global Mamas community works to create a life of prosperity for African women and their families. They achieve prosperity by creating and selling high quality handmade products using traditional methods. Being able to do work that they are good at and love, women are empowered and have financial independence. Global Mamas' producers make on average 75% more than the minimum wage and 30% more than the average worker in the same industry in Ghana.

Organisation Phool

Country India

Award US$50,000

Lives Transformed 282 women supported

Focus: HelpUsGreen collects discarded flowers to keep them out of the water supply, then "flower-cycles" them into charcoal-free incense. The enterprise employs women from the lower social and economic strata, where they collect 11.8 tonnes of flowers on a daily basis from more than 130 temples and mosques.

Organisation Plastics for Change

Country India

Award US$50,000

Lives Transformed 120 fair jobs created

Focus: India generates an estimated 62 million tonnes of waste annually. Up to 4 million waste pickers sort and segregate recyclable waste and sell it further up the value chain. Waste pickers often hail from the most marginalised communities in urban spaces. Plastics for Change's programme revolves around strengthening the supply chain of waste management with regard to plastic waste and intervening to minimise exploitation of waste pickers.

Organisation REACH

Country Vietnam

Award US$60,000

Lives Transformed Over 1,100 disadvantaged youth trained per year

Focus: REACH's overall objectives are to provide vocational training to equip underprivileged Vietnamese youth to gain employment. There are training courses in a range of sectors such as beauty, web design and hospitality. Over 80% of REACH graduates find jobs and graduates are on average paid 20% above minimum wage.

Organisation Laboratoria

Country Mexico

Award US$100,000

Lives Transformed 35 graduates per year

Focus: Laboratoria's mission is to give Latin American women from unprivileged backgrounds a career in technology, transforming their future and the industry that receives them. The organisation prepares women from underserved contexts as software developers and user experience designers through an immersive 6-month coding bootcamp and then places them in jobs in tech. Their graduates go on to build transformational careers for themselves while filling in the enormous talent and gender gap in technology.

Organisation Luta Pela Paz

Country Brazil

Award US$60,000

Lives Transformed 242 young people have been through the global training programme

Focus: Maré ranks 123rd out of 126 Rio de Janeiro neighbourhoods in the Human Development Index, with community facing low levels of education, high levels of unemployment and extremely high levels of drug gang and state violence. Luta Pela Paz (part of a global organisation - Fight For Peace) use boxing and martial arts combined with education and personal development to realise the potential of young people in communities affected by crime and violence.

Organisation Educate!

Country Uganda

Award US$100,000

Lives Transformed 1,140 youth broadly reached

Focus: Educate! tackles youth unemployment by partnering with schools and governments to reform what schools teach and how they teach it - this is so that students in Africa have the skills to start businesses, get jobs and drive development in their communities. The organisation's participants earn nearly double the income of their peers towards the end of school. They are also 50% more likely to be employed and 44% more likely to own a business.

Organisation Gjenge Makers

Country Kenya

Award US$50,000

Lives Transformed 198 people who assist with waste collection

Focus: Gjenge Makers aims to become the major provider of durable, recycled construction material through Kenya and the African continent. Their mission is to provide sustainable and affordable housing while promoting a recycling and upcycling culture. They currently produce bricks from discarded plastic. They employ 112 people from marginalised communities as plastic pickers, providing jobs to people who otherwise would not have the opportunity to work.

40-40 Campaign Projects

In response to the pandemic, we developed an urgent response fund for our projects to help them continue to deliver their impact, We have supported three projects so far:

LPP - $10,000

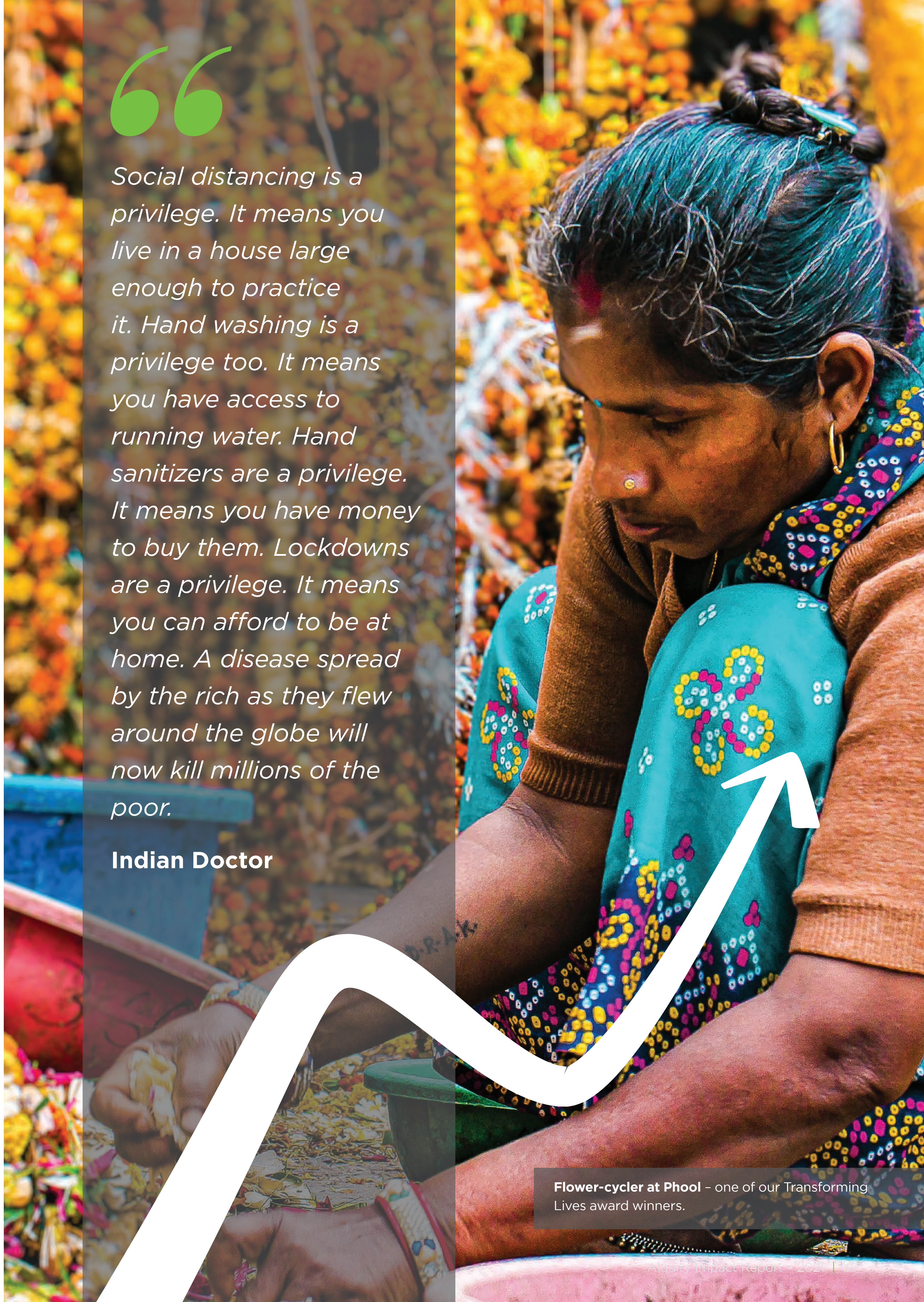
Brazil has been heavily impacted by Covid, and the situation on the ground for communities living in the favelas has been very challenging. Women, in particular, have been heavily impacted, with an increase in cases of domestic and gender-based violence during lockdown and an unequal share of childcare and household responsibilities. The project will offer "technology bootcamp training" targeting women from the favelas so they can be equipped with relevant skills to find employment and earn an income. This will serve as a pilot and will be run in collaboration with Laboratoria, our other Award winner in Latin America, who will be providing pro bono mentoring support to LPP. The online curriculum will be adapted for this cohort, each woman will be given a laptop and the course will take place over a 7-month period. Once the training is completed, LPP will then work closely with the women to help them find a job and connect them with employers.

Global Mamas - $15,000

They have been heavily affected by the pandemic and its impact on the global economy and exports. They have suffered a drop in sales as a result and have had to lay off some of the women they worked with. Global Mamas has been looking into potential areas for growth and reformulating its business model to become more sustainable in the long term. They see a potential in growing online retail sales to export markets but need to develop their website as the existing one is out of date and has resulted in user issues and loss of sales. They estimate that sales generated by a successful, well-functioning website will directly impact the lives of 401 producers (mainly women) and staff members, and indirectly 1,248 individuals in their immediate families.

Plastics for Change - $15,000

They want to develop efficient plastic recycling centres in Goa to reduce the amount of plastic waste ending in the ocean and propose to onboard 20 informal scrap shops onto the platform and provide livelihoods to 100-120 waste pickers. The project will also divert 500 tonnes of ocean bound plastic in the next 12 months. The aim is to support the economic recovery of their supply chain. Just like Brazil, India has been severely hit by the pandemic. Informal and migrant workers have been the most affected by the economic downturn and this project will help those without a safety net to rebuild their livelihoods whilst reducing plastic pollution.



Social distancing is a privilege. It means you live in a house large enough to practice it. Hand washing is a privilege too. It means you have access to running water. Hand sanitizers are a privilege. It means you have money to buy them. Lockdowns are a privilege. It means you can afford to be at home. A disease spread by the rich as they flew around the globe will now kill millions of the poor.

Indian Doctor

Flower-cycler at Phool – one of our Transforming Lives award winners.

PART 7 **ALQUITY'S COMMITMENT TO SUSTAINABILITY**

In addition to our Transforming Lives programme, Alquity is committed to running a business that lives the ESG values we expect from our holdings. Over the last year, we have undertaken the following actions:

Carbon Offsetting

Due to the international nature of our funds and our client geographies, travel is a necessity for the team. Whilst 2020 has seen this drop sharply, we have off set all the GHG emissions generated by the team's travel in 2019. This totals 32,839 kgs of carbon[1]. We selected three projects to which we contribute to offset our carbon footprint: one in Kenya, one in Brazil and one in India (see links below). We felt it would be important to support a project in each of the three regions we are currently investing in. All the projects have been vetted by Carbon Fund.

Energy efficiency projects - Kenya

Forestry - Brazil

Renewable energies - India

Recycling

All waste in our office is separated for recycling where possible. In addition, we provide re-usable cutlery and crockery to ensure staff minimise single-use plastics.

Covid secure workplace

In conjunction with our property management company and cleaning service provider, we maintain a covid secure working environment with hand sanitizing stations, temperature checks and effective workplace cleaning. Currently, most of our staff are home-based, but if they have attended the office we have set a strict maximum to ensure sufficient social distancing.

Green Transport

In addition to providing a cycle purchase scheme for employees, this year we enrolled onto a Green Car Scheme which support employees wishing to purchase electric vehicles for personal use. This provides a cost effective and convenient route to help employees reduce their personal climate impact.

life changing

[1] Source: estimation based on ICAO (International Civil Aviation Organization, UN).

"To really "Build Back Better", we must move to redefining the common purpose of business beyond profit to include solving and not creating social or environmental issues.

CONTACT INFORMATION

MIDDLE EAST, ASIA & UK

Suresh Mistry Telephone: **+44 7973 309687** Email: **suresh.mistry@alquity.com**

NORTH AMERICA

Renee Arnold Telephone: **+1 215 350 9063** Email: **renee.arnold@alquity.com**

UK + EUROPE

Alex Boggis Telephone: **+44 7702 257866** Email: **alex.boggis@alquity.com**

www.alquity.com

@Alquity

/company/alquity-investment-management-limited

/Alquity

www.alquityfoundation.org

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Swiss Representative: FIRST INDEPENDENT FUND SERVICES LTD., Klausstrasse 33, 8008 Zurich.

Swiss Paying Agent: Neue Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich.

Telephone: +44 (0) 207 557 7850

Alquity UK Limited, 3rd Floor, No.9 Kingsway, London WC2B 6XF

www.alquity.com