



ESG, Impact and 3D investment

How capital allocation shapes our societies

January 2022







LIFE CHANGING INVESTMENTS



Alquity

The logo for Alquity features the word "Alquity" in a black, elegant script font. A horizontal orange line is positioned beneath the letters "quity", starting from the letter "q" and extending to the right edge of the logo.

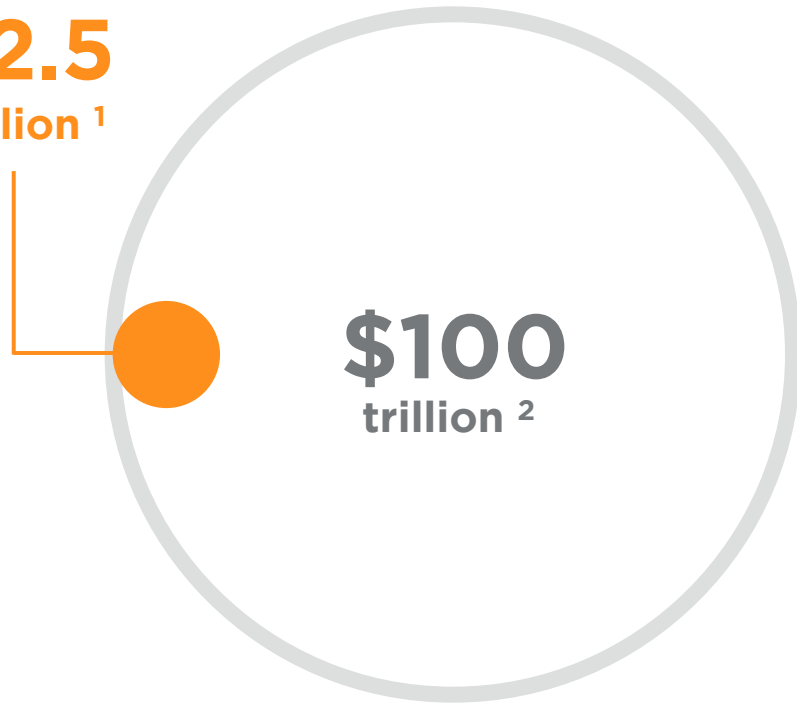
3D Investing: Our trajectory

| 2010 | 2013 | 2014 | 2016 | 2017 |
|--|---|--|---|--|
| <p>Become signatory to UNPRI</p> <p>Launch Africa Fund</p>  | <p>\$100k donations generated</p> | <p>Launch Asia, India and Future World Funds</p>  | <p>Investment Week “Best ESG Fund” for Alquity Asia</p> <p>Awarded first institutional mandate from large US pension fund</p> | <p>\$1m donations generated</p> |
| 2018 | 2019 | 2020 | 2021 | 2022 |
| <p>French SRI label awarded</p>  | <p>Transforming Lives awards \$540K to 8 winners</p> <p>\$2m donations generated</p> | <p>Investment Week “Best Manager for ESG integration” award</p> <p>Triple A+ Rating from UNPRI</p>  | <p>Launch of Global Impact Fund</p> <p>Foundation of ESG Council in partnership with East Capital</p>  | <p>Reporting SFDR 8+9</p> <p>EU Taxonomy alignment</p> <p>Plan to launch Transforming Lives Awards 2 in Q4 2022</p>  |

Capital allocation shapes societies

Annual funding gap

\$2.5
trillion ¹



Investors demand that asset managers
change the way they deploy capital



- As the biggest allocator of capital, after governments, asset management must be at the forefront of these changes, moving \$100tn of assets invested to an ESG and Responsible Investment model
- This trend is underway and will be **the investment megatrend into the future**



¹ UN Sustainable Development Goals Annual Funding Gap – 'World Investment Report', *UNCTAD* (2014)

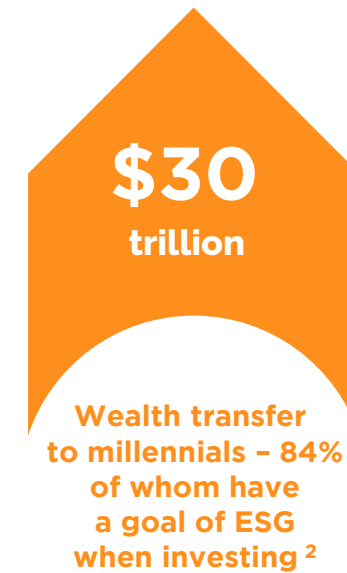
² Global Assets Allocated by Asset Managers – 'Asset & Wealth Management Revolution: Embracing Exponential Change', *PWC* (2017)

There is a wall of money flowing to responsible investment

► **\$17 trillion** in 2018 ¹



Millennial wealth shift will drive ESG quality requirements higher and more personal



¹ 'Global Sustainable Investment Review', GSIR (2018)

² Morgan Stanley - <https://www.morganstanley.com/ideas/sustainable-socially-responsible-investing-millennials-drive-growth>

But rapid growth in ESG has created confusion

Fixed assets
Legacy money held in
non-ESG funds



Fixed mindset
Lack of skillset and
ingrained processes

Rampant Greenwashing

7/10 investors (72%) find the language of responsible investing perplexing ¹



Confusion



Millennial investors won't accept mainstream strategies that don't adhere to high standards. They want products that respond to their personal ESG goals ²

COP26, SFDR and 3D Investing:
Direction of travel is undeniable
and relentless from here







evian

Eau Minérale Naturelle

Volvic

Eau Minérale Naturelle

Volvic

Eau Minérale Naturelle

4 million

bottles sold each month

\$27 million

donated to date

5 million

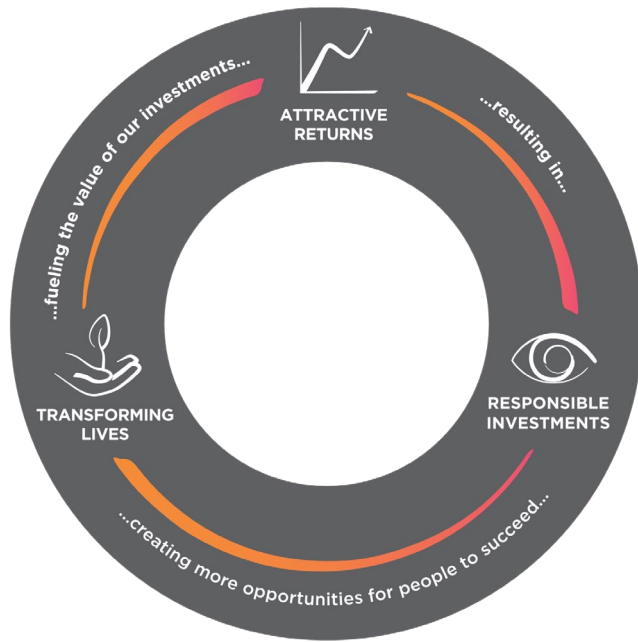
lives changed



Introducing Alquity
The unique competitive advantage
of the Virtuous Circle

Alquity

We created Alquity's virtuous circle model to marry ESG to impact



Growth in AUM benefits all stakeholders in the virtuous circle

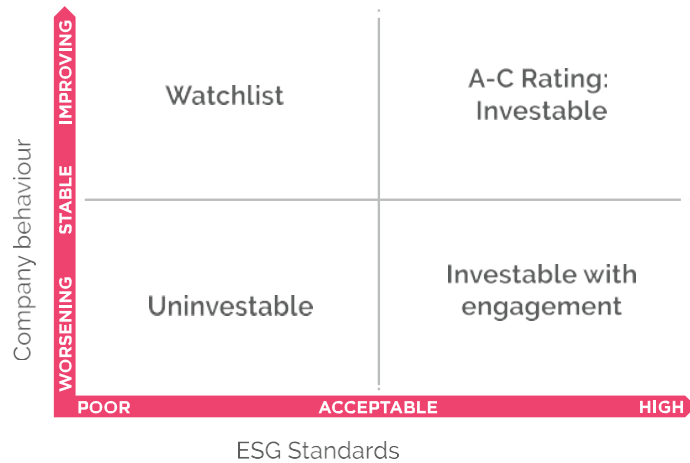
- Invest in high potential companies that can achieve **success sustainably**
- Integrate ESG framework to identify **material non-financial factors** alongside traditional analysis
- Drive corporate behaviour that **supports all stakeholders**
- Support sustainable economic development by donating a minimum of 10% of our revenues to high-impact projects, **creating opportunities** for the consumers and entrepreneurs of tomorrow
- The greater the financial rewards, the greater the social rewards; **everyone's interests are aligned**

We chose emerging markets as offering the greatest source of alpha for ESG



- Covering 80% of the world's population and 50% of its GDP, **emerging economies are powering global growth at 4-7%**, while advanced economies are stalling at around 2%¹
- Gaps in governance and regulation in emerging economies mean **ESG can add the greatest value** by mitigating risk, identifying well-run businesses that can deliver sustainable returns, and reinforcing best practice which make these businesses most likely to outperform in the long term
- With levels of inequality significantly higher than the OECD average, **emerging economies have the biggest requirement for impact**²

We employ a high quality, proprietary ESG investment approach



- 100% of Alquity’s resources are focused on ESG investing
- Our ESG research and investment process come from a **single team**
- We **proprietary rate high growth potential companies A-C and fail on ESG** after significant one-on-one engagement with management teams
- We are forward looking and identify corporate ‘**direction of travel**’ in terms of responsible behaviour
- Investing in a mix of companies rated A-C, rather than just A, helps us **spot & nurture high potential opportunities**

| Alquity ESG Rating | ESG Rating Company Characteristics |
|--------------------|---|
| A | <ul style="list-style-type: none"> • High risk industry¹ demonstrating global best practice performance in ESG. • Lower-risk industry² demonstrating regional best practice in ESG. |
| B | <ul style="list-style-type: none"> • High risk industry demonstrating regional best practice performance in ESG. • Lower risk industry with satisfactory ESG performance, in-line with or better than regional peers, and with a credible intention to improve communicated to Alquity fund manager |
| C | <ul style="list-style-type: none"> • High risk industry with satisfactory ESG performance, in line with regional peers, but demonstrating a meaningful commitment to improve. • Lower-risk industry with satisfactory ESG performance, in-line with or better than regional peers, but with no credible intention to improve. |

Alquity Portfolio ESG Ratings

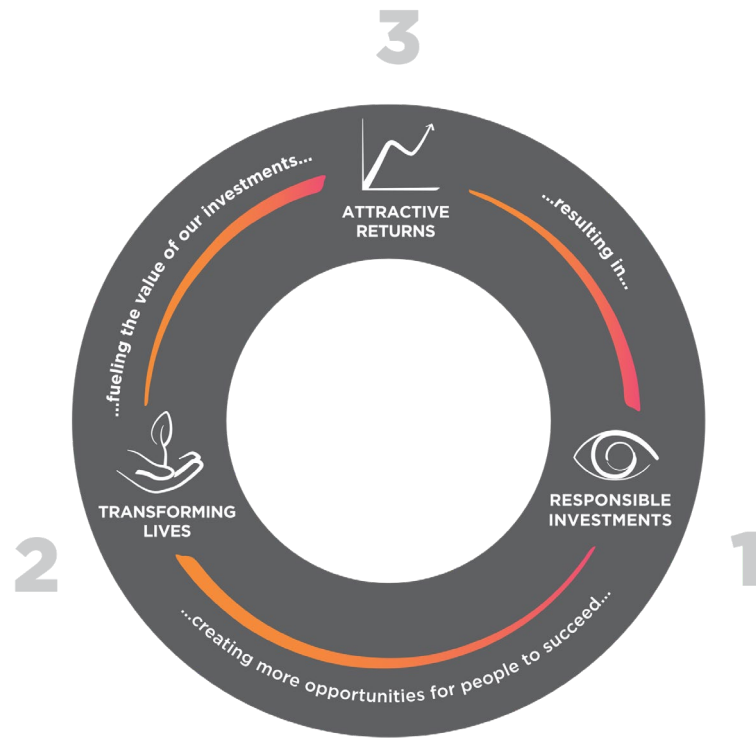
| | |
|----------|------------|
| A | 22% |
| B | 35% |
| C | 42% |

¹ High risk industry: those with extractive operations (mining & energy) and heavy industry (cement, building materials, steel, chemicals).

² Lower risk industry: all other industries within the Alquity investable universe.



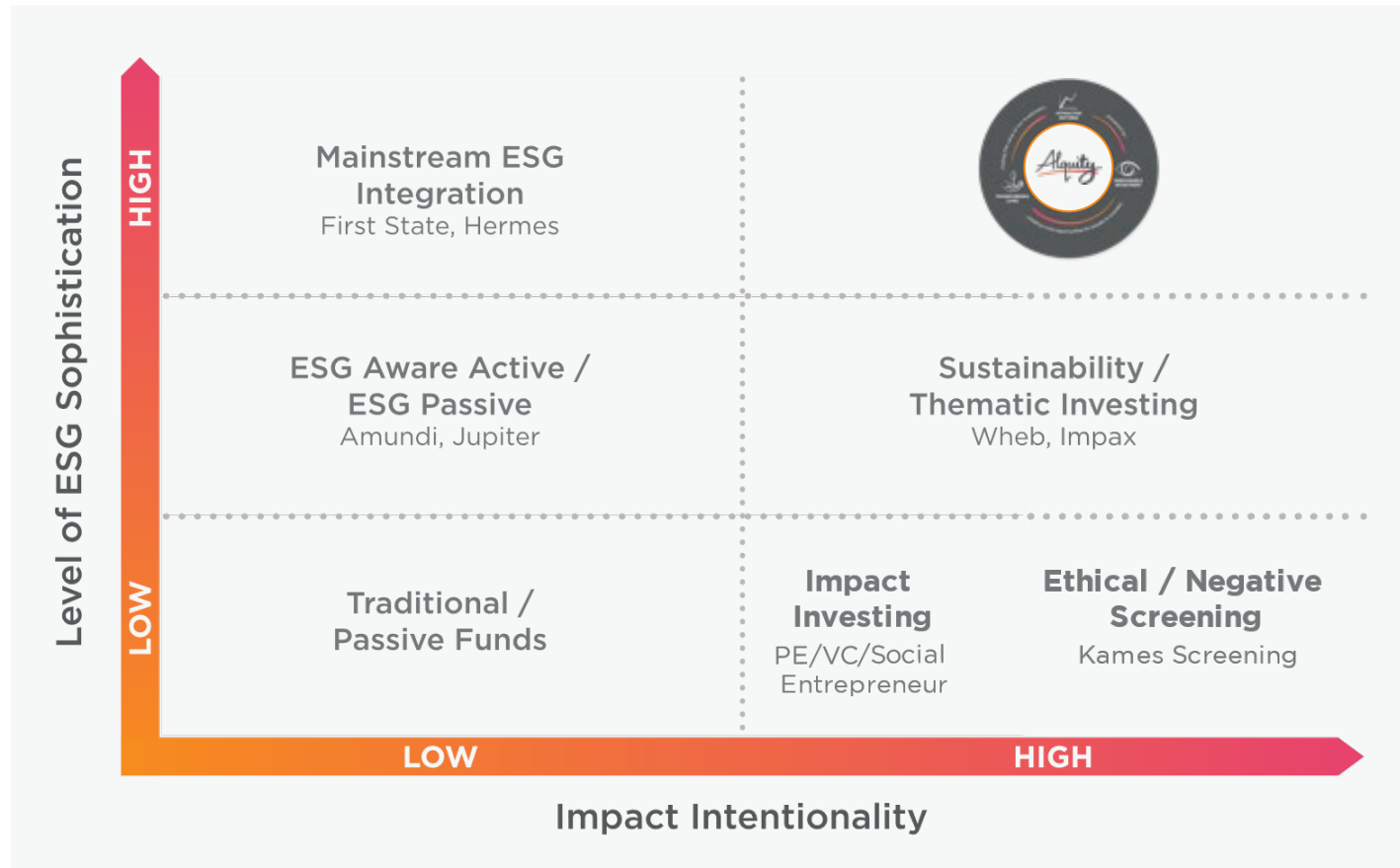
And we have clear examples of its application...



Growth in AUM benefits all stakeholders in the virtuous circle

- **We invested in Vmart**, an Indian based retail business. In India 93% of retail is informal. Vmart represents the first entry point for many Indians to formal retail.
- We have then **funded, via our Transforming Lives program**, our award winner **Phool**. They employ 1,260 lower caste Indian women who collect temple flowers, preventing pollution of the Ganges river, and recycle them into incense sticks.
- As a result, **Phool employees are now potential Vmart customers**. Furthermore, our onsite visits provide us with valuable insights into the habits of a growing consumer class.

We are clearly differentiated from our competitors



A unique proposition

- Uniquely rigorous ESG investment approach
- Unique impact model with 10% of revenues allocated to transform lives in the economies where we invest
- Asset liquidity (vs. Impact Investing - typically illiquid)
- 10-year corporate history & track record
- Alquity stands alone by combining the ESG and the Impact space, unlocking access to greater opportunity and market share potential

The next chapter- the confluence of ESG and impact

Incorporated in our process:

- Key Progress Indicators
- Engagement
- Alquity Transforming Lives Foundation



Our portfolios generate lower GHG and use less water than their respective indices

| | FW | Index* | Asia | Index* | India | Index* |
|--|---------|---------|---------|---------|-------|----------|
| GHG (tons of CO ₂ e / \$M) | 243.8 | 381.9 | 240.4 | 431.8 | 373.2 | 610.4 |
| Water Usage (m ³ / \$M) | 1,015.4 | 9,548.2 | 1,107.1 | 8,157.2 | 743.5 | 14,847.6 |

EM funds Performance – all Article 8

2021 has been a very volatile period and Alquity funds have delivered top quartile returns with below average volatility.

Alquity Future World (GEM):
-0.49%
EM index: -2.54%

**205 bps outperformance;
Top Quartile versus peers**

Alquity Asia: +2.63%
Asia ex Japan Index: -4.72%

**735 bps outperformance;
Top Quartile versus peers**

Alquity India: +43.07%
India Index: +26.23%

**1,684 bps outperformance;
Top Quartile versus peers**

We have enhanced our equity offering by launching our Global Impact Fund – Article 9

- **Proprietary quantitative model targeting consistent returns with clear impact measurements**, led by Marnie Aragon-Uy, a proven leader in quantitative portfolio management.
- As well as ESG leaders, the fund will target **sustainability alpha** through companies providing solutions to the UNSDGs.
- The portfolio will have **significantly lower environmental impact and better social outcomes** than the Global Index.

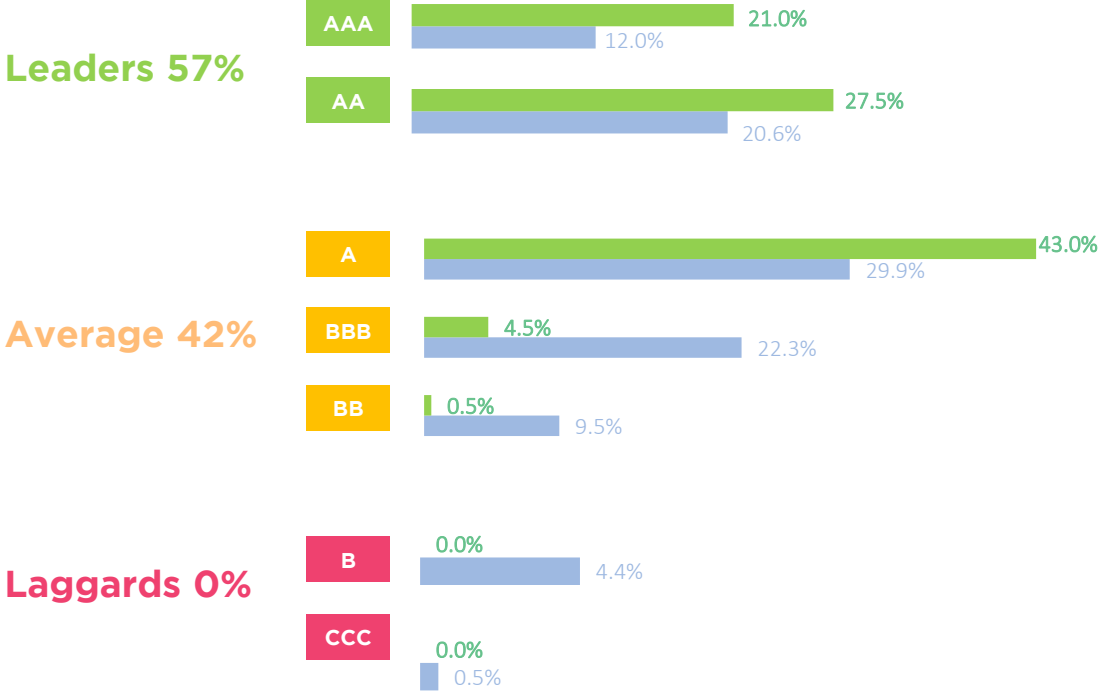


Our funds significantly outperform the benchmark from an ESG perspective¹

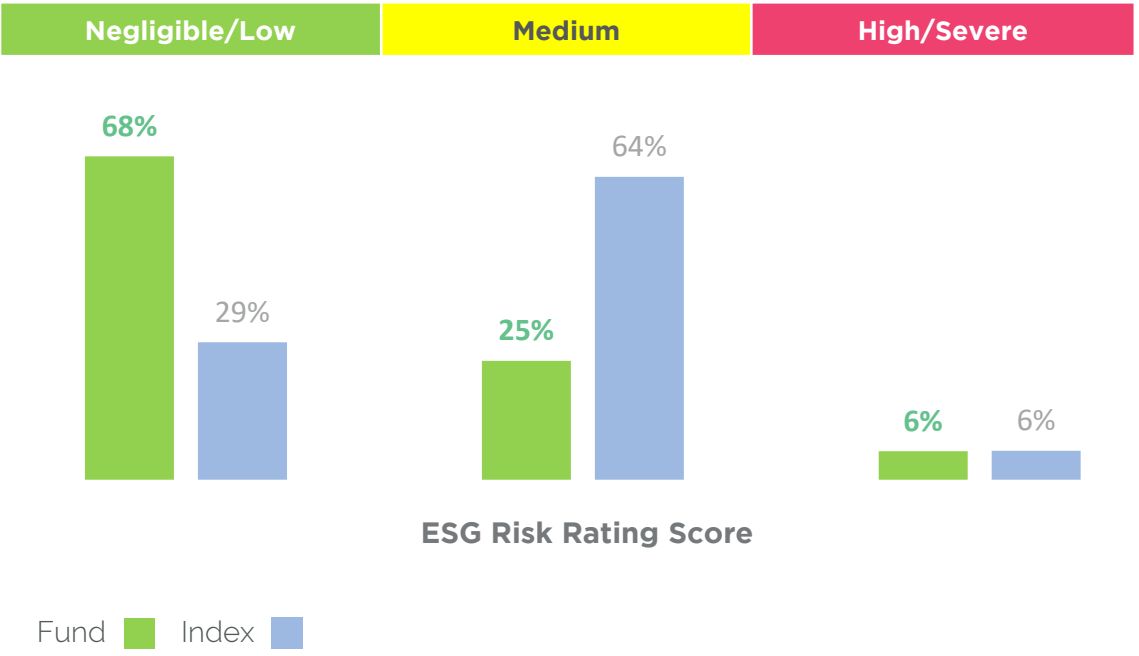


See below for a comparison of the performance of our recently launched Global Impact fund (indicative of all our funds) versus the index, achieving top quartile ESG quality

Global ESG Ratings: Global Impact Fund vs Index



Sustainalytics ESG Scores: Global Impact Fund vs Index

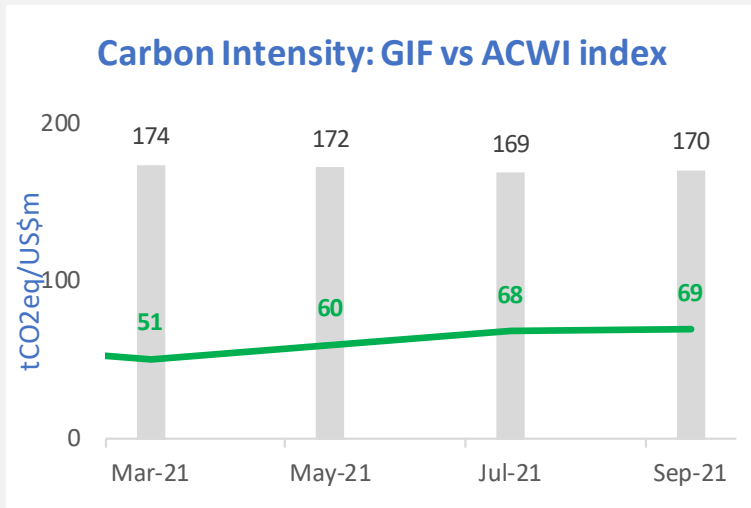


¹ Sustainalytics, Global ESG Ratings, Bloomberg and Alquity. Global Equities All Cap index. Global ESG ratings as of 31st December, Sustainalytics scores as of 31st September 2021

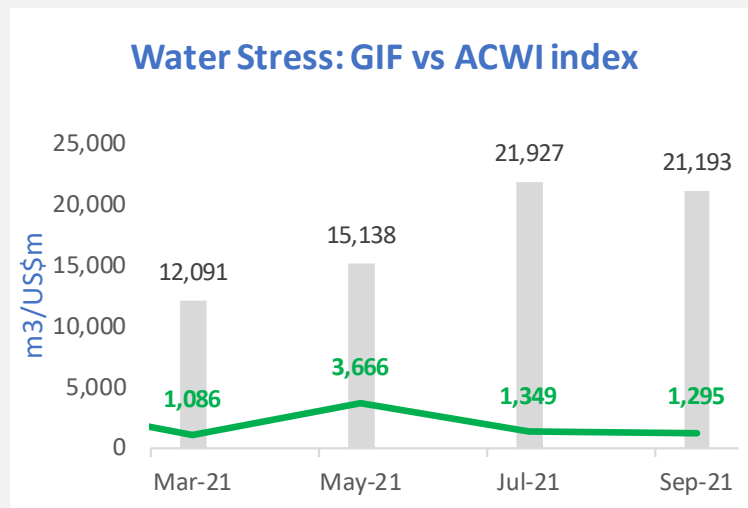


Our portfolio delivers significantly lower environmental impact

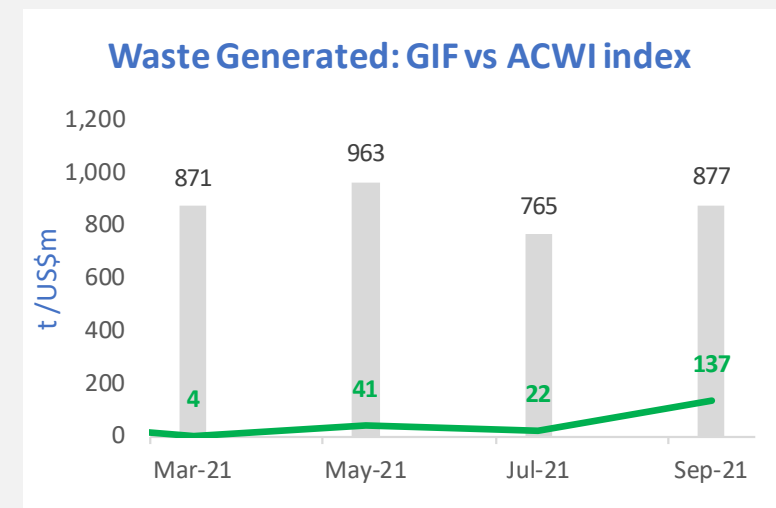
GIF Bench



Low carbon intensity portfolio, approximately a third of the carbon footprint of the benchmark




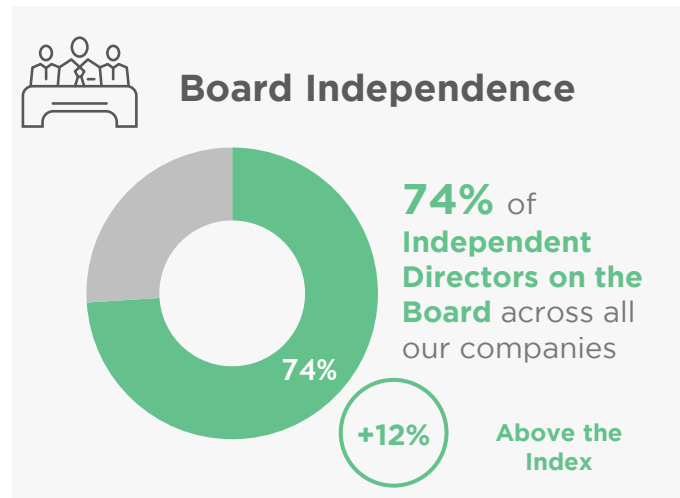
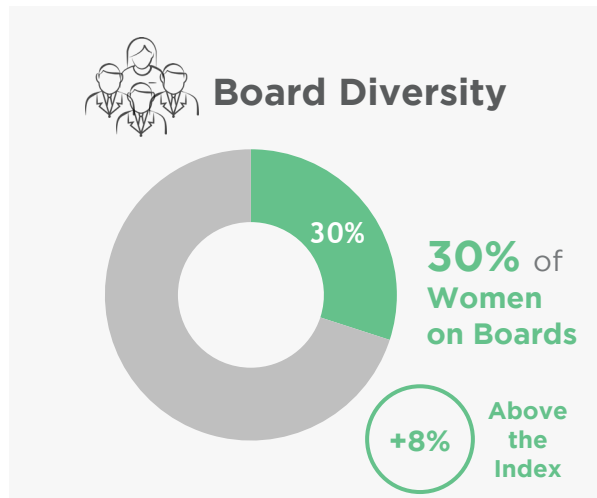
Water use is **90% below the benchmark**



Waste generation is approximately **14% of the waste generated** by the benchmark



The portfolio also delivers strong corporate governance and focuses on equality



Equality Opportunities & Diversity of workforce

99% of our companies has made a **proactive commitment to ensure non-discrimination** against any type of demographic group

80% of our companies has **strong or adequate initiatives to increase diversity** of their workforce

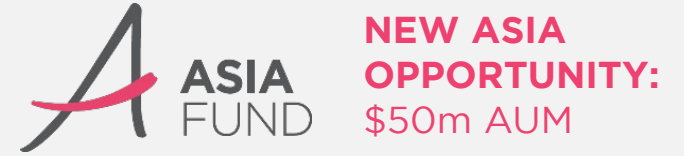
We have five funds employing unique yet consistent strategies



- ▶ Investing globally, prioritising companies committed to products and services that have a positive societal and environmental impact, and contribute to the UN Sustainable Development Goals.
- ▶ Launched in 2021, the fund invests in companies with strong ESG credentials that position themselves for long-term financial returns by balancing the interests of all stakeholders.



- ▶ Focuses on long-term drivers of sustainable growth in both emerging and frontier markets across Asia, Latin America and Africa.
- ▶ Launched in 2015, the fund offers an unconstrained, high conviction and diversified portfolio focusing on unique investments in the most promising emerging and frontier markets.



- ▶ Focuses on converting Asia's emerging economic structural growth into revenue growth, including new emerging markets, such as Vietnam, and Sri Lanka, offering further diversification.
- ▶ Launched in 2014, the fund invests in long-term macro and micro themes such as urbanisation, offering a diverse portfolio with low correlation and volatility compared to benchmarked peers.



- ▶ Gives investors the opportunity to tap into one of the world's fastest growing and largest economies, with a young population and ongoing economic reform that offer significant potential for returns.
- ▶ Launched in 2014 by a team with over 20 years' experience investing in India, the fund provides a differentiated and highly successful investment approach to opportunities across India.



- ▶ Launched in 2010, the fund gives investors access to the unparalleled growth potential of the African continent, focusing on companies with established market share, operations, and local knowledge.
- ▶ In a continent of 54 diverse countries, the importance of local knowledge cannot be overstated, giving established companies a sustainable competitive advantage.

Using multi-faceted analysis which combines macro factors, micro factors and long-term themes alongside key engagement with the firm, we establish and develop high conviction portfolios that use social responsibility as a competitive financial advantage.

Fund performance has been strong



| | 2021 |
|--|--------------|
| Alquity Future World (net) | -0.49% |
| EM Index | -2.54% |
| GEM Median | -2.20% |
| Alquity Ranking (within universe) | 2nd Quartile |

| | 2021 |
|--|--------------|
| Alquity Asia (net) | 2.63% |
| Asia ex Japan Index | -4.72% |
| Asia Median | -3.95% |
| Alquity Ranking (within universe) | Top Quartile |

| | 2021 |
|--|--------------|
| Alquity India (net) | 43.07% |
| Indian Index | 26.23% |
| India Median | 26.18% |
| Alquity Ranking (within universe) | Top Quartile |

| | 2021 |
|--|--------------|
| Alquity Global Impact Fund (net) | 11.55% |
| Global Index | 12.71% |
| Global Sustainable Impact Index | -3.53% |
| Alquity Ranking (within universe) | 2nd Quartile |

GIF outperformed the Sustainable Impact by 15% whilst delivering significant Impact





Third Party Recognition



Strategy and Governance **A+**
ESG Incorporation **A+**
Active Ownership **A+**

First Emerging Market Manager to receive this designation for all its funds in 2018.

Renewed in 2019, 2020 and 2021

“Alquity has always believed in giving back to the communities in the countries in which it invests.”

Darius McDermott,
Managing Director



“Alquity have set their stall out to take a leading role in impact investing. They are demonstrating that the investment industry can go beyond asset allocation, and that philanthropy makes a tangible difference via the Transforming Lives initiative.”

Benjamin Benson,
Investment Manager



Investment Week



Portfolio Adviser



Our unique impact model transforms lives in the places where we invest



► 10% of our management fees are donated to the Alquity Transforming Lives Foundation

The Alquity Transforming Lives Foundation distributes revenues set aside by Alquity to charities and social enterprises in the regions that Alquity invests.

Our grants help develop fairer, more sustainable economies that deliver inclusive long-term growth, focused on the poorest communities.

We focus on social and economic challenges that would not be addressed by corporate behavior alone.

Impact track record

65,479 Lives transformed

Our commitment

10% Revenues donated to transform lives

Donations generated

\$2.2m

\$1,500 Daily

Transforming Lives Awards

\$500k+
Awarded

*Launched in partnership with
Philanthropy University*

Winners spanning Africa, Latin America and Asia including:

Plastics for change, *India*

Lives Transformed:

1,016

fair jobs created

Global Mamas *Ghana*

Lives Transformed:

350

women now have sustainable livelihoods

Luta Pela Paz *Brazil*

Lives Transformed:

250,000+

young people have been through Fight for peace global training programme

Judging Panel includes



Paul Polman
Former CEO
Unilever



Mona Mourshed
Partner (Head of Social
Responsibility)
McKinsey & Co



Hilde Schwab
Chairperson
Schwab Foundation for
Social Entrepreneurship

Transforming
Lives Awards:
Client Partners



Transforming
Lives Awards:
Referral Partners



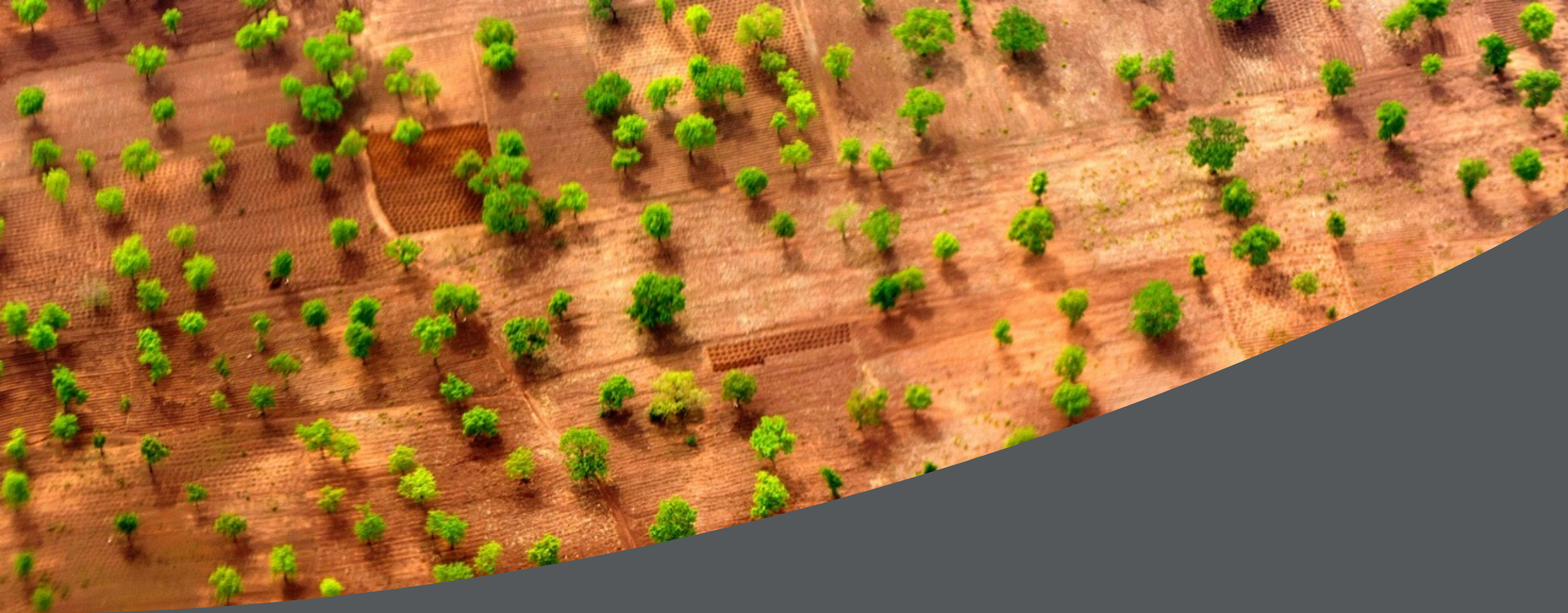
UBS Optimus Foundation



A crowd of people in formal attire is gathered at an awards ceremony. In the background, a large sign reads 'PACIFIC' in a stylized font. Above the sign, several penguin cutouts are visible. The scene is set outdoors with trees and a blue patterned banner.

TRANSFORMING LIVES AWARDS

INSPIRED BY *Alquity*



Thank you & questions

LIFE
CHANGING
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Alquity

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