



IMPACT REPORT 2022

3 DIMENSIONAL OUTCOMES: WHERE
RETURNS, SUSTAINABILITY AND IMPACT MEET



LIFE CHANGING INVESTMENTS

A group of women are working in a workshop, processing flower petals. They are wearing yellow and orange saris. The floor is covered with large piles of yellow, pink, and orange flower petals. Several large blue bowls are filled with the petals. In the background, there are stacks of cardboard boxes and a large industrial fan. The women are focused on their work, and the atmosphere is busy and productive.

Flower-cyclers working at Phool, one of our Transforming Lives award winners.

CONTENTS

PART 1	INTRODUCTION	4
PART 2	OUR MISSION AND BELIEFS	8
PART 3	ATTRACTIVE RETURNS	10
	1st dimension: Financial Returns	10
	One Multi-skilled, Diverse Team	11
	Our Red Flags	12
	Fund ESG Ratings	14
	ESG Ratings drive valuations	16
	Emerging Markets	16
	Developed Markets	17
PART 4	RESPONSIBLE INVESTMENTS	19
	2nd dimension: Portfolio environmental and social footprint	19
	Targeting a lighter environmental footprint	19
	Fund Impact Analysis	20
	Asia and Future World Funds	20
	Indian Subcontinent Fund	22
	Engaging for change	23
	KPIs Analysis	24
	Voting	24
PART 5	ALQUITY GLOBAL IMPACT FUND	29
	KPIs	30
	Voting	31
	Engagement	33
PART 6	TRANSFORMING LIVES	34
	CONTACT INFORMATION	38
	DISCLAIMER	39

transformation

PART 1 INTRODUCTION

THE DECADE WHERE ESG DIES OR DELIVERS

We are often asked about where we see the future for ESG investing and how we think it will evolve over the next few years. Whilst the world of sustainability, ESG and impact is still in its relative infancy, we believe there are already clear indicators about the future path and possible answers can be found by looking back at history.

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.

Back in the eighties and early nineties, “making money” was the focus of education and business. Stock markets were taking off and the cult of the “Yuppie” was in full swing.

Yuppie is a term that was used to describe a young person who had a well-paid job and liked to show that they had a lot of money by buying expensive things and living in an expensive way.

There was no talk of sustainability, just a focus on cost control and delivering shareholder return. Whilst the principle of the link between business and society was understood, it wasn't until the early 2000s that larger corporations started taking the concept on board. This led to the rise of corporate social responsibility (CSR) and the need to share this information with customers and investors through CSR reports. Whilst welcomed, these CSR reports said next to nothing about how the business operation was run or strategic decisions were being made. Instead, they focused on non-business related philanthropic gestures that provided a “feel good” moment for management. However awful, if well intentioned some of these reports were, they did lay the seed for businesses to realise that they had a duty to society beyond profit maximisation. CSR as a concept tumbled along until around 2006 when the UNPRI published a report where incorporation of ESG into company valuation was first raised. The underlying principle being that it was more important that a business behaved responsibly in how it operated than just through philanthropic gestures.

Whilst ethical funds (primarily using negative screening) and “green” funds (investing in sectors such as renewable energy etc) already existed, ESG has since become a catch all term covering almost any additional intervention in the investment process outside of pure financial analysis. This has led to confusion amongst investors as to what a fund actually does to warrant the “ESG” label and often justifiable claims of “greenwashing”. So, how do we chart a route out of this, that provides clarity to investors but also achieves the founding aims of the concept; connecting business back to society and societal progress.

To do this, we need to start with what society universally needs from business. Today, this essentially can be distilled to two things. Firstly, creation of wealth and opportunity whilst providing safe, equitable employment and (alongside public institutions) contributing to social progress. We have not specified the sectors or products businesses should or should not be involved in as this requires application of values filters which are not universal. Secondly, society needs business to achieve this, whilst ensuring the resources used for business activities stay within the ecological boundaries of the planet.

The current projections for global warming through industrial activity clearly indicate that business activities must dramatically change if we are to avoid catastrophic changes to our natural ecosystem. It is no longer socially acceptable for business to ignore its climate impact in preference to its wealth or job creation priorities.

In an ideal world, the solution would be for many developed economies, which still produce the most greenhouse gas (GHG) emissions per capita by far, to just reduce consumption whilst allowing developing economies to eliminate poverty through some extra GHG emission allowance. Unfortunately, as we saw at COP 26 there clearly is no collective political will to do this. As Leo Tolstoy wrote “everyone thinks of changing the world, but no one thinks of changing themselves”. The focus has been set on a net zero by 2050 ambition which fails to recognise that whilst a good end in itself, the journey towards net zero is critical

if we are to avoid warming of above 2 degrees. This is the deciding decade and what we achieve in GHG emission reduction before 2030 is paramount. Current Nationally Determined Contributions (NDCs), which are the voluntary commitments made by countries for GHG reductions, indicate that we will have GHG emissions 13% greater than in 2010 when the desired target is 45% less than in 2010. Essentially, we need to reduce GHG emissions by 58% by 2030 to have a chance of avoiding catastrophic warming.

In this context the future of ESG has to be as a driver of business activity and investment decision making to protect the future of the planet and society as a whole. ESG still retains its value in the hands of skilled investors to seek out alpha opportunities, but over the next decade, its primary role will be to drive emission reduction in business regardless of country or sector. This does not lessen the importance of the “S” and “G” elements but accepts that climate change is the greatest threat to humanity. The changing face of ESG is already occurring through major regulatory introductions such as:

1. SFDR regulation and reporting which is focused on climate metrics, primarily GHG emission intensity
2. EU Taxonomy definitions focused on sustainable business activities emphasising climate change mitigation and adaptation

Whilst we believe the EU taxonomy is a tool for identifying business activities that directly contribute to reducing climate change, most traditional business activities are completely excluded. The SFDR reporting is much more encompassing and if used effectively will deliver greater impact by pushing investors to invest in and steward assets in line with climate science, and the transition to a low carbon economy.

Reporting must lead to action

So, in this context, both businesses and investors will have no option but to act or be penalised through regulations, consumer shifts or lack of access to growth capital. For ESG investors, engagement leading to tangible outcomes has to be essential. The availability of data and regulatory reporting requirements will enable investors to compare companies and drive company level investment into areas that mitigate environmental impact.

However, this will not work in a vacuum. It will still be essential for business to lobby governments and become “activists” at event such as COP26 to drive changes in areas such as taxation, regulations and incentives to support businesses. It will also take individual actions whether through lifestyle or simple behavioural changes that drive business innovation. ESG of the future will therefore become a collective business, governmental and societal mission. We are reminded of a quote from the recently deceased Archbishop Desmond Tutu:

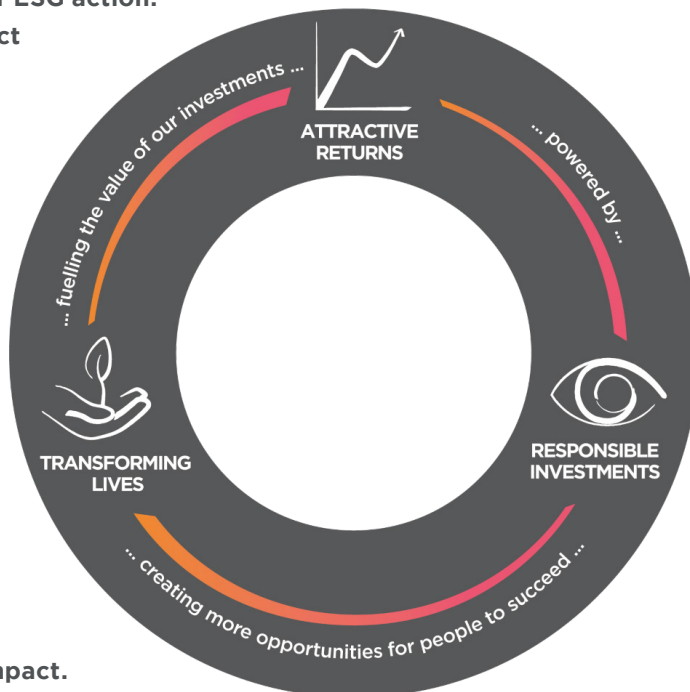
“Do your little bit of good where you are; it’s those little bits of good put together that overwhelm the world.”

So, in the future ESG will return to its societal impact roots with the onus for investors moving from ESG as a stock selection tool to an engagement and stewardship framework driving a just climate transition. If investors don't act independently, regulators will enforce it.

In this Impact Report, we show how Alquity is responding to this clarion call for ESG action.

We cover the environmental impact targets we have set for our funds, as well as reporting on the first year of our new, SDG-aligned Global Impact Fund. Whilst the COVID19 pandemic has impacted the delivery of our transforming lives projects, we provide updates from some of the winners from the 2019 Transforming Lives Awards as they continue to ensure we make this a just transition. Our ability to deliver 3 Dimensional outcomes for clients, communities and the planet, bridges the gap between financial returns and real-world impact.

As we enter the decisive decade, there has never been a more important time for our virtuous circle business model.



SURESH MISTRY,

*CO-FOUNDER AND HEAD
OF ESG AND IMPACT
REPORTING*



Our ability to deliver 3 Dimensional outcomes for clients, communities and the planet, bridges the gap between financial returns and real-world impact.

PART 2 OUR MISSION AND BELIEFS

A NEW INVESTMENT MODEL

Alquity exists to transform the world of investment to create a fairer, more sustainable planet.

For too long, short term, purely financially focused thinking from investors has driven business to prioritise shareholder returns. To be clear, commerce over the last century this has led to transformational improvements in our quality of life, innovation that has overcome many obstacles that stand in the way of progress and provided employment and cross border trade that has helped reduce poverty. However, these have all come at a cost that was either not fully understood or in some cases willfully ignored. Catastrophic climate change, irreversible biodiversity loss, embarrassing inequality, devastating global pandemics and avoidable healthcare crises, such as diabetes and obesity, can all be traced back to the pursuit of this single financial metric.

Alquity's virtuous circle business model shows that there is another way. A way that delivers not just great financial returns, but environmental and social outcomes to be proud of, alongside directly transforming lives of those most in need. **We call these outcomes 3-D returns.**

Investing with us, in our range of award-winning listed equity funds, means your decisions and values are aligned to working towards a just climate transition and the natural world remains diverse and jaw-droppingly beautiful. You are contributing to everyone having the same opportunity in life wherever they are born, whatever ethnicity, gender, sexual orientation or physical ability they possess and that they live healthy, meaningful lives.

You consider more than just financial outcomes from your investments. You want to encourage and support companies that are respectful to and look after their environment, their people, their communities and which are run professionally with integrity and passion. You care that your investments contribute to a just and rapid climate transition. You want to share the same values as the people making those investment decisions. People that are not afraid to be the change, to exercise their discernment and are willing to be accountable and fully justify their decision-making. A company that walks the talk and allocates its own capital to shape the society that you want to see.

life changing



Alquity exists to provide a new investment model that bridges financial returns and transformational real world impact to build a fairer, more sustainable future for all.

PART 3 **ATTRACTIVE RETURNS**

DELIVERED THROUGH OUR CERTIFIED ESG INVESTMENT PROCESS AND ENHANCED QUANTITATIVE ANALYTICS

1st dimension: Financial Returns

In 2021, Our Asia, Indian Subcontinent and Future World Funds once again passed the ISR label certification audit. Our new Global Impact Fund also passed the certification although only 3 months old at the time.

During such a challenging year when the world seemed to swing between pandemic re-openings and further lockdowns, our deep market expertise, honed investment process and enhanced quantitative risk management frameworks we deployed, helped all of Alquity's funds deliver strong collective performance shown in the table below.



FUND	2021 RETURN	RELEVANT INDEX RETURN	PEER PERCENTILE (QUARTILE)
Indian Subcontinent	43.07%	26.23%	3% (Top)
Asia	2.63%	-4.72%	15% (Top)
Future World	-0.49%	-2.54%	39% (2nd)
Global Impact Fund*	11.55%	12.71%	45% (2nd)

Source: Alquity, as of 31st of December 2021

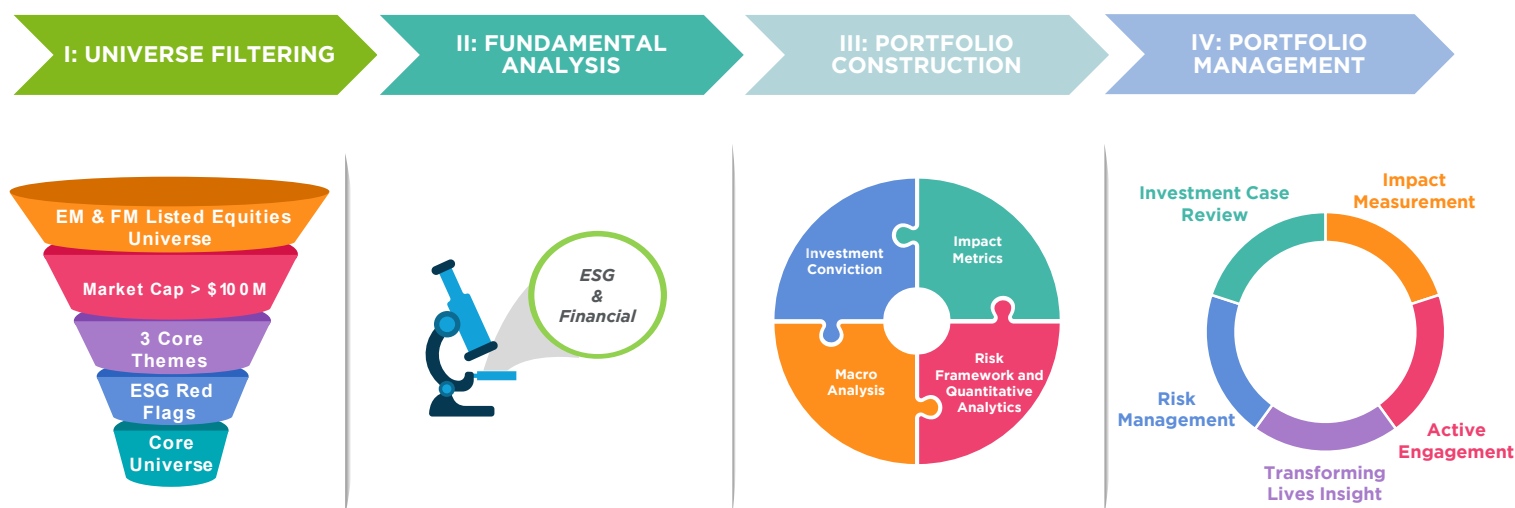
*Performance above relates to the USD Y share class for all sub-funds except for Global Impact Fund where we use USD I, which was launched on 16 March 2021

opportunity

Emerging Markets: One multi-skilled, diverse team

Leveraging the diverse skill sets of the team including fundamental analysis, macroeconomic forecasting and data engineering as well as life perspectives through a single shared process, drove much of the success.

This enabled the Emerging Markets portfolios to explore smaller markets and discover new stocks far from the beaten path whilst adapting portfolio construction to mitigate factor and concentration risk.



As the external environment evolves with increasing research and technology developments, we continue to evolve our Red Flags criteria to ensure we exclude at the source, companies that provide negligible social value and/or directly contribute to global warming. The Red Flags are listed on the table on page 10 and include the following new criteria:

1. Exclusion of “non-green” Hydrogen Power.

Clearly hydrogen power could have a significant role to play in decarbonisation. However, only if the production process for this hydrogen does not itself require the extraction and burning of fossil fuels. We therefore only include “Green Hydrogen” (for example, hydrogen produced using solar power as a source of energy for hydrogen production) companies in our investible universe.

2. Exclusion of retailers of fast fashion. Whilst this is not a “sector” as such we have developed our own definition and apply this to our screening process: “Fast fashion, where a majority of revenue is derived from the retail of cheap, low-quality and effectively disposable clothing which encourages unsustainable and excessive consumption.”

In 2021 our Red Flags screening excluded the following percentages from each our fund universes:

FUND	NUMBER OF COMPANIES EXCLUDED	PERCENTAGE OF INVESTIBLE UNIVERSE*
Asia	1463	30.5%
India	267	32.2%
Future World	1989	32.2%

Source: Alquity, as of 31st of May 2022

* Fund universe after size filter (>100\$m market capitalisation) and core theme filters have been applied

Our ESG Red Flags

ENVIRONMENTAL 	SOCIAL 	GOVERNANCE 
• 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 (including hydrogen power, unless green hydrogen) • High risk industry company not publicly providing emissions data or when requested • Ongoing business controversies and unresolved scandals • Involved in commercial fishing, unless demonstrably sustainable (MCS certification is not sufficient itself) • Involved in palm oil cultivation (unless demonstrably sustainable e.g. with regard zero deforestation and regard to biodiversity) • Involved in the production of nuclear energy	• High risk industry company without a Health & Safety policy • >5% of revenues or profits attributed to tobacco, narcotics, armaments, adult entertainment, gambling or alcohol (including beer). Suppliers, lenders and retailers of these companies or products are not excluded providing these sectors are non-core to the overall business purpose and represent a minority of their revenue • Non-pharma company involved in animal testing, unless it is required by law and regardless, must be a substantial minority (<20%) of their revenue • Ongoing business controversies and unresolved scandals • Fast fashion, where a majority of revenue is derived from the retail of cheap, lowquality, and effectively disposable clothing which encourages unsustainable and excessive consumption	• 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



We exclude those retailers whose most of their revenue is derived from selling cheap, low-quality and effectively disposable clothing which encourages unsustainable and excessive consumption.

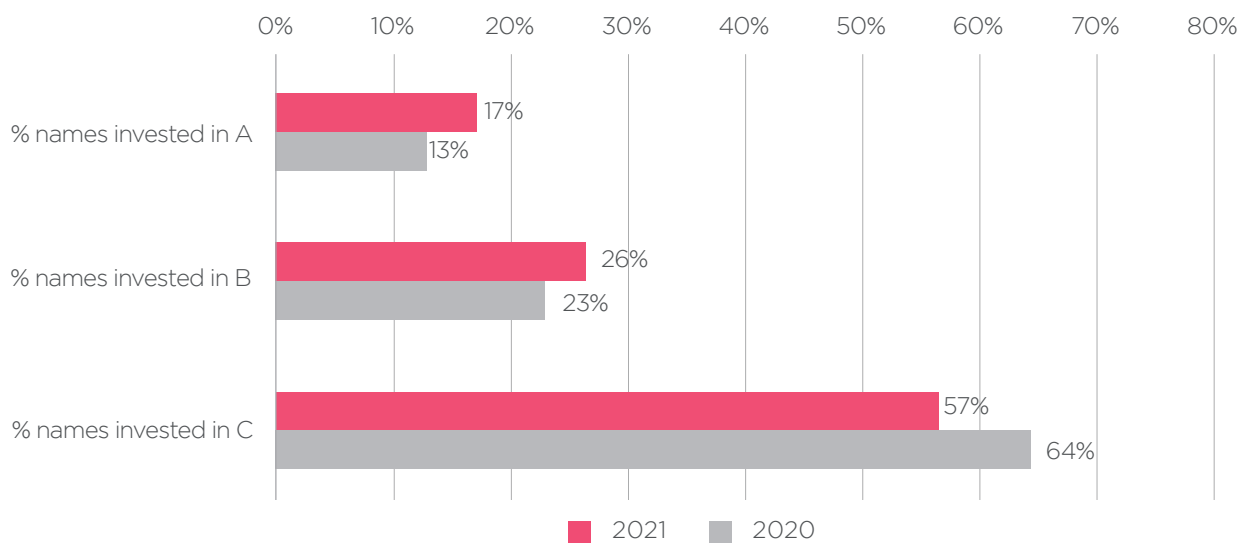


Fund ESG Ratings

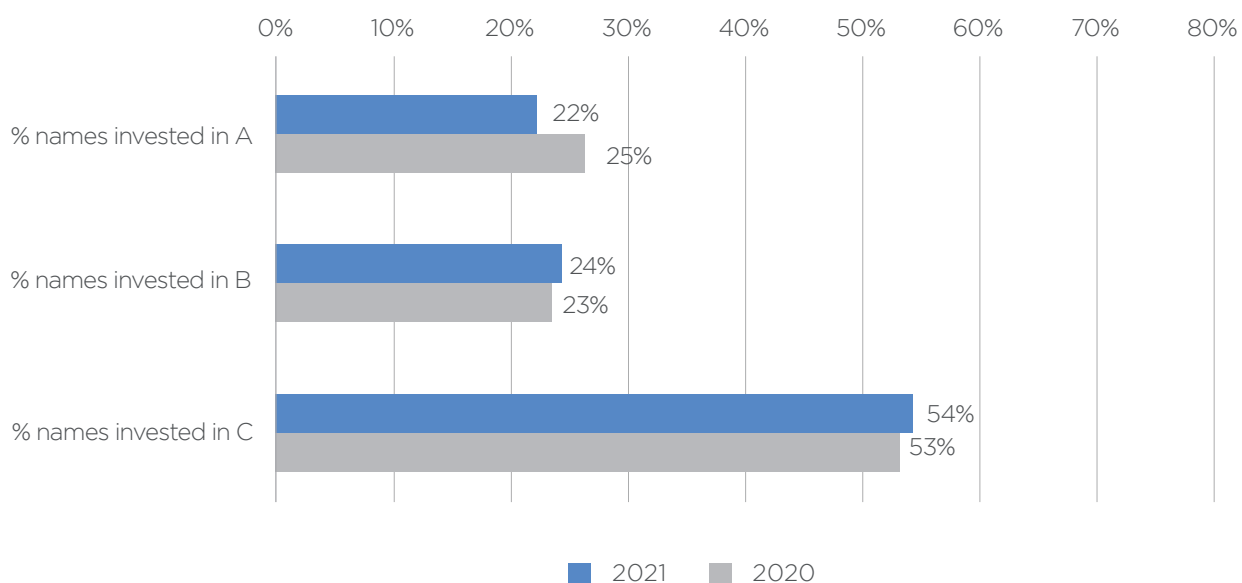
We deploy our own proprietary ESG ratings system that assesses companies on the degree to which their behaviours have a positive impact on the environment, their employees and communities and the strength and independence of their governance procedures. The ratings are A-C based upon their ability to provide “demonstrable evidence” so unlike many external ratings agencies, they are not dependent on pure reporting only.

In addition, we have split the ratings between High Risk (sectors that have or have the potential to have significant environmental impact) and Low Risk (sectors that have a lower operational environmental footprint). This enables us to set more stringent criteria appropriate to the risk level as well as target our subsequent stewardship activity. Below we have detailed the ranking split for each of our portfolios:

Asia Fund – Company ESG ratings evolution

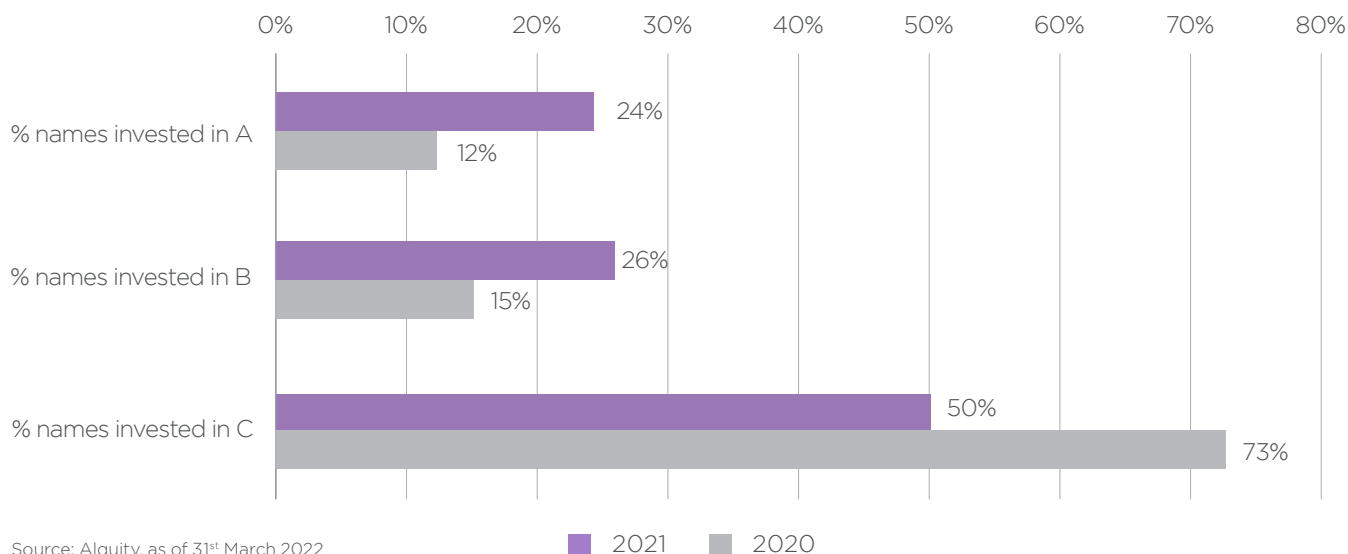


Future World Fund – Company ESG ratings evolution



Source: Alquity, as of 31st March 2022

India Subcontinent Fund – Company ESG ratings evolution



Over the year, we have seen a significant shift across the Indian fund portfolio towards more “A” rated companies and away from “C” rated companies. Our portfolios focus on delivering risk adjusted returns across the economic cycle and, as such, following a very strong period of performance in 2021 for the India Fund, we have rotated towards more defensive, value orientated companies. These on the whole tend to be larger and have more established disclosures and ESG

policies and hence likely to have a higher ESG rating. Our ESG split for both the Asia and Future World Funds has remained similar due to the diversification of these funds across numerous countries and sectors.

Across all portfolios the bias towards small and mid-cap remains ensuring that we still invest in high growth companies that are developing their ESG practices as they grow.

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 ratings directly impact valuations through adjustments to the risk premia used in Discounted Cashflow Forecasts (DCF). This ensures that our conviction on stocks is deep and reflects the financial risks and returns from climate and social behaviours.

In addition, the risk premia for sectors with significant climate transition risks (for example, cement, shipping, aviation) are increased accordingly.



Case Study: Upgrade from 'C' to 'B' - Lemon Tree (India)

We upgraded our ESG rating for Lemon Tree, the Indian hotel operator, from C to B in December 2021, following the release of their first sustainability report. ESG data disclosure increased markedly and the company has now set defined environmental reduction targets for FY26.

Lemon Tree has been encouraging the inclusion and employment of people with disabilities and economically/socially weak segments of the population since 2007. Currently, Lemon Tree has 565 employees with disabilities, amounting to around 20% of the employees of the group. Furthermore, the company has achieved a reduction in normalized emissions intensity per occupied room of 67% in the last 3 years, while reducing by 52% its water withdrawal intensity. The firm is targeting half of their operations to be powered by renewable energies by 2026 (up from just 6% in 2020).

This is a demonstrable intention to improve ESG standards and has therefore resulted in an upgrade.



Case Study: 'A' rated in a high-risk industry - Anglo American Platinum (South Africa)

Anglo American Platinum is a company that has a large environmental footprint operating on a high-risk industry but plays a key role on the way to a greener future.

Based in South Africa, Anglo American Platinum is the world's leading major producer of platinum, producing ca. 40% of the world's newly mined production of this metal, processing and refining the entire range of platinum group metals (platinum, palladium, rhodium, ruthenium, iridium and osmium). The demand for these metals is driven primarily by automobiles (catalytic converters, which reduce emissions - and therefore, the company plays an important role on decarbonisation).

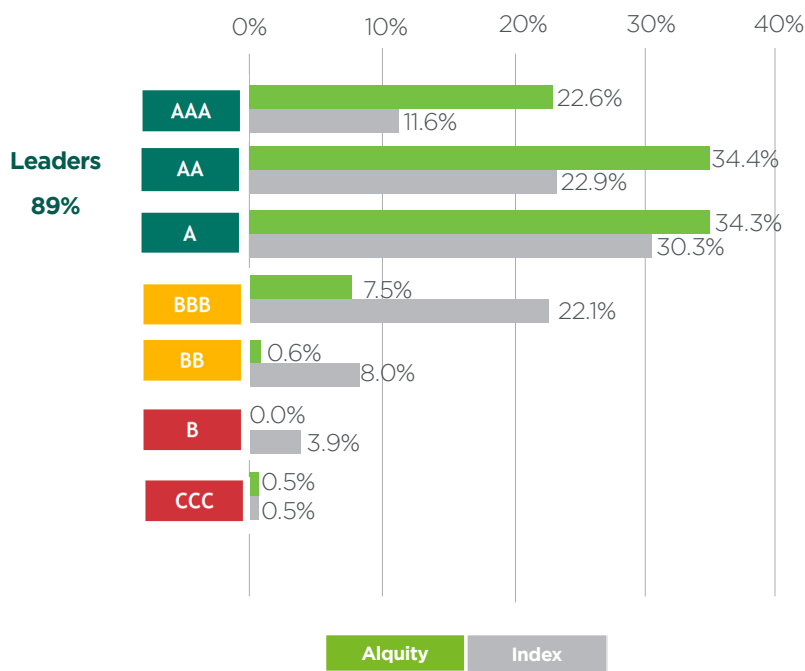
Anglo American Platinum has ESG standards that represent global best practice and hence, we have rated the company A (same as our other holding in the mining sector; Chilean copper producer Antofagasta). The company has extremely high levels of disclosure on environmental and social issues, all our KPIs are met by the company and there is also a high level of board independence and good disclosure on governance issues.

Global Impact Fund: Data driven ESG in Developed Markets

In developed markets the availability of data is vast and company disclosure is increasingly regulated. As such, fundamental ESG analysis is less revealing compared to the ability to analyse and interrogate data using quantitative analytics and data engineering. For our Global Impact Fund, we have developed our

own data model for selecting the companies that form our developed market universe using data from a variety of service providers and publicly available sources. The table below shows how the stocks in our Global Impact Fund are scored by a global ratings provider versus the index.

Global Impact Fund – ESG ratings vs index



Source: Alquity, as of 31st of May 2022

VONOVIA

(Real Estate,
3/1049 ESG ranking*)

Case Study: High quality ESG rating - Vonovia (Germany)



Vonovia is Germany's leading residential real estate company. The company is in top 1 percentile of its subsector for ESG. It focuses on decentralized energy supply concepts that allow neighbourhoods to be as independent as possible with regard to the generation, storage and use of energy on-site. Currently, 55% of their revenues are generated from Green building projects.

*Source: Sustainalytics, as of 31st of May 2022.

THOUGHT **BREAK OUT** SECTION

WHY WE AVOID GOVERNMENT-LINKED COMPANIES

The invasion of Ukraine has thrown a spotlight on the Russian investments of ESG and sustainable funds, which has surprisingly included certain companies with very close links to Putin's government. Although recent events have brought these issues to the fore, we have often been asked as to how we can invest in countries where the ruling or political regimes are frequently undemocratic and autocratic. In no way do we condone or endorse these governments which unfortunately exist in every region of the world. However, as a responsible investor with a clear social mission, we do want to support sustainable economic development for people across Emerging and Frontier markets.

So how do we do this you may ask?

Firstly, we set unwavering ESG standards for all our holdings. As well as strict environmental and social criteria, we set industry leading governance Red Flags. This often means we don't invest in companies many ESG peers do (examples include Samsung, Alibaba and Naspers). Whilst governance transgressions are usually not as visible or publicised (unlike a pollution or health and safety incidents) they do indicate the values of the management teams that we are trusting with our clients' assets. Our process thus gives us confidence that even during times of economic or political uncertainty, our holdings will "do the right thing" not the easy thing.

However, if companies have some degree of "state ownership" (i.e. a significant proportion of their capital is owned by the government or a government controlled entity) then there is a clear and significant risk that during difficult times, these companies will be coerced into acting in the government's interests rather than those of minority shareholders. As some of our ESG peers who have invested in Gazprom or Sberbank are belatedly discovering, no amount of potential upside return can mask the clear and present danger of the company being commandeered as a pawn in the state's wider ambitions. These risks don't just occur in undemocratic political systems; state owned banks and energy companies in India for example have been frequently pressed into "national service" depending on the economic or political fortunes of the government.

We don't invest in fossil fuels for environmental reasons, but sectors such as energy and utilities are highly politically sensitive and even if independent, they are often forced to act through political or social pressure. As a result, if the economic and political environment in a country is so dire that it is impossible for any company to operate with due regard to the interests of minority shareholders and all stakeholders, then we will have a zero weighting in that country. For this reason, we divested entirely from our position in Myanmar post-coup.

Like umbrellas, the true value of ESG funds only comes to light when that sunny morning turns into an afternoon thunderstorm.

PART 4 RESPONSIBLE INVESTMENTS

PORTFOLIOS THAT YOU CAN BE PROUD TO OWN, STEWARDSHIP THAT DELIVERS POSITIVE CHANGE

2nd dimension: Portfolio Environmental and Social Footprint

As a consequence of our company values and detailed ESG investment process, our goal is to build fund portfolios our clients can confidently invest in and are proud to own. We believe this “pride” should come from both how the holdings are playing their part in reducing climate change but also doing this through an inclusive and just manner. In many of our Emerging and Frontier markets, whilst emissions per capita are very low compared to developed countries, many people still lack some basic amenities such as safe housing, basic education, nutrition and healthcare.

These issues are further exasperated by the impacts of climate change such as changing weather patterns and extreme events.

Our portfolios invest in all aspects of these economies to help them achieve social goals alongside environmental ones. This can sometimes mean we have to make trade-offs, accepting say a larger environmental footprint versus the index, but validating this through the social impact these investments have.

Case Study: Astral (India)



Astral Polytechnik, the leading manufacturer of plumbing and drainage systems in India, joined hands with the Swachh Bharat Mission and released a social media campaign actively challenging gender inequalities, as in many parts of India women do not have the most basic rights, such as access to a toilet.

Astral Polytechnik also is aiming to promote gender diversity across its operations by increasing its headcount of women employees by 11.54% in the last year. The company has also started to disclose data on lost time injury rates, turnover, emissions, waste and water intensity, fulfilling most of our KPIs.



Targeting a lighter environmental footprint

Following the Glasgow Climate Pact that was signed after COP26, it is clear that if the world is to limit global warming to 1.5 degree or less, immediate action is required to reduce the carbon intensity of our economies. Alquity has a clear climate declaration and consistent with this, we have initiated two environmental targets all our funds must meet. Firstly, our Asia, India, Future World and Global Impact funds must have a lower GHG intensity than the index as well as a lower water intensity. For both of these metrics and to avoid any mis-estimation, our investment team collate all the data themselves using either firsthand company reporting or educated estimates based upon deep market and company knowledge.

Every year, our Asia, India and Future World fund portfolios are assessed by Impact Cubed Limited, an independent provider of fund analytics. They assess the funds across 12 sustainability criteria and also provide us with data on which companies are the best or worst under each. We add to this analysis with our own data on carbon emissions and water intensity.

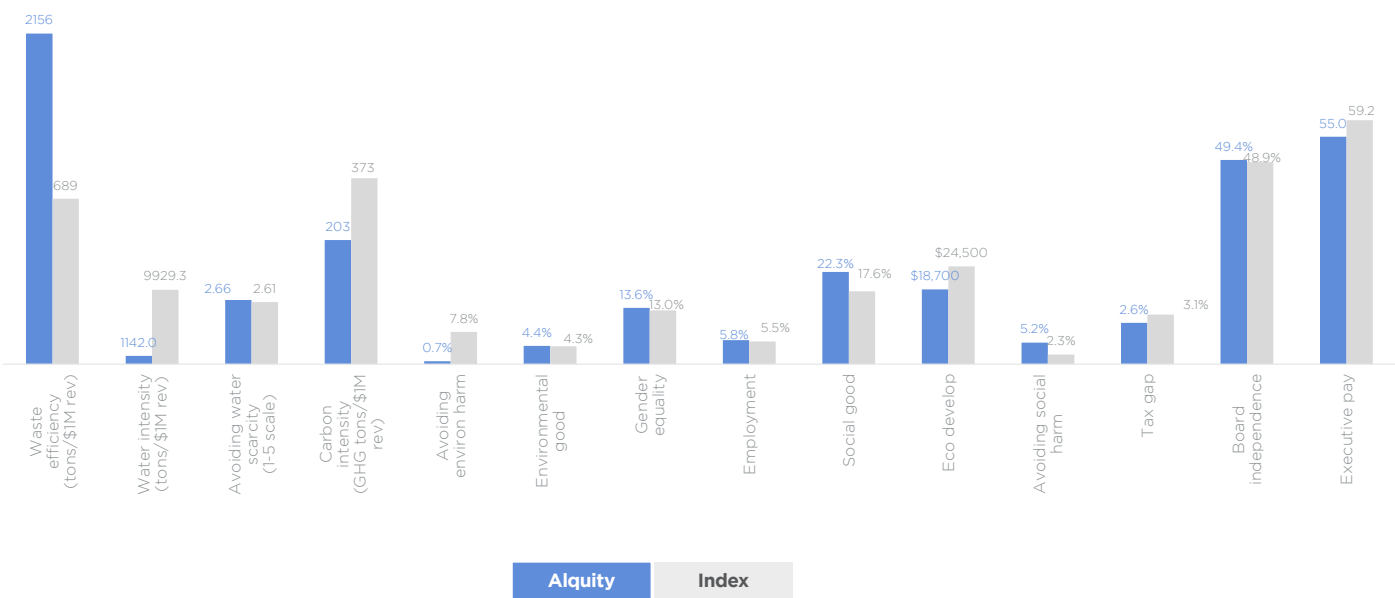
Below, we have detailed the latest results for our funds. To read more about the methodology and the metrics, please click [here](#).

Fund Impact Analysis: Future World and Asia funds

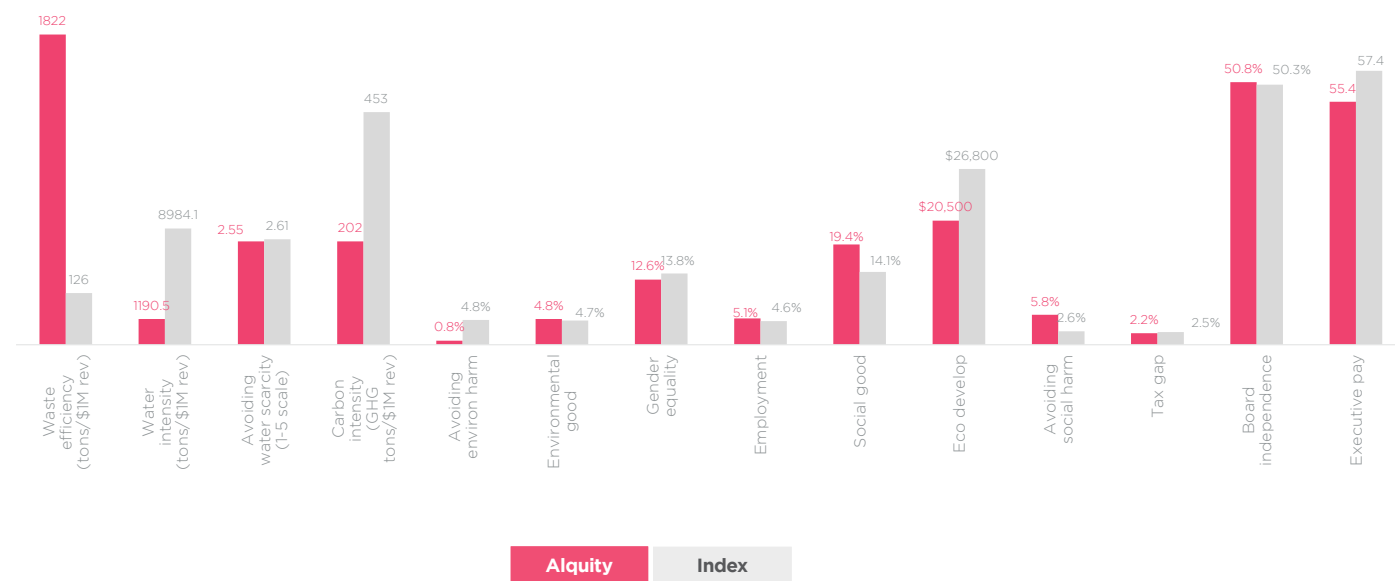
As there is a significant allocation to Asia in our Future World Fund, it is not surprising that the impact assessment for both funds is similar.

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 Alquity Future World Fund vs its index



The Alquity Asia Fund vs its index



Source: Alquity, as of 31st of March 2022. Note that for GHG emissions and water intensity we collect and use our own data.

Some key points to explain the data in the above charts:

1. Waste Efficiency – as with previous years, our waste efficiency data is significantly higher than the index. This as previous years relates to our investment in companies such as Antofagasta, the Chilean based Copper miner. Our belief remains that by investing in global leaders for responsible metal extraction is critical towards providing the raw materials to enable the technology for a rapid and successful climate transition. This difference is greater for the Asia Fund as the Asia Index is dominated by the large IT companies such as Alibaba which have very low waste intensity statistics. To learn more about Antofagasta and its contribution to climate change, please see the link below to our article on the company:

Investing in Higher ESG Risk companies: Antofagasta

3. Economic Development - reflects the annual mean income in the area of operations for the portfolio. It is significantly lower than the index due to our exposure to domestic opportunities in frontier economies such as Bangladesh, Pakistan 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.



ANTOFAGASTA MINERALS

2. 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 healthcare and financial services which support social development especially in countries where many people struggle gain access to some of these essential services.



By owning companies such as Air Link (Pakistan) and Singer (Bangladesh), we both contribute to the development of these regions as well as we benefit from secular growth trends (e.g. smartphone penetration in the case of Pakistan).

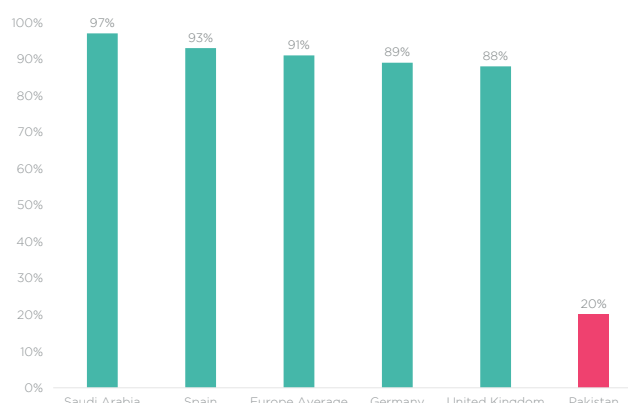
Case Study: Airlink (Pakistan)



We own Air Link (C rating), the leading Pakistani distributor, retailer and manufacturer of mobile phones, contributing to the development and digitalization of the country, as well as benefiting from its long-term growth runway (less than 20% of the population have a smartphone vs 91% compared to Europe).

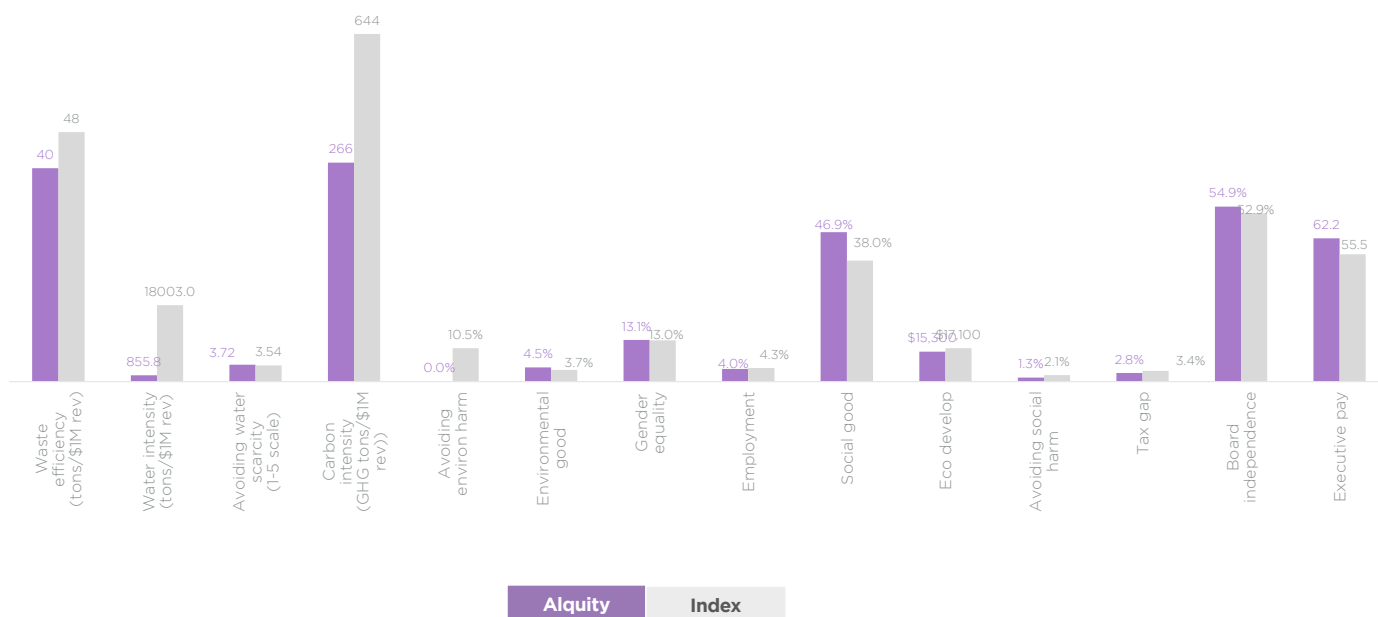
Source: Deloitte Global Mobile Consumer Survey, 2019

Smartphone penetration



Fund Impact Analysis: Indian Subcontinent Fund

The Alquity Indian Subcontinent Fund vs its index



Source: Alquity, as of 31st of March 2022. Note that for GHG emissions and water intensity we collect and use our own data.

From the data above, some key highlights are the following:

- 1. Social good:** We outperform due to companies whose revenue come from socially positive products. For example, a core holding of the portfolio it's Amrutanjan, an Indian health care company founded 1893 whose primary product lines are natural pain balm and women hygiene products. Its sanitary napkin brand 'Comfy' is more than 10% cheaper than equivalent brands and has very strong distribution networks in the rural areas, so that the product can reach those most in need and plays a key societal impact as more than 80% of women living in rural India still use unhygienic products like newspapers.



Another example of a company that supports social good is Mahindra and Mahindra Financial Services (MMFS), which play an important role in financial inclusion in India, addressing the segments of the lower part of the income pyramid and providing financial opportunities for those unbanked. Other examples are Hindustan Unilever (which plays a crucial role in hygiene and sanitation) and Cholamandalam (financial services).

Increasing financial inclusion can contribute to poverty alleviation in rural areas by fostering entrepreneurship

- 2. Board Independence:** This has seen a significant improvement versus previous years. We believe this reflects the increasing professionalism of Indian corporations and awareness of the need to put in place strong governance controls. As you will see in our engagement KPIs, board independence is a key aspect of our Principles of Governance, which can be accessed [here](#).



Mahindra
FINANCE

Engaging for change

There is growing evidence that asset manager engagement with holdings has minimal impact, if any. Even large collaborative engagement initiatives such as Climate Action 100+ have struggled to show tangible progress with some of the world's largest GHG emitters. This comes as no surprise to our team at Alquity who have been engaging for a long time with companies in some of the toughest economies in the world. Our experience has shown us that the ability to influence through engagement is related to the following three factors:

- 1. The willingness to listen:** This applies as much to the asset manager as to the holding company. Asset Managers that take a "do as I say" approach with little understanding of the company context will find their demands fall on deaf ears. Likewise, continuing to make efforts to engage with companies that have repeatedly failed to act, just fills ESG reports but little else. At Alquity, we work with our holdings, listening to their situations and supporting them to achieve change. This does not happen overnight but can deliver significant impact over time.

However, we also retain the right to divest from companies that do not respond to our engagement efforts. This ensures that there is a close alignment between ourselves as minority shareholders and the management teams we are investing with.

- 2. The power to influence:** This comes from both access to management teams but also from building a relationship of mutual respect, given our focus on smaller companies. In larger corporations this is a particular issue as very few asset managers are able to influence management as they are typically kept at arm's length by Investor Relations teams. At Alquity, given our focus on smaller companies, we have the ability to directly access management and have developed good working relationships with them. This often involves sharing best practice or business thinking from other countries and sectors. By taking this consultative approach to engagement, your ability to influence is significantly improved.

3. The ability to measure progress: Company disclosure is critical for any engagement effort to deliver progress. Detailed record keeping of company commitments and support for data disclosure provide the baseline from which factual engagement outcomes can be reported. This also helps to avoid the often vague claims of engagement outcomes made by asset managers.

At Alquity, we developed a very specific set of Key Progress Indicators (KPIs) that we apply to every holding in our Emerging Market Funds. Each year we report these on a “like for like” basis so investors can easily see where real progress has been made. These KPIs are updated and refined annually to ensure that we can go beyond disclosure to actioned commitments.

KPI Analysis

Whilst our company engagement activity is wide-ranging, we have summarised the key outcomes in relation to our Key Progress Indicators (KPIs) below. For each fund, we have also highlighted one stock that reflects a tangible change achieved during the year. In addition, we have added two new KPIs this year:

1. Biodiversity Plans: we are now encouraging all our holdings to incorporate specific biodiversity plans into their strategic thinking.

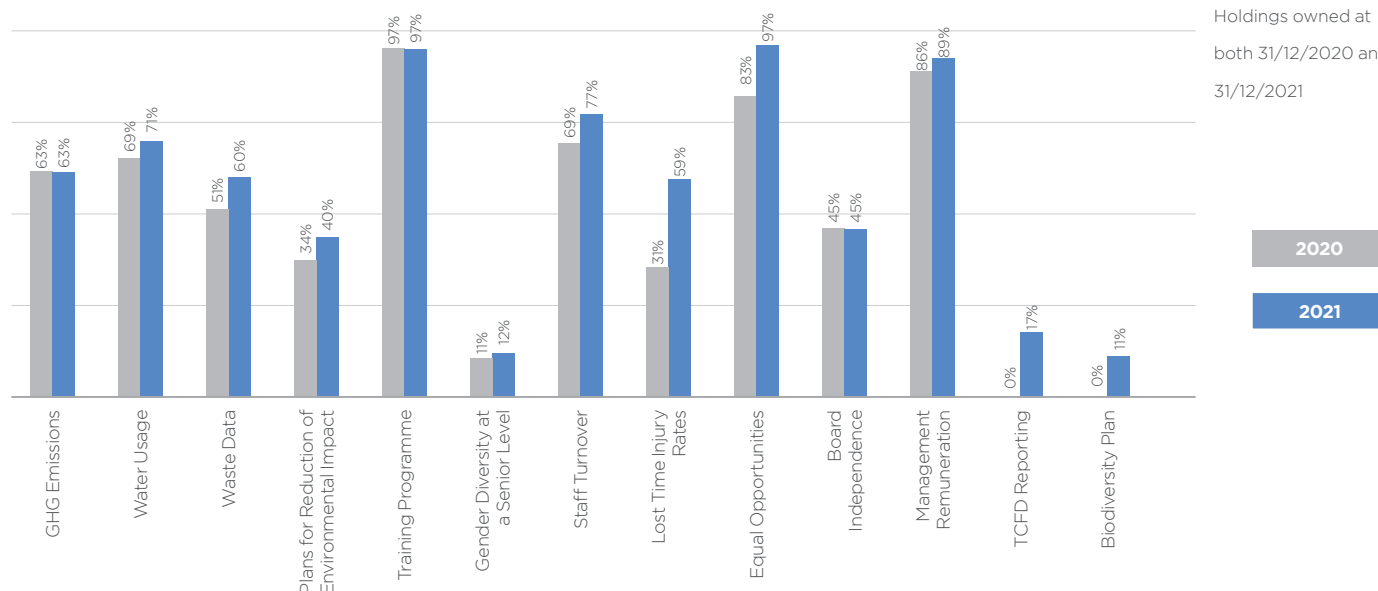
Biodiversity loss is accelerating at a remarkable pace and it is critical that businesses think about their impact on this as they develop growth plans. It has been shown that through some considered and relatively low cost design changes, biodiversity loss can be significantly mitigated if not entirely eliminated.

2. Reporting in line with TCFD requirements

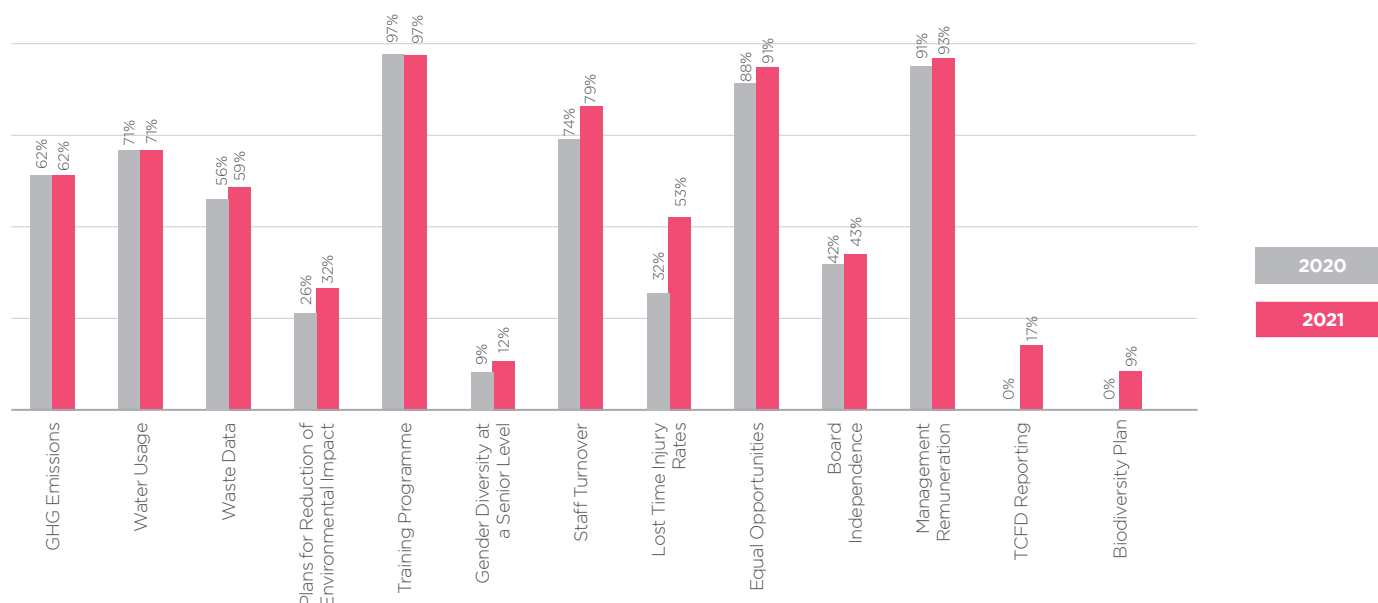
ENVIRONMENTAL 	SOCIAL 	GOVERNANCE 
- Emissions and/or climate impact disclosure - Water usage or mitigation efforts disclosure - Production of waste material disclosure - Disclosure of environmental impact reduction plan over a defined period - Prevention of biodiversity loss actively considered in the strategic plan - Reporting in line with TCFD recommendations	- 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	- Whistleblowing policy available to all employees - Percentage of independent directors on the board $\geq$ than the free floating share percentage of the holding - Management remuneration packages disclosure

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

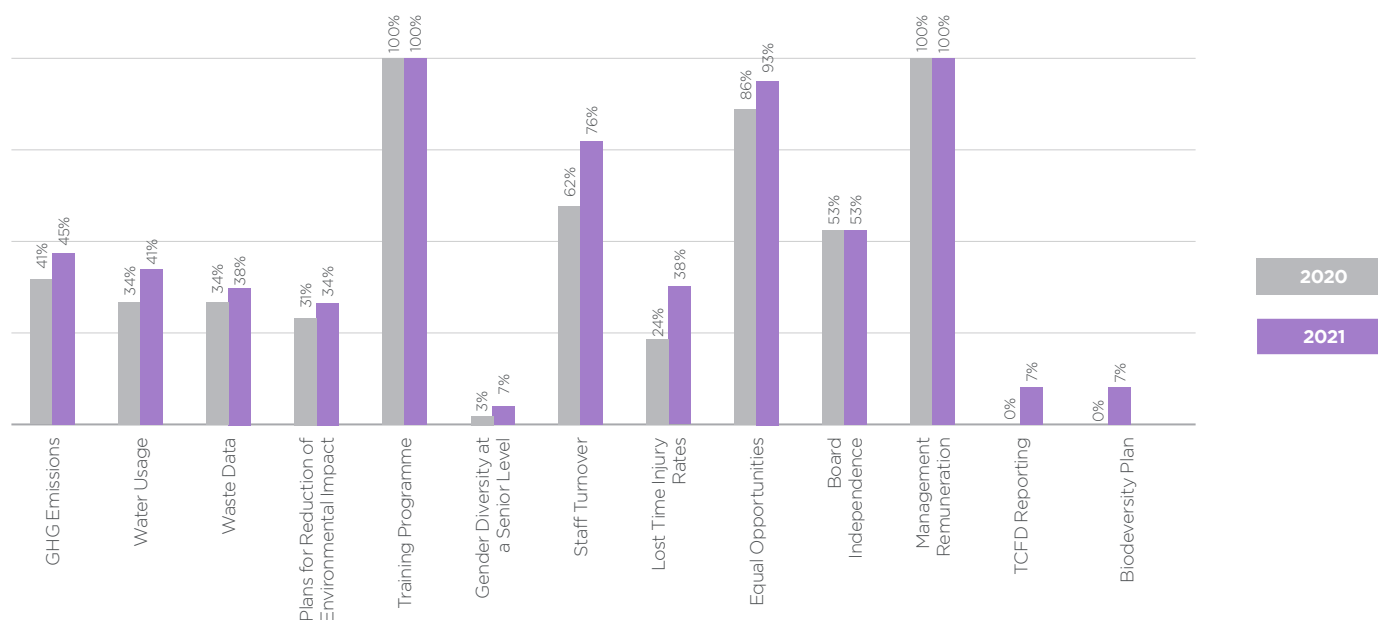
Source: Alquity, as of
31st of December 2021.
Holdings owned at
both 31/12/2020 and
31/12/2021



Asia - Holdings meeting each KPI standard - % of companies



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



For the Future World Fund, greater gender diversity at a board level has increased slightly because of positive moves coming from South Korean semiconductor company SK Hynix. The firm has increased female employees (mainly at an executive level) by 20% over the last three years. We continue to engage with the company on its targets for 2030.



Last year we initiated a position in another Asian small cap company (around \$800M market capitalization) which contributes to a greener future and remains undiscovered. That company is Century Iron and Steel (CIAS), based in Taiwan and founded in 1987. CIAS fabricates the pins and jackets for offshore wind towers (and from this year, it will move to fabricate the tower as well in conjunction with Danish company Welcon).

The company will be a benefactor from the path to decarbonisation in Asia, as, for example, Taiwan is targeting 5.5 GW offshore wind energy by 2025 and a further 10GW by 2035; with similar a growth rate expected elsewhere in the region which CIAS can exploit in the future.



Our holding Polycab, wire and cable producer (and therefore, heavy user of natural resources such as copper and aluminium) took further steps on its waste management last year by taking on a robust waste management project in western India, aiming to reduce the negative externalities of its operations. This project involves door-to-door collection of solid waste, transporting it to the nominated site and recycling the same to produce products.



Voting

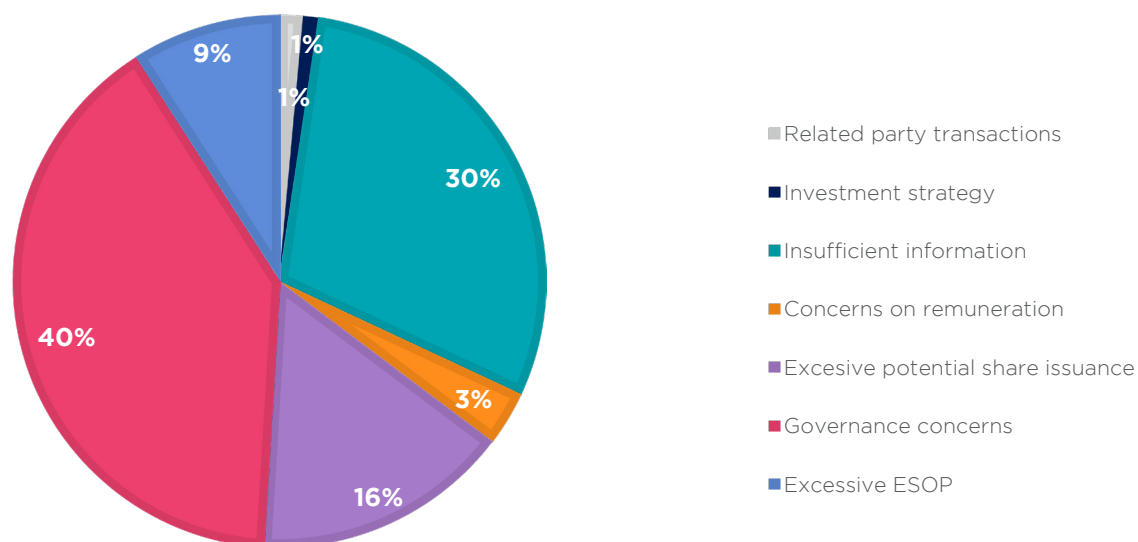
In 2021, we voted on 1054 occasions, 185 times against management. In addition, in 30 cases we voted against the recommendations of ISS, our

proxy voting provider but in the line with the Alquity Principles of Governance (see below). The following table below details our voting by country:

Country	Total votes	Votes against management (%)	Votes against ISS (%)
India	283	21%	1%
China	238	20%	3%
Brazil	132	12%	2%
Taiwan	58	10%	5%
South Korea	47	21%	15%
Vietnam	43	16%	0%
Mexico	34	21%	18%
Indonesia	28	25%	0%
Philippines	28	11%	0%
South Africa	28	7%	0%
Egypt	25	4%	0%
Chile	23	9%	0%
Thailand	22	5%	0%
Pakistan	22	32%	0%
Singapore	22	18%	0%
Bangladesh	9	0%	0%
Morocco	7	0%	0%
Peru	3	0%	0%
Hungary	2	0%	0%

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

Reasons of voting against management

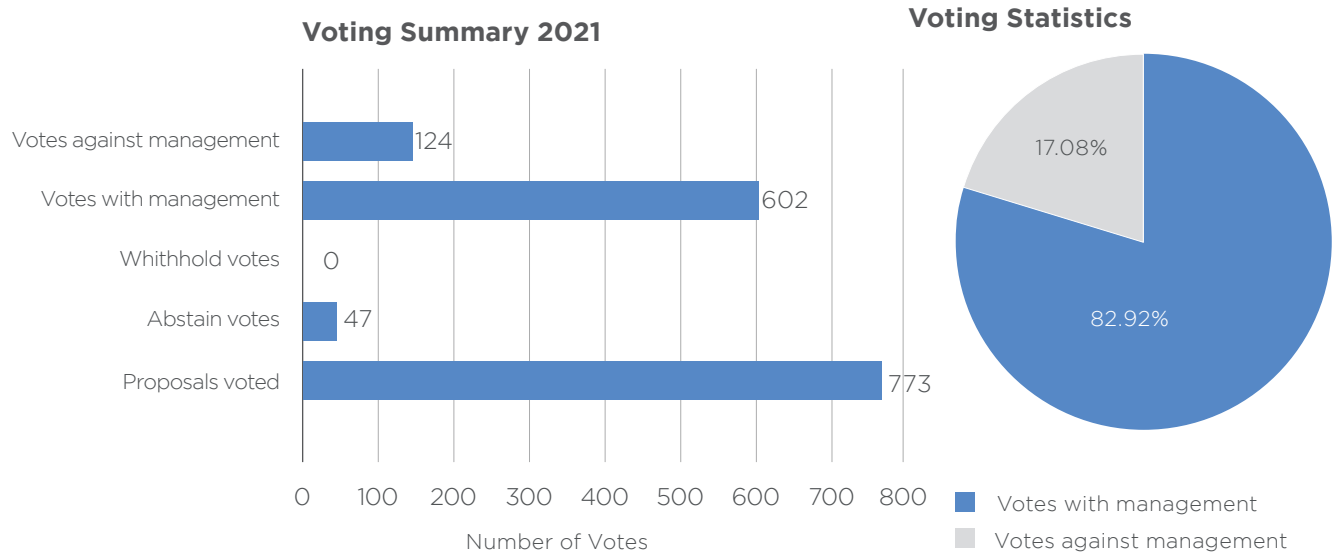


Source: Alquity as of 31st December 2021

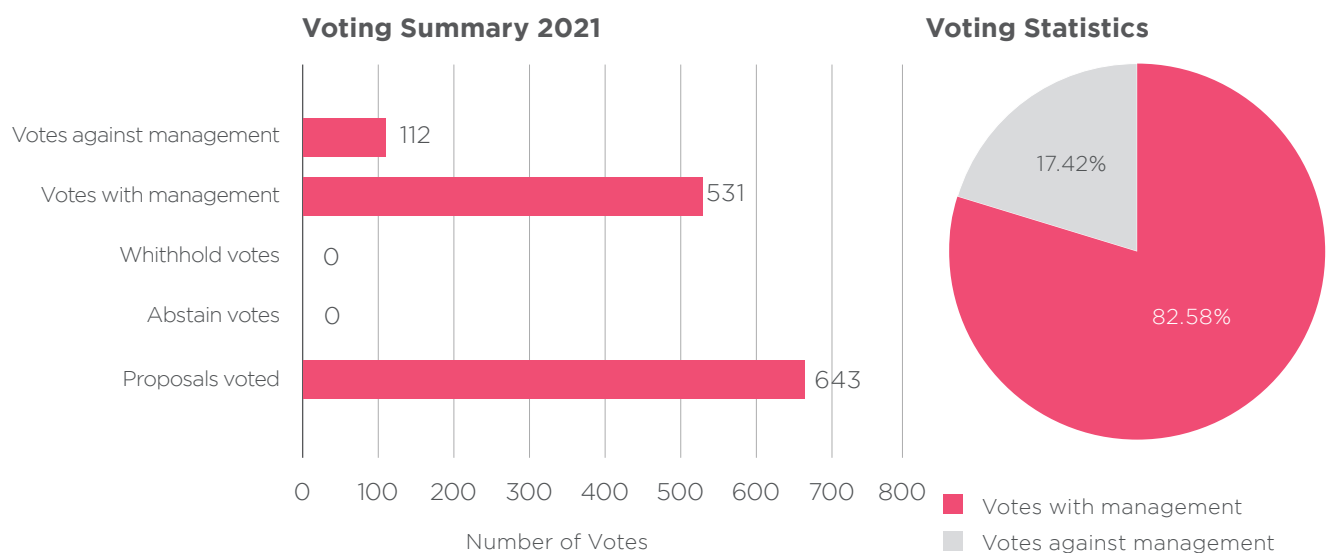
Fund level voting data

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

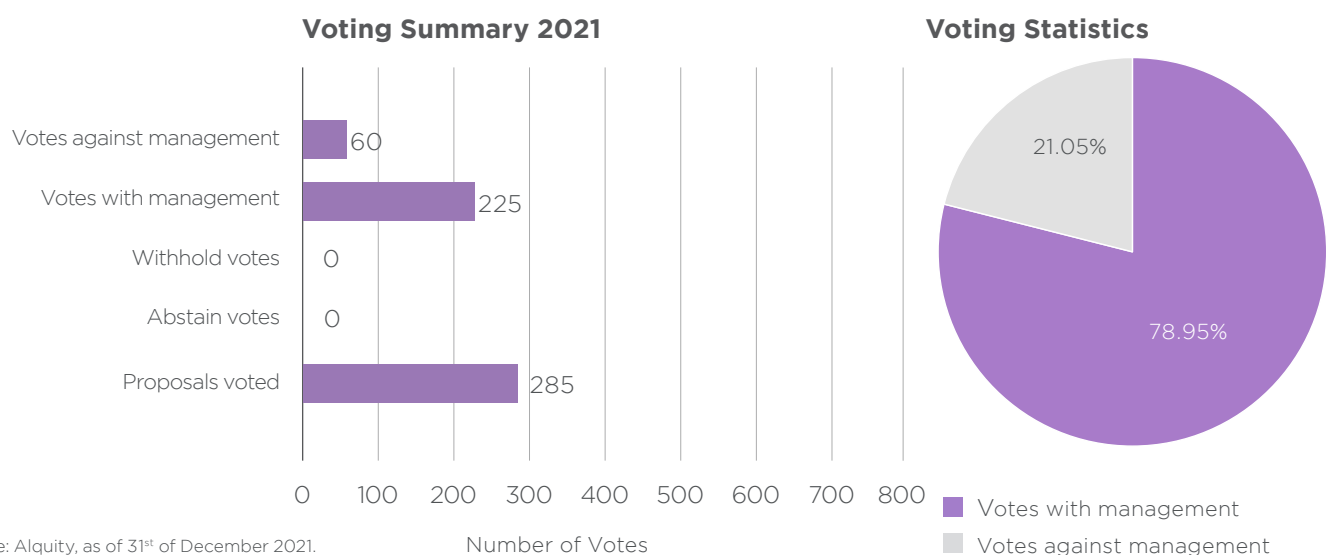
Future World Fund



Asia Fund



Indian Subcontinent Fund



Source: Alquity, as of 31st of December 2021.

PART 4 **ALQUITY GLOBAL IMPACT FUND**

CUTTING THROUGH THE BLAH BLAH BLAH

COP 26 has just added to the momentum for investors to seek out sustainability focused funds promising “guilt-free” investments that will deliver both returns and fight climate change. In 2023, we also have the prospect of the EU Taxonomy and SFDR reporting regimes coming into force pushing asset managers to launch new impact funds at alarming rate to meet the expected demand.

Unfortunately for asset owners, these funds come with a lot of “blah blah blah” around the big themes that will dominate and the “aspirational companies” that will be the leaders in this new, more environmentally friendly world. It does make you wonder whether companies like Orsted, Vestas and Tesla need to have any marketing budgets at all, as they appear so often in asset manager pitchbooks. At the same time, there is a lot of concern around an “ESG bubble” as the same stocks find a wall of money heading towards them in a volatile economic climate where the risk of interest rate rises can seriously hamper these typically high growth companies.

We developed the Alquity Global Impact Fund as a solution to this challenge, giving investors access to a unique fund that has:

1. A clear and objective approach to ESG that is not reliant on a particular provider or prevailing perspective.
2. A focus on delivering quantifiable impact but without a subjectively driven focus on a very small number of high-profile companies.
3. The flexibility to respond to changing economic and market circumstances whilst maintaining the desired impact but without increased risk and volatility.

Run by a team of quantitative analytics professionals, including Marnie Uy, previously Global Head of Quantitative Analytics at Aberdeen Standard overseeing over \$100bn of assets, the fund takes an uncompromising approach to ESG and targets clear impact outcomes within a clear and managed risk framework. The key features of the Alquity Global Impact fund include:

- 1. ESG Data Engineering:** The fund is not reliant on a single ESG provider but collates ESG data from a variety of sources, using this to filter out those companies that are consistently delivering the highest quality ESG behaviour. Not only that, but the data on company controversies is also assessed to ensure any contingent ESG risks are accounted for.
- 2. Macroeconomic and Equity Alpha Generation:** Detailed macroeconomic data is reviewed to adjust country allocations to take advantage of cyclical tailwinds. Likewise, individual equity analysis identifies the stocks with the strongest returns potential. These factors help drive portfolio construction and contribute to additional returns generation.
- 3. SDG Contributing Companies:** The fund targets intentional SDG Impact outcomes. As part of this a minimum of 15% of the portfolio is invested in companies where more than 50% of their sales come from products that contribute directly to the UN Sustainable Development Goals (SDGs). There is no focus on sector or company, with any stocks selected because they also meet the macroeconomic, equity and ESG criteria.



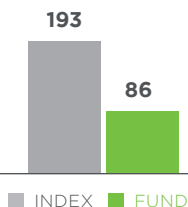
KPIs for the Global Impact Fund

The resultant portfolio of between 75-125 stocks is reviewed frequently as market and economic circumstances evolve.

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



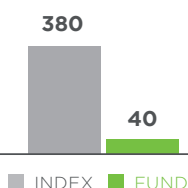
Carbon Intensity
tons of CO₂e/\$M



-56% Emissions vs Index
8% of portfolio invested in Environmental Solutions



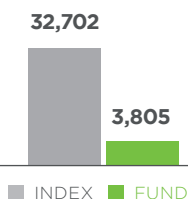
Waste Generated
tons of waste/\$M



-89% Waste vs Index
79% of our holdings have implemented initiatives to reduce the waste generated from their operations



Fresh Water Used
m3/\$M



-88% m3 of fresh water used vs Index



30% average representation of Women on Boards
vs **23%** for the index



10% of portfolio invested in Healthcare Solutions
vs **5%** for the index



74% of Directors are independent across all our companies
vs **63%** for the index

Source: Alquity as of 31st of May 2022.

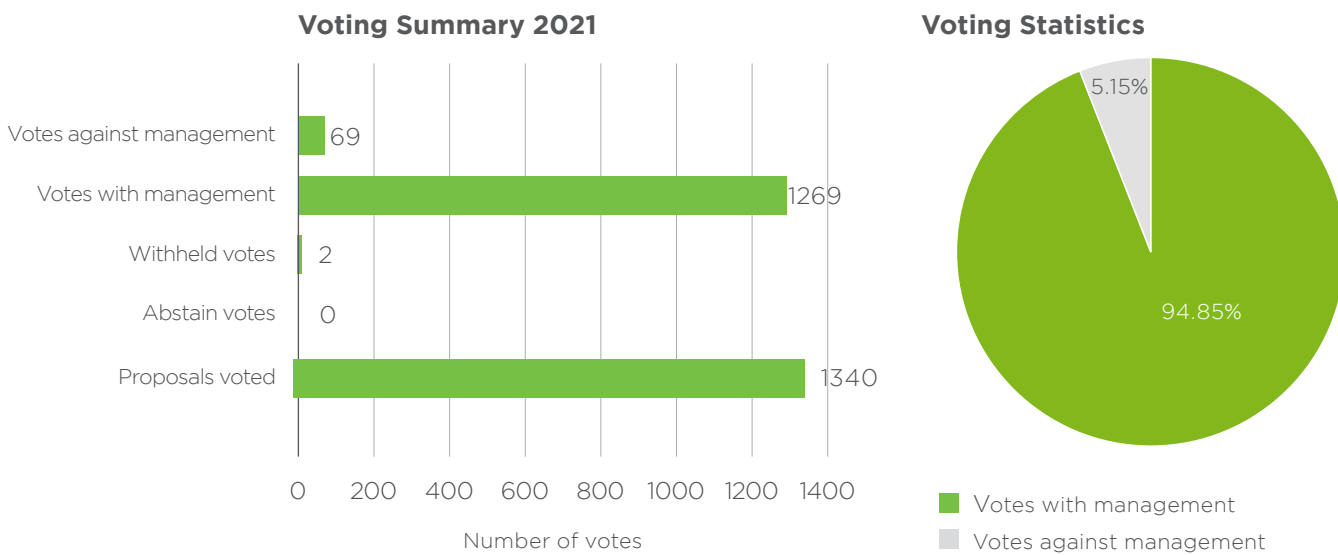
Voting

For our Global Impact Fund, we voted on 1340 occasions, of which 69 against management.

The following table below details our voting by country:

Country	Total votes	Votes against management (%)
USA	454	5%
France	194	4%
United Kingdom	108	4%
Japan	104	2%
South Africa	60	5%
Switzerland	54	7%
Denmark	53	6%
Sweden	49	4%
Germany	47	0%
Netherlands	41	2%
Australia	32	6%
Italy	28	4%
China	25	40%
Belgium	24	21%
Austria	13	0%
Canada	12	0%
Ireland	12	0%
Singapore	12	0%
Malaysia	7	14%
Israel	6	0%
Mexico	3	33%
Hungary	2	0%

Source: Alquity, as of 31st of December 2021.

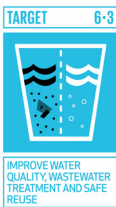


Source: Alquity, as of 31st of December 2021.

Engagement

We have identified the companies in the fund portfolio that either had the highest water stress data or the lowest levels of gender diversity and we engaged directly with them.

- 1. Gender Equality:** identify companies and sectors where the levels of gender equality are low and seek tangible evidence of policies and plans to remedy this on areas such as representation and pay gaps.
- 2. Clean water and sanitation:** identify those companies that are high users of water or susceptible to water stress due to low freshwater reserves in their geographies. These will be engaged with in order to identify their water security arrangements as well as their freshwater usage and pollution mitigation policies. For example, we engaged with German chemical producer BASF on its disclosure and conservation and efficiency targets.



Case Study: Secom (Japan)



Last year, we engaged with Japanese security services provider SECOM on gender equality and diversity issues.

In April 2021, the company announced its new five year plan, which aims to increase the number of female employees at the manager level to at least 200 and at the assistant manager level to 400 or more as well as increase the number of female employees by at least 500. Additionally, the company hired a female outside director and assured us of their ability to increase further the diversity of its board of directors as well as took into consideration our suggestions on addressing gender equality policies.



Mercy, a participant on one of Educate!'s programmes.
Educate! is one of our Transforming Lives award winners.

EDUCATE !

PART 6 **TRANSFORMING LIVES**

DELIVERING IMPACT DIRECTLY WITH THOSE THAT HAVE BEEN HIT THE HARDEST THROUGH THE COVID PANDEMIC

Introduction

The last two years have been extremely challenging for our charity and social enterprise partners across the world. The COVID lockdowns restricted their activities and ability to support those most affected by the pandemic. However, we have been delighted by the ingenuity and passion our partners have shown to ensure they continued to deliver vital support. Three projects received additional funding through our 40:40 Campaign in 2021 and we are gearing up to launch a new Transforming Lives Awards programme in late 2022.

As of end of May, we have transformed 65,479 lives and we generated \$2.45m in donations and will be looking to deploy some additional funding support very soon.

Below we have highlighted some of the latest activity reports from the TLA2019 awards winners so that you can see that our support has continued to transform lives.

Plastics for Change (India)

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.

Plastics for Change produced a record 317 tonnes of segregated materials just in the month of September, with output increasing more than 50% in 6 months.



**PLASTICS FOR
CHANGE
FOUNDATION**

Educate! (Uganda)

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.

In early 2021 Educate!'s team in Rwanda tested and validated a variety of youth-focused business models in 10 districts in order to identify practical, youth-friendly businesses-and corresponding market gaps-where young people can successfully increase their income and find opportunities for employment.

The results showed that 80% of the youth who successfully implemented businesses were able to continue running them.

Educate! trained more than 65,000 students during 2021 (up from 16,500 students in 2019) as well as 392 teachers.

Gjenge Makers (Kenya)

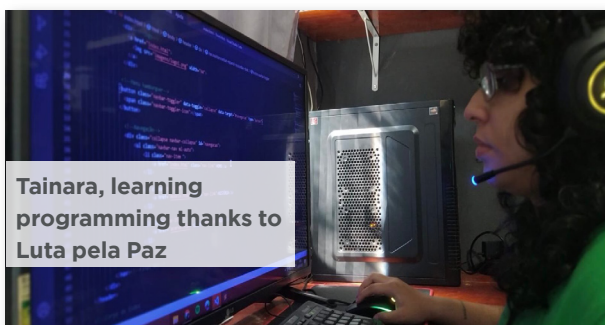
Gjenge Makers aims to become the major provider of durable, recycled construction material through Kenya and the African continent. Their mission is to provide sustainable and affordable housing while promoting a recycling and upcycling culture. They currently produce bricks from discarded plastic.

During 2021, Gjenge had several challenges, like low supply of plastics. However, the company kept expanding, and to face that increasing work-load the company hired more people. Nzambi, its founder, was nominated woman of the year by Elinor. The company is doing quite well, getting real traction, and will likely go for a Series A funding round next year to amplify its scope and impact.

Luta Pela Paz (Brazil)

Luta Pela Paz uses education and personal development to realise the potential of young people in communities affected by crime and violence in Brazil. Last year, the company developed a programming language course with classes taking place 5 days a week for 4 hours. 4 days were focused on training in programming languages, whilst one was focused on discussions related to gender, including addressing challenges and barriers for young women (from favelas) accessing the digital skills job market. In total, 25 young women signed up and took part in the course.

"Participating in the course was a unique experience for me, as I only knew the basics of IT beforehand. I always wanted to learn more, but I didn't know where to start because it is a very broad area. The teacher was a fundamental part of my experience: he always knew how to make the classes more dynamic and fun without hindering the learning process. I thank Luta pela Paz for this opportunity that I will take with me for the rest of my life." Tainara Rodrigues de Sousa (21).



Phool (India)

Phool collects discarded flowers to keep them out of the water supply, then "flowercycles" them into charcoal-free incense. The enterprise employs women from the lower social and economic strata.

Since 2018, floral waste collection has increased from 7.5 kg to 8.5 tons. This year, the company raised \$8M on its Series A funding round and it keeps growing, taking a big leap towards its goal of creating a world without accumulated waste and creating opportunities of growth and financial independence for the marginalized sectors of our society. The company aims to create 2,000 jobs by the end of the year.

Apart from its incense sticks, Phool is also working on 'fleather', a breakthrough material made from temple flowers that performs and feels exactly like leather which is both non-animal and non-plastic.



Laboratoria (Mexico)

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 tech jobs. Their graduates go on to build transformational careers for themselves while filling in the enormous talent and gender gap in technology.

During 2021, more than 8,400 women across Latin America (Chile, Colombia, Mexico and Peru) applied to their bootcamp, increasing their employability as well as their salaries post-bootcamp (x2.5), and 597 women graduated as web developers and UX designers.

Global Mamas (Ghana)

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. Global Mamas' workers make on average 75% more than the minimum wage and 30% more than the average worker in the same industry in Ghana.

The company now boasts a centralised, eco-friendly production facility that allows for sustainable manufacturing processes of its handcrafted products near Kpong (in Ghana's Eastern Region). The company currently has 78 full-time employees and it plans to increase this figure to 200 (the majority of which will be women). Also, at the end of 2021, the company hosted a series of gender equity training workshops, with 401 participants trained in total.

These participants were made up of every producer and staff member in the Global Mamas network, as well as their husbands, sons, and other family members, as the focus of this workshop was on the importance of empowering women in both the workplace as well as in their homes and communities.



REACH (Vietnam)

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.

In 2021, 42 people with visually and hearing impairment were engaged into necessary life skills and vocational training. In 2021, 72% of graduates got a job and continued working. Of the 72% working, 56% received an income that was higher than the minimum wage defined by the government and 78% had an income increase compared to before participating the program. That was achieved despite of 800,000 business closing in Vietnam with the hospitality sector being adversely impacted by the pandemic and the lockdowns.

During the year, 1,105 students were recruited in the core programs.



Case Story: REACH and the STEP UP Project

Nguyen Thi Quynh Trang was born deaf into a disadvantaged family in the remote central region of Vietnam (Nghe An). Trang's father passed away when she was a little girl and her mother had to raise both her and her big brother. Trang only had the chance to finish high school and she faced difficulties in accessing the job market in Cua Lo, where she lived. Unable to find a job, she had to cope with frustration. She got information about REACH's STEP UP project and moved to Hanoi in order to study a hairdresser course. After graduating, she had to return home and wait until the lockdown was lifted. Two months later, she came back to Hanoi in order to find a job in a hair salon, but finding vacancies was tough. While looking for a job, Trang struggled with her daily expenses, so REACH supported her with money and rice. Finally, Trang was contacted by REACH and managed to get a job at Khac Chien Hair Salon - 31 Doan Thi Diem, Hanoi. Currently, she has been working at the salon as an apprentice, with a salary of 3,000,000 VND per month, as businesses are still severely affected by COVID.



Phuong was born and grown up in Dai Loc, Quang Nam, an area always hit by floods during the rain season. "I had dreams when I finished high school, like everyone else. I wanted to go to the university, but the reality is that my parents couldn't afford 4 years of college. I wanted to escape from the vicious circle of poverty and from having to struggle. I started working at non-qualified jobs, and sometimes, I felt like I had to give up and come back home. However, one day, one friend accidentally saw information about REACH's courses. Then, after doing some research and looking for information on the Internet, I decided to try a new path. And in less than one year, so much has changed. I managed to get a job that I like." Phuong also shared that his studying time was meaningful, being a big challenge for him because of the pandemic and the burden of living expenses. He managed to overcome that with the support of his teacher and REACH Da Nang. He started to work as a graphic designer at the end of July 2021, with an income of 5,000,000 VND. Phuong shared that his job is quite good and is helping him to learn a lot. "The life is full of surprises, and it is true that opportunities arise for those who dare to do take them. I didn't think that I could get a stable job, cover my expenses and support my parents. In addition, at REACH I have made a lot of good friends and I have become more open. I am not a shy and introvert person anymore." - Phuong happily shared.





CONTACT INFORMATION

MIDDLE EAST AND ASIA

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**

UNITED KINGDOM

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

EUROPE

Marc Rugel Telephone: **+33 644 3265 04** Email: **marc.rugel@alquity.com**



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All Fund performance results presented herein are unaudited and should not be regarded as final until audited financial statements are issued. Past performance is not necessarily indicative of future results. All performance results are based on the NAV of fee paying investors only and are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, if any, and include the reinvestment of all dividends, interest, and capital gains. Net returns shown herein reflect those of an investor admitted at inception of the Fund, and are representative of a regular [shareholder], net of applicable expenses and reflect reinvestment of dividends and interest. In the future, the Fund may offer share in the Fund with different fee and expense structures.

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

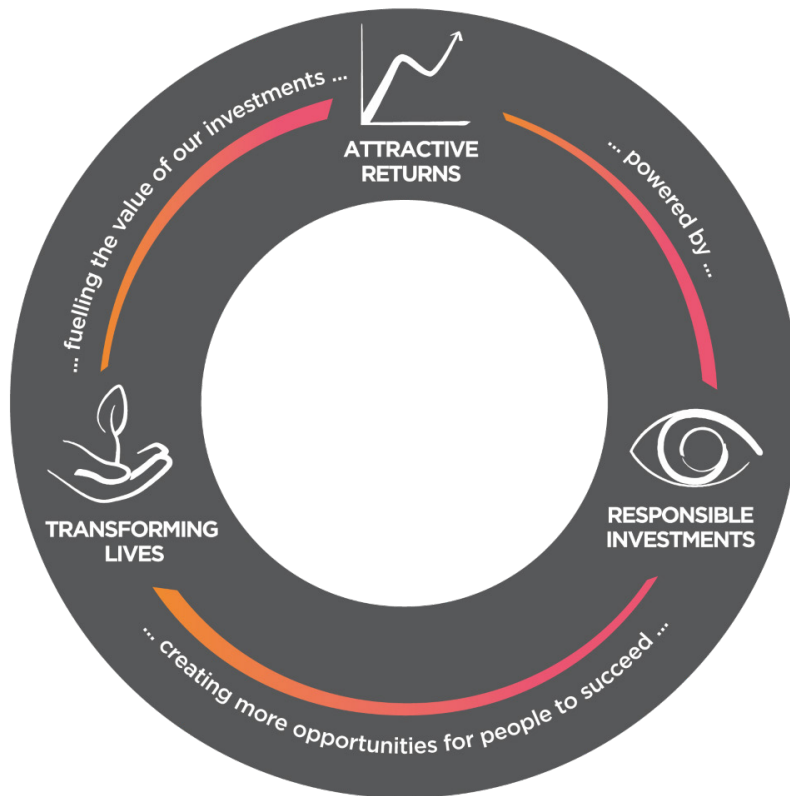
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CANADIAN INVESTORS

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Telephone: +44 (0) 207 557 7850

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

www.alquity.com