



MONTHLY SUMMARY

- The MSCI Asia Pacific ex. Japan Net Total Return USD index decreased 4.6% in August.
- Forward-looking indicators, such as the PMIs, continued to signal that domestic growth in China would remain solid despite the escalation of trade tensions between the US and China.
- Among the fund's holdings, the share price of China Resources Beer performed very strongly, as it rose 20.1%, due to the volume growth turning positive (+2.6% in 1H19).

PERFORMANCE OVERVIEW

	2015	2016	2017	2018	2019
JAN		-6.2%	1.0%	2.4%	1.1%
FEB	-2.9%	-1.2%	4.5%	-1.9%	1.0%
MAR	3.5%	4.7%	5.4%	0.7%	11.2%
APR	0.4%	1.3%	-0.7%	1.9%	-3.2%
MAY	-0.5%	-0.3%	0.4%	-1.4%	-0.4%
JUN	-4.0%	11.4%	-0.1%	-4.1%	-0.2%
JUL	0.7%	5.5%	1.8%	1.9%	1.7%
AUG	-8.2%	3.9%	1.3%	-1.1%	-3.6%
SEP	-0.7%	-0.6%	-4.0%	-8.7%	
OCT	4.7%	3.7%	4.9%	-7.9%	
NOV	-0.8%	-8.1%	1.0%	8.3%	
DEC	5.2%	1.3%	2.7%	-1.0%	
ANNUAL	-1.3%	14.9%	19.2%	-11.5%	7.2%



PERFORMANCE SUMMARY:

1 Month:	-3.6%	1 Year:	-3.4%
3 Months:	-2.2%	3 Years:	8.4%
6 Months:	5.0%	Inception:	28.2%
Year to Date:	7.2%	Annualised:	5.5%

VOLATILITY

1Y 17.0%

3Y\* 14.5%

BETA\*\*\*

0.79

*\*Where the share class has not been running for 3 years, the volatility figure displayed is since the inception of the share class*

TURNOVER\*\*

15.6%

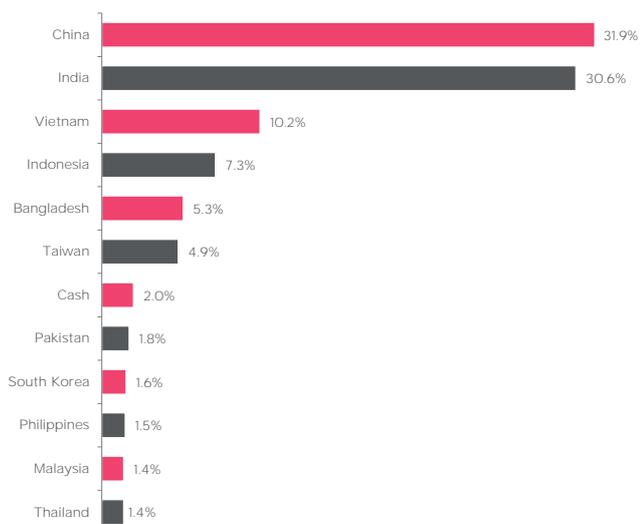
*\*\*Average turnover of holdings (annualised) since the fund's inception*

ACTIVE SHARE\*\*\*

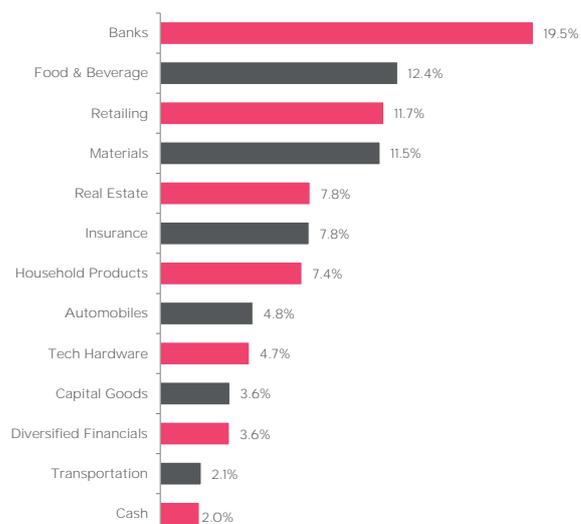
97.2%

*\*\*\*Index used for reference purposes only - the fund is not benchmarked. See overleaf for details of index used.*

GEOGRAPHIC ALLOCATION



SECTOR ALLOCATION



## MONTHLY UPDATE

The MSCI Asia Pacific ex. Japan Net Total Return USD index decreased 4.6% in August, due to the increasing degree of global risk aversion, which was predominantly induced by the further escalating trade tensions between the US and China and the USDCNY exchange rate ploughing through the psychologically important level of 7. Investors were worried that the new round of tariff hikes would significantly weigh on the economic performance of the US and China, and indirectly on the rest of the world. According to the latest macroeconomic data from the US (e.g. labour market metrics, monthly retail sales data, etc.), domestic growth momentum in the world's largest economy remained solid as opposed to the bearish economic prospects implied by the US Treasury curve. We do not expect an imminent recession in the US.

Chinese macroeconomic data showed that domestic economic activity remained stable, as nominal retail sales growth was 7.6% YoY, industrial production reached 4.8% YoY, whilst fixed asset investments growth hit 5.7% YoY YTD in July. Forward-looking indicators, such as the PMIs, continued to signal that domestic growth in China would remain solid despite the escalation of trade tensions between the US and China, in line with our views. Therefore, given attractive valuations, China remains a substantial part of the fund.

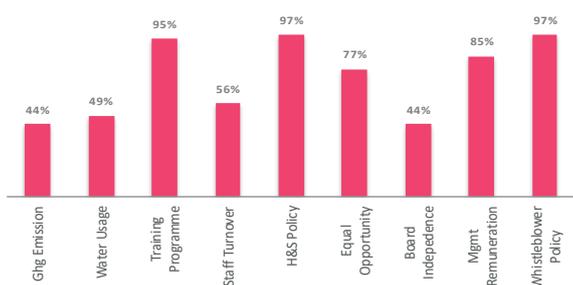
At the end of August, the Indian Statistical Office released 2Q19 real GDP growth, which unexpectedly slowed to 5% YoY. In order to provide impetus to the economic activity and ensure the materialisation of a cyclical bounce, the Reserve Bank of India carried on with the rate-cutting cycle and reduced the policy interest rate by 35bp to 5.40%, whilst maintaining its dovish bias. The fact that the monsoon rains by the end of August have exceeded the long-term average and been the best for years meant that crop sowing activity increased, which in turn will further boost GDP growth via higher agricultural output growth. Investor sentiment in the Indian stock market has benefitted from the announcement of the removal of the tax surcharge on select foreign portfolio investors and the steps taken towards liberalising FDI flows in industries like coal mining or single-brand retail trade. The combined impact of a cyclical bounce in GDP growth and the relaxation of regulations will help investor sentiment to improve. In August, we topped up Indian names, whose share price weakness was fundamentally not justified.

Meanwhile, in Indonesia, the central bank further reduced the policy interest rate by 25bp to 5.50%, as domestic inflationary pressures remained muted (headline CPI at 3.3% YoY in July). Elsewhere, industrial production in Vietnam, where we have a significant weighting, accelerated to 10.5% YoY, whilst export growth hit 4.5% YoY in August.

Among the fund's holdings, the share price of China Resources Beer performed very strongly, as it rose 20.1%, due to the volume growth turning positive (+2.6% in 1H19), whilst operating margins grew 220bp YoY. In August, we exited E Ink (Taiwan, technology), due to the concerns on the sales outlook of E Ink's legacy products. Furthermore, we exited Oriental Watch (Hong Kong, luxury watches), due to the adverse impact of the deteriorating political environment on the local economy.

## ESG : KEY PROGRESS INDICATORS

Percentage of Asia Fund holdings meeting each KPI standard



For all portfolio holdings, we track a set of Key Progress Indicators "KPIs" that represent a general set of transparency and ESG standards we want all firms to meet over time. In each case, the assessment has a financial motivation and an associated positive potential impact in line with the principles of the UN Global Compact. The chart summarises the where we stand in relation to the KPIs for all the portfolio holdings. These KPIs support our engagement activity with our holdings. Please contact us or refer to our Responsible Investment brochure for full details.

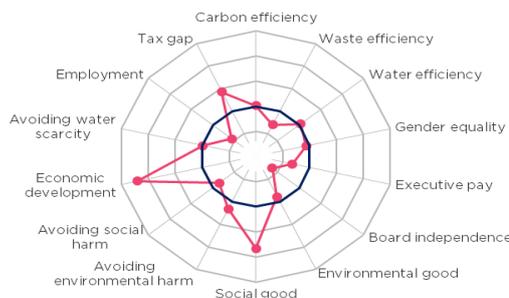
Source: Alquity

## TOP 10 HOLDINGS

1.	Heidelberg Cement India	4.2%
2.	Ping An Insurance Group	4.1%
3.	Vmart	4.1%
4.	KEI Industries	3.9%
5.	China Pacific Insurance Company	3.6%
6.	Escorts	3.6%
7.	M&M Financial Services	3.6%
8.	Xtep	3.6%
9.	China Resources Beer	3.5%
10.	Dali Foods	3.4%

## ESG: IMPACT MEASURES

The impact chart below compares the performance of Asia Fund holdings (pink line) versus the MSCI AC Asia Pacific ex Japan Index (blue line). Any score inside the blue circle indicates a factor in the portfolio is worse than the index.



The table below reports the quantitative impact of the Asia Fund relative to the MSCI AC Asia Pacific ex Japan Index on our ESG metrics in the chart above.

Metrics	Fund	Index	Based on company reported	Estimated	SDG Relevance
Carbon efficiency	0.32	0.36	tons of GHG (Scope 1 & 2) emissions per unit revenue	48%	7
Waste efficiency	2.44	0.68	tons of waste generated per unit revenue	51%	6, 12, 14, 15
Water efficiency	4.79	7.12	litres fresh water used per unit revenue	40%	6
Gender equality	16.3%	17.0%	percentage of women in boards and top management	20%	5
Executive pay	47.1	37.9	ratio of executive level pay to median employee pay	84%	10
Board independence	45.6%	55.9%	independent board members	21%	10, 16
Environmental good	0.1%	2.1%	portfolio allocated to environmental solutions	n/a	most SDGs
Social good	39.9%	10.4%	portfolio allocated to help alleviate social issues	n/a	most SDGs
Avoiding environmental harm	1.1%	4.1%	portfolio allocated to environmentally destructive industries	n/a	most SDGs
Avoiding social harm	5.7%	3.0%	portfolio allocated to industries aggravating social issues	n/a	most SDGs
Economic development	\$ 8,500	\$ 26,400	median income of portfolio weighted geography of economic activity	n/a	16, 17
Avoiding water scarcity	2.84	2.84	geographic water use (World Resource Institute scale 0-5 from most to least water scarce areas)	n/a	16, 17
Employment	4.2%	4.7%	unemployment in portfolio weighted area of economic activity	n/a	1, 8, 11, 12, 16
Tax gap	1.19%	2.48%	estimated % tax avoided by corporate tax mitigation schemes	n/a	1, 9, 10, 16

Source: Impact Cubed. Please contact us for details of full methodology

## TRANSFORMING LIVES

We donate a proportion of our fees from the Alquity Asia Fund to charity partners in the region, reinforcing our belief that social progress should also lead to financial success.

<b>DONATIONS GENERATED BY THE ASIA FUND:</b>	<b>\$354,665</b>
LIVES TRANSFORMED DIRECTLY:	1,545
LIVES TRANSFORMED INDIRECTLY:	5,970

### Total Lives Transformed by Alquity



### Total Donations generated by Alquity



Data correct at 28 Feb 19

Source: Alquity Transforming Lives Foundation

## FUND FACTS

Fund :	Alquity Asia Fund
Share Class :	Y Class
Inception Date :	23/01/2015
Fund AUM :	US\$ 57.2m
Number of Holdings :	38
Fund Structure :	UCITS IV SICAV
Domicile :	Luxembourg
Liquidity :	Daily
Fund Manager :	Mike Sell
Morningstar Rating :	No Rating
Minimum Investment :	€2,500,000
Annual Management Fee :	0.90%
Performance Fee :	None
ISIN :	LU1070051708
SEDOL :	BTJRGR3
Bloomberg Ticker :	ALQASGY

## FUND OBJECTIVE

The Alquity Asia Fund is equity focused and targets attractive risk-adjusted returns over the long-term by investing in public companies across the Asian continent (ex. Japan). Our portfolio is unconstrained and emphasises long-term themes, transparency and alignment of management. This is achieved by a fundamental process which incorporates both financial valuation and Environmental, Social and Governance analysis of material non-financial factors.

## CONTACT US

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For more information about the Alquity Transforming Lives Foundation please visit [www.alquityfoundation.org](http://www.alquityfoundation.org)



Index used for Beta: MSCI Asia Pacific ex Japan  
ETF used for Active Share: iShares MSCI All Country Asia ex Japan  
(Index is used for reference purposes only - the fund is not benchmarked)

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