

Attractive Returns, Responsible Investment and Transforming Lives: How to deliver true ESG and Impact in Emerging Markets



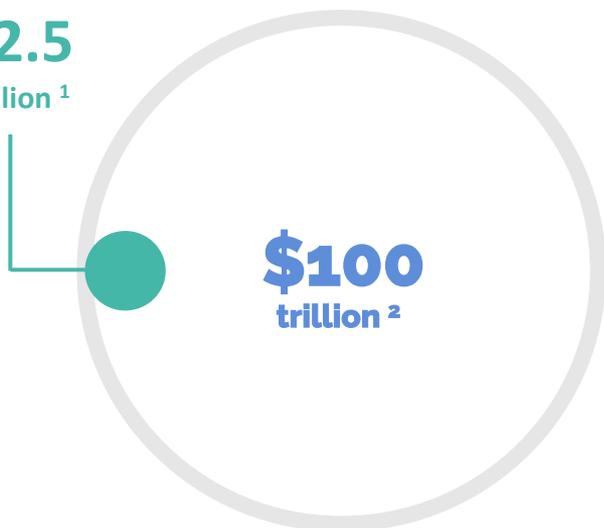
LIFE CHANGING INVESTMENTS



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**

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



Wealth transfer to millennials – 84% of whom have a goal of ESG when investing ²

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



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







4.5 million

bottles sold each month

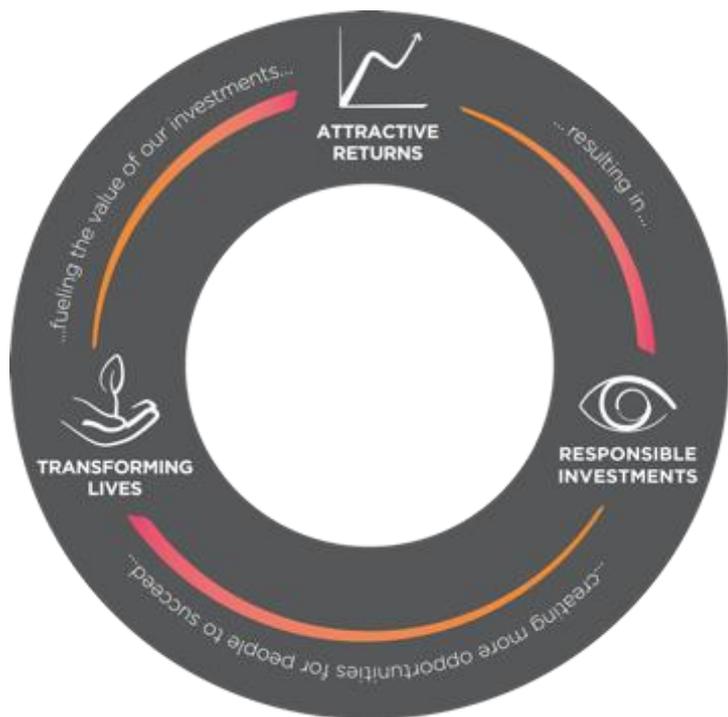
£25 million

donated to date

4 million

lives changed

Our unique Virtuous Circle underpins our Investment Philosophy



Attractive Returns: across multiple dimensions

- **Financial:** ESG investment process targets attractive risk adjusted fund performance over the long term
- **Climate Transition:** Our portfolio carbon footprints are aligned to delivering a timely net zero transition whilst achieving social progress
- **Impact:** Our donations provide direct support and impact through creating gainful employment and solving environmental challenges for those with the least

Responsible Investments: portfolios that you can be proud to own

All our funds incorporate a proprietary and certified ESG integration process into their investment decision making, alongside specific environmental and social impact intentionality

Transforming Lives: a hand up not a hand out

These UNSDG-aligned projects not only deliver direct impact, but through unique collaboration and relationships also deepen our investment team's knowledge and understanding of growth trends, informing our research agenda, and contributing unparalleled depth to our investment decision making across Emerging Markets

To us, investing sustainably means...

Delivering attractive risk adjusted returns whilst ensuring a just climate transition and providing everyone the same opportunity in life regardless of where they are born, whatever ethnicity, gender or physical ability they possess



Our investments contribute to a just and sustainable future, and we exclude those sectors that do not support our climate declaration or deliver positive social value



Our ESG criteria support companies that are respectful to and look after their environment, their people, their communities and which are run professionally with integrity and passion

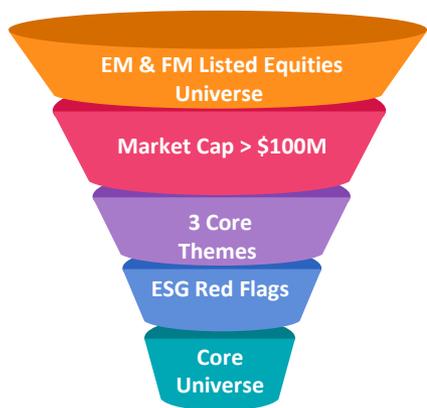


We have developed our process using target metrics that are aligned with the UNSDGs to support equitable social and environmental progress where we invest



We advocate for transparency and business ethics that drive meaningful and long term change in business practices

Alquity investment process



Step I: ESG red flags and thematic approach are key to narrowing the investment universe

We exclude companies with 5% of its revenue or profits attributed to the production or distribution of:

- Tobacco
- Liquor
- Narcotics
- Nuclear power
- Adult entertainment
- Fur trade
- Armaments
- Gambling
- Gas/oil exploration and production
- Coal mining
- Hydrogen power (unless green hydrogen)

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.

ENVIRONMENTAL

- x No disclosure on water usage/conservation levels for significant users (e.g. beverages)
- x >5% of revenues or profits attributed to coal and fossil fuels exploration, production or distribution (including hydrogen power, unless green hydrogen)
- x High risk industry company not publicly providing emissions data or when requested
- x Ongoing business controversies and unresolved scandals
- x Involved in the production of nuclear power
- x Commercial fishing, unless demonstrably sustainable (MSC certification is not sufficient in itself)
- x Palm oil cultivation, unless demonstrably sustainable e.g. with regard to zero deforestation and regard to biodiversity (RSPO certification is not sufficient in itself)

SOCIAL

- x High risk industry company without a Health & Safety policy
- x >5% of revenues or profits attributed to tobacco, narcotics, armaments, adult entertainment, gambling, fur trade or liquor production or distribution
- x Zero tolerance for “controversial weapons”
- x Ongoing business controversies and unresolved scandals
- x Non-pharma animal testing, unless it is required by law and regardless must be a substantial minority (<20%) of overall sales
- x Fast fashion, where a majority of revenue is derived from the retail of cheap, low-quality, & effectively disposable clothing which encourages unsustainable and excessive consumption

GOVERNANCE

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

Step II: Proprietary, fully integrated ESG rating methodology

- Deep fundamental financial analysis and modelling with a long-term perspective
- Market and site visits help verify our analysis and management claims through first-hand experience
- Forward-looking, qualitative ESG assessment and rating conducted through significant engagement with management teams
- DCF valuations influenced by the ESG scoring, via an increase or decrease of the equity risk premium: a 50bps reduction in for an “A” rating or a 50bps increase for a “C” rating

ESG Rating	Description of company achieving this rating
A	High risk industry demonstrating global best practice performance in ESG
	Lower risk industry demonstrating 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 KPIs
C	High risk industry with satisfactory ESG performance, in line with regional peers, but demonstrating a meaningful commitment to improve on material KPIs
	Lower risk industry with satisfactory ESG performance in-line with or better than regional peers, but with no demonstrable intention to improve on material KPIs
FAIL	

* We may also add 100bps to the equity risk premium of firms more exposed to the transition to a carbon neutral economy (e.g. autos and cement)

Company example: Vmart



FILTER



Market Cap: \$885m



Core Themes

- Demographics & shift from unorganised to organised retail
- First mover in smaller cities & scale provides 'moat'

Red flags **PASS**

SUSTAINABILITY

B rated

E: reducing water, waste and energy usage

S: focus on supply chain; created Skill Development Academies

G: 2/3 independent Board; strong disclosure

FINANCIALS

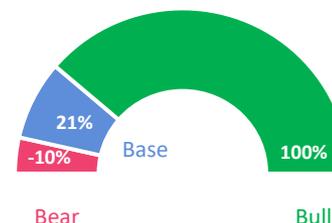


20%+ expected organic sales growth, including from new store openings

Margins to rise due to increasing operating leverage

Net cash balance sheet, generating positive free cash flow

VALUATION



Step IV: Portfolio management – active ownership and influence



ENVIRONMENTAL

- ✓ Emissions and/or climate impact disclosure
- ✓ Water usage and mitigation efforts disclosure
- ✓ Production of waste material disclosure
- ✓ Disclosure of environmental impact reduction plan over a defined period
- ✓ Prevention of biodiversity loss actively considered in the strategic plan
- ✓ Reporting in line with TCFD recommendations



SOCIAL

- ✓ Health & Safety policy
- ✓ Equal Opportunities Policy
- ✓ Staff training policy in place
- ✓ Staff turnover data disclosure
- ✓ ‘Lost Time Injury’ rates available
- ✓ Gender diversity policy at senior management and board level



GOVERNANCE

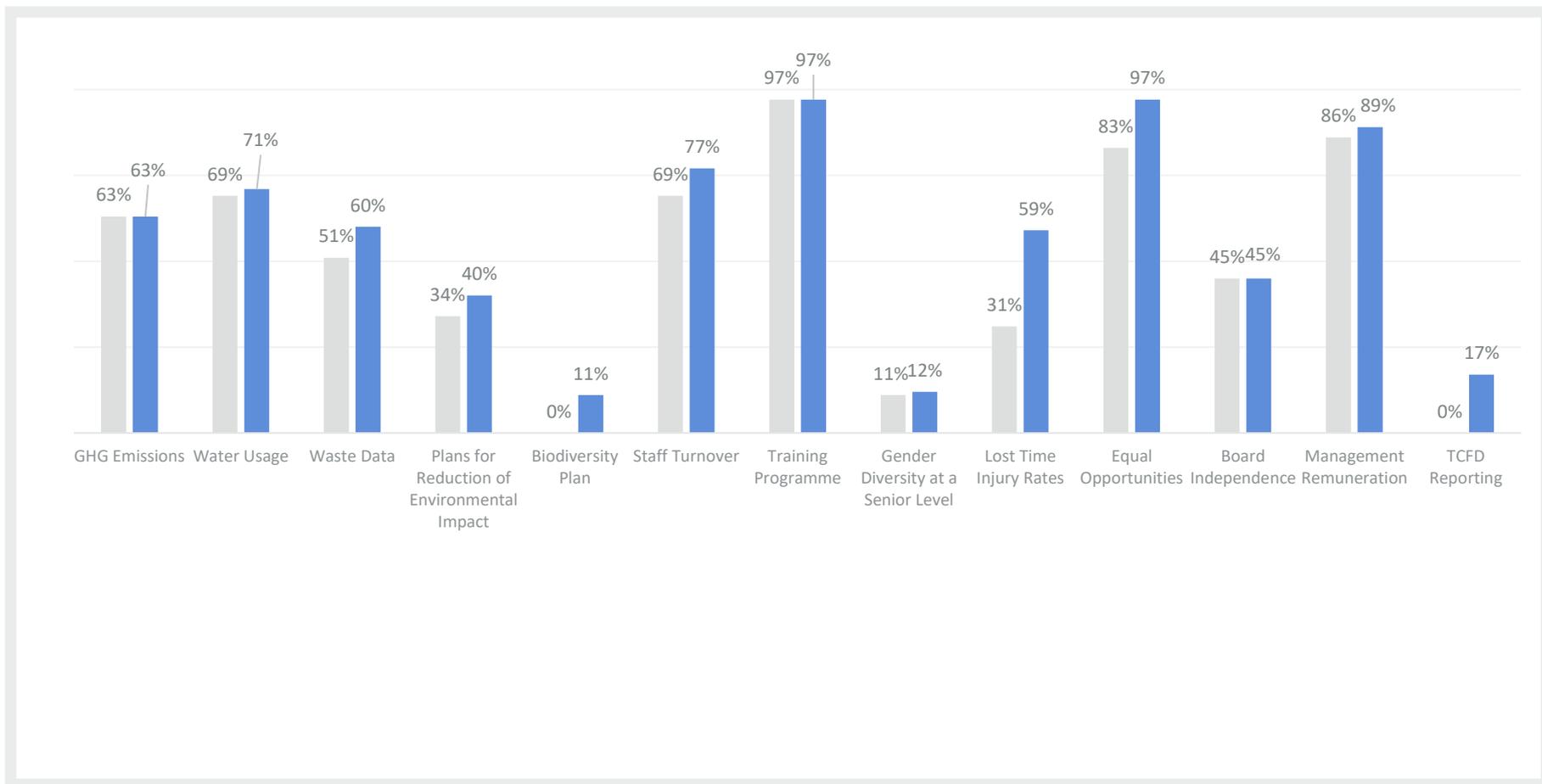
- ✓ Whistleblowing policy available to all employees
- ✓ Percentage of independent directors on the board \geq than the free floating share percentage of the holding
- ✓ Management remuneration packages disclosure



- Voting and engagement driven by materiality and KPIs
- Impact measurement clearly defined against the SDGs

Step IV: Portfolio management – Evolution of our Key Progress Indicators (KPIs)

Holdings of the Alquity Future World Fund meeting each KPI standard (% of companies)



We have four funds employing unique yet consistent strategies

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.

 **INDIAN SUBCONTINENT FUND** **UNLEASHING NEW INDIA**

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.

 **ASIA FUND** **NEW ASIA OPPORTUNITY**

Focuses on converting Asia's emerging economic structural growth into revenue growth, including new emerging markets, such as Vietnam, Pakistan and Bangladesh offering further diversification.

 **FUTURE WORLD FUND** **HIGH GROWTH OPPORTUNITIES IN EMERGING MARKETS**

Focuses on long-term drivers of sustainable growth in both emerging and frontier markets across Asia, Latin America and Africa.

 **GLOBAL IMPACT FUND** **A SUSTAINABLE AND MORE EQUITABLE SOCIETY**

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.

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

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



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 features the word "Beach" in a stylized font, with a blue and white checkered pattern below it and several penguin cutouts on top. The scene is outdoors with trees and a building visible.

TRANSFORMING LIVES AWARDS

INSPIRED BY *Alquity*

Strategy, team and process are aligned to deliver sustainable performance



Thematic, unconstrained, differentiated portfolios, with a focus on domestic, structural growth through under-appreciated smaller stocks and markets as well as SDG progress



Highly experienced multi-disciplined team specialising in ESG investing in both Emerging and Developed Markets reinforced by quantitative risk expertise



Fully integrated, certified & award winning fundamental and quantitative ESG processes driven by a sustainable investing ethos and portfolio construction supported by a data driven risk framework



Delivering tangible impact, through lower water usage and GHG emissions, active engagement and our Transforming Lives programmes supporting the research agenda

An aerial photograph of terraced rice fields. The top half shows lush green rice plants in neat rows. The bottom half shows a field of golden-yellow rice flowers. Two small figures are visible in the yellow field. A semi-transparent grey box is overlaid on the top half of the image.

Thank you and questions

LIFE CHANGING INVESTMENTS [w: alquity.com](https://alquity.com)

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The logo for Alquity, featuring the word "Alquity" in a black, cursive script font. A horizontal line with a red-to-orange gradient underline is positioned beneath the letters "quity".

Alquity

In the 5 years before Gulf of Mexico,
BP received **760 fines** from the US authorities

Exxon received **only 1**



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