Improving mood music

I. Performance (%) | As of May 31st

	1 month	3 Month	6 Month	YTD	1 yr
Alquity Future World (net)	**3.6**	**3.4**	**18.8**	**11.0**	**52.1**
MSCI EM index	2.3	3.3	15.1	7.3	51.0
GEM Median	1.8	2.5	15.1	7.1	53.3
Alquity Ranking (within Broad Univ)	Top Qile	2nd Qile	Top Qile	Top Qile	< median
Alquity Percentile (within Broad Univ)	6.9	37.3	20.3	17.1	57.3

	1 month	3 Month	6 Month	YTD	1 yr
Alquity Indian SC (net)	**13.5**	**13.7**	**32.7**	**22.7**	**93.0**
MSCI India index	8.7	10.1	24.7	13.2	68.2
Indian Univ Cap Median	8.0	8.7	22.9	12.6	68.3
Alquity Ranking	Top Qile	Top Qile	Top Qile	Top Qile	Top Qile
Alquity Percentile	0.8	4.1	3.0	2.6	2.2

	1 month	3 Month	6 Month	YTD	1 yr
Alquity Asia (net)	**3.6**	**4.7**	**20.0**	**11.6**	**57.1**
MSCI AC Asia ex Japan index	1.2	1.1	13.8	6.5	51.5
Asia Broad Median	0.9	0.4	14.2	7.0	56.5
Alquity Ranking (within Broad Univ)	Top Qile	Top Qile	Top Qile	Top Qile	2nd Qile
Alquity Percentile (within Broad Univ)	3.7	6.0	5.4	7.2	48.4

	1 month	3 Month	6 Month	YTD	1 yr
Alquity Global Impact Fund	**2.7**	**10.0**	**0.0**	**0.0**	**0.0**
MSCI ACWI index	1.6	8.8	n.a.	n.a.	n.a.
World Large Median	1.6	8.9	n.a.	n.a.	n.a.
Alquity Ranking	Top Qile	2nd Qile	-	-	-

*Alquity Y-class USD

Firstly, please allow us a little space to blow our own trumpet. As regular readers will know, we have been very actively working to improve the company through 2020, with a number of achievements already discussed in these notes. If anyone is not up to speed, please let us know.

Markets-wise, the last 12 months have been highly volatile, you may have noticed yourself. Despite this, we are delighted that the process enhancements that we have implemented in 2020, notably in the area of portfolio construction, have yielded excellent results in terms of better and more consistent performance across our Funds. We performed well with markedly lower volatility than the past combined with a still high active-share and demonstrable alpha generation through stock selection. We still look different and diversified compared to our peers, we are stringent on ESG-matter where others may not be. Perhaps now we are giving them cause to review their own processes. Well we can dream.

All our Funds have performed very well versus our peers, with Alquity India and Asia towards the top of their peer groups over recent periods. The Alquity Asian Fund has outperformed in 11 of the last 14 months. The Indian fund is top percentile over the period. Future World (EM equities) has risen phoenix-like from our reboot in August 2020. Overall, our assets under management have also begun to grow once more, with the return of inflows into our product range. We are pleased with our progress but know we have much to do. Many thanks to those that have supported us. Trumpet blowing over.

That said, the even better news is that **the global context remains supportive of EM.**

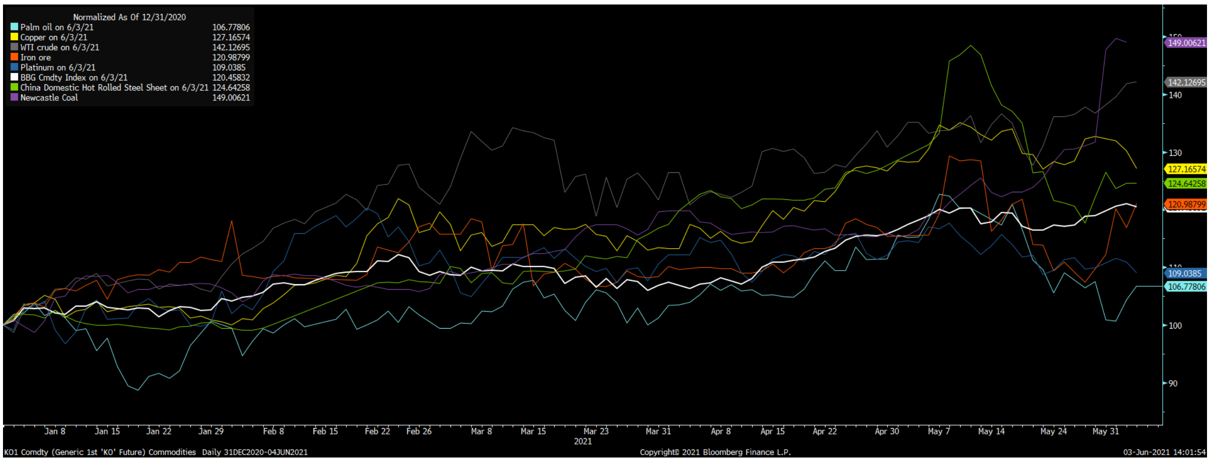
Inflation has accelerated in the US in recent months, i.e. the Fed's preferred core PCE inflation gauge hit 3.1% YoY in April, a high not seen the '90s. This might sound scary at first, but it is quite unlikely, in our view, that such a spike would force the Federal Reserve to make an abrupt U-turn on its policy commitments. The Fed's Average Inflation Targeting framework does not call for such a move. Ultra-loose monetary conditions in the US should persist for years – even after the start of tapering – supporting the appetite for riskier assets – of which EM will be a prime beneficiary.

More specifically turning to individual markets, **India's headline grabbing second Covid wave has now substantially passed**, with daily cases consistently below 200,000 versus over 400,000 at the peak. More importantly, given the insufficient amount of testing, this is confirmed by declining positivity rates of the tests which have dropped from around 25% to sub-10% levels. Whilst India's vaccine rollout was initially sub-optimal, the average number of daily jabs reached 2mn in May, with the 7-day moving average climbing to 2.5mn on the last day of the month.

India's economy bounced back rapidly from the first wave, and given the less stringent recent lockdown, we expect a similar speedy recovery in the coming months. Although foreign investors removed $3.3bn from the market between mid-March and mid-May, we ourselves did not become overly-bearish given our expectation that companies in our portfolio would successfully navigate the difficult environment. This was due to deep understanding of our companies, delivered through our fundamental investment process, along with our experience in various crises in India and Emerging Markets over the last 25 years – including most recently demonetisation. As a result, we benefited from strong performance in companies such as TCI Express (express delivery) and Redington (IT distributor) which rose 67% and 50% in May respectively, **as investors woke up to the structural growth opportunity and delivery of margin expansion.**

Since the beginning of 2021, the Bloomberg Commodities index has gained approximately 20%, with crude oil +42% and copper +27%. This commodities rally creates opportunities in certain markets that have been ignored for some time.

Furthermore some of these commodities are needed for the electrification of the global economy. Copper is just one, rare earths may be the new oil in terms of their importance in the years ahead. How to mine them in an ESG-friendly way will be a hot topic.



Source: Bloomberg

We do not expect this price momentum to reverse anytime soon given the unprecedented amount of policy stimulus which has been bolstering the post-pandemic global economic recovery. Such a boom creates opportunities in regions where exports are strongly linked to commodities, such as **Saudi Arabia, Mexico, Peru, Chile and South Africa.** These countries share more common characteristics than just being pure commodity exporters: their populations are young and growing (in contrast to **Russia**, where we are more cautious and not just due to ESG concerns). Furthermore, Mexico also benefits from proximity to the US economic recovery and the return of international travel post-covid, as the country is one of the most popular destinations for tourists from the US, where the vaccination campaign has progressed apace.

Although politics in South Africa and some Latin American countries have been noisy and weigh on investor sentiment from time to time, the current argument as to why these markets will perform well outweigh the negative impact of political risk, in our opinion. Therefore, there are both structural and cyclical arguments that support the investment theses of these countries. Consequently, Saudi Arabia, Mexico, Peru, Chile and South Africa enjoy an overweight vs. the benchmark in the Alquity Future World Fund.

In conclusion, the favourable tailwinds for EM have only strengthened in recent months – both from a global and a regional perspective. **For the first time in a while, there is a strong investment case for all parts of Emerging – Asia, India and the commodity dependent areas of Latin America, Middle East and Africa**.

There is also a strong case to look at Alquity again.

Contact Information

ASIA	UNITED KINGDOM	NORTH AMERICA
Suresh Mistry	**Alex Boggis**	**Renee Arnold**
+44 (0) 7973 309687	+44(0)7702 257866	+1 215 350 9063
suresh.mistry@alquity.com	alex.boggis@alquity.com	renee.arnold@alquity.com

www.alquity.com **@Alquity** **Alquity Investment Management** **/Alquity**

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 Global Equities Impact Fund, the Alquity Africa Fund, the Alquity Asia Fund, the Alquity Future World Fund and the Alquity Indian Subcontinent 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 products are suitable for all investors and as the Fund invests in global and 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.

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. 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.

CANADIAN INVESTORS:

Alquity has engaged with Stikeman Elliott LLP as their legal representation and is relying on the International Dealer Exemption in the provinces of Quebec and Ontario. With respect to statutory rights of action along with connected and related issuer information please refer to our Canadian Wrapper and Prospectus. This material is for distribution to Professional Clients only and does not constitute any recommendation or opinion regarding the appropriateness or suitability of an investment for any prospective investor.

SWISS INVESTORS

The prospectus, the Articles of Association, the Key Investor Information Document "KIIDs" as well as the annual and semi-annual report of the Fund is available only to Qualified Investors free of charge from the Representative. In respect of the units distributed in Switzerland to Qualified Investors, place of performance and jurisdiction is at the registered office of the Representative. Funds other than the Luxembourg domiciled Alquity SICAV mentioned in this document may not be admitted for distribution in Switzerland.

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

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