



The case for India: the world's leading investment destination

Suresh Mistry – FEIFA Masterclass 2023

LIFE CHANGING INVESTMENTS

Alquity

Presenter



Suresh Mistry

Head of Sustainability

- Co-founder
- Suresh was instrumental in developing the unique Alquity Virtuous Circle business model that blends responsible investing and impact, with better returns for investors
- Suresh works alongside the investment team to enhance and direct the development of ESG integration across Emerging Markets
- Suresh leads Alquity’s regulatory reporting and is the author of the Alquity Impact Report and numerous articles on ESG

About Alquity



We are an innovative, socially responsible investment manager, combining ESG investing with a social impact business model



Differentiated risk-adjusted equity portfolios across Global, Emerging and Frontier Markets, which aim to take advantage of secular growth trends by investing in quality businesses



Our strategy: set the highest standards in ESG investing that drives capital allocation towards shaping a just and sustainable future, delivering 3D outcomes for our clients



Donating 10% of our revenues to transforming the lives of the poorest and most disadvantaged where we invest, to drive inclusive future growth and returns



A photograph of three women working in a tea plantation in India. The woman in the foreground is smiling and wearing a yellow and orange patterned sari. Two other women are visible in the background, one in a blue sari and another in a blue shirt and green headscarf. The tea bushes are lush green.

The investment case for India

LIFE CHANGING INVESTMENTS

A INDIAN
SUBCONTINENT
FUND

India's growth is structural and domestically focused

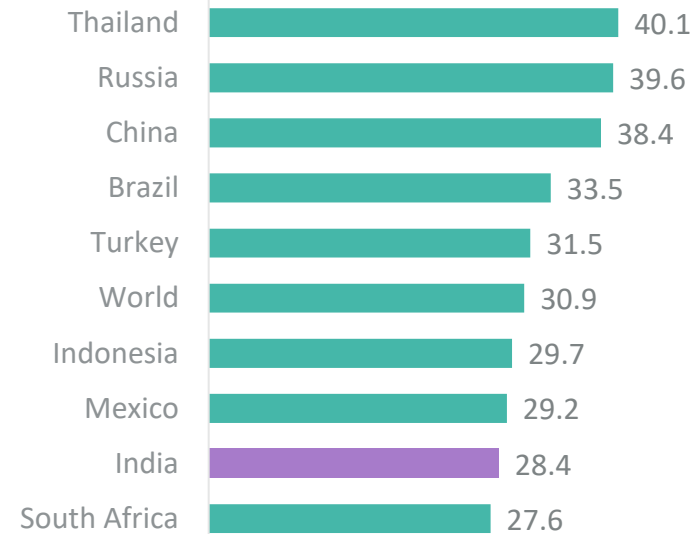
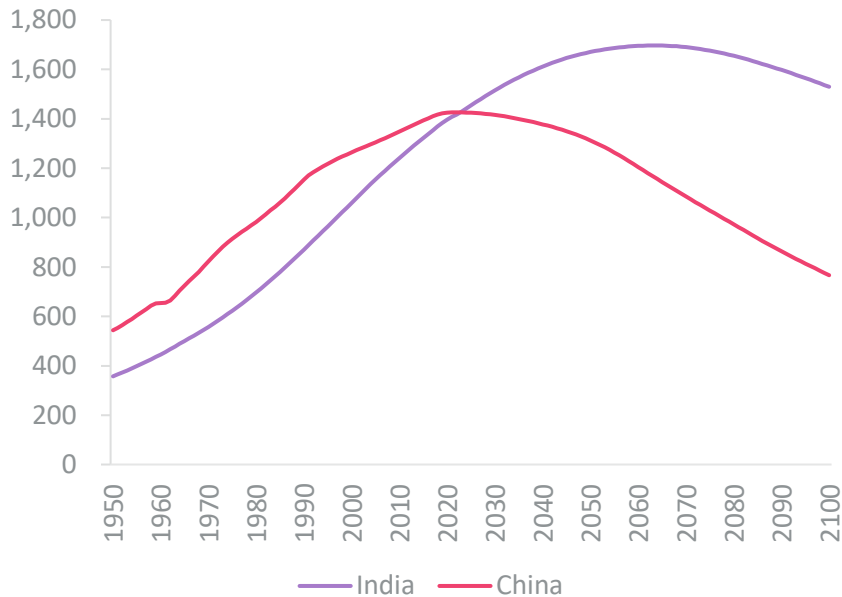
Exports as % of GDP

Country	%
Taiwan	70.0%
EU	55.9%
Germany	50.3%
Korea	42.0%
UK	32.7%
India	22.4%

- Demographics, urbanisation and **the shift to the formal economy** are key drivers
- Particularly relevant given the **slowdown in Developed Markets**
- **'Made in India'** increasingly important
- **31 of our 35 positions** are domestically driven

Demographics drive consumption growth

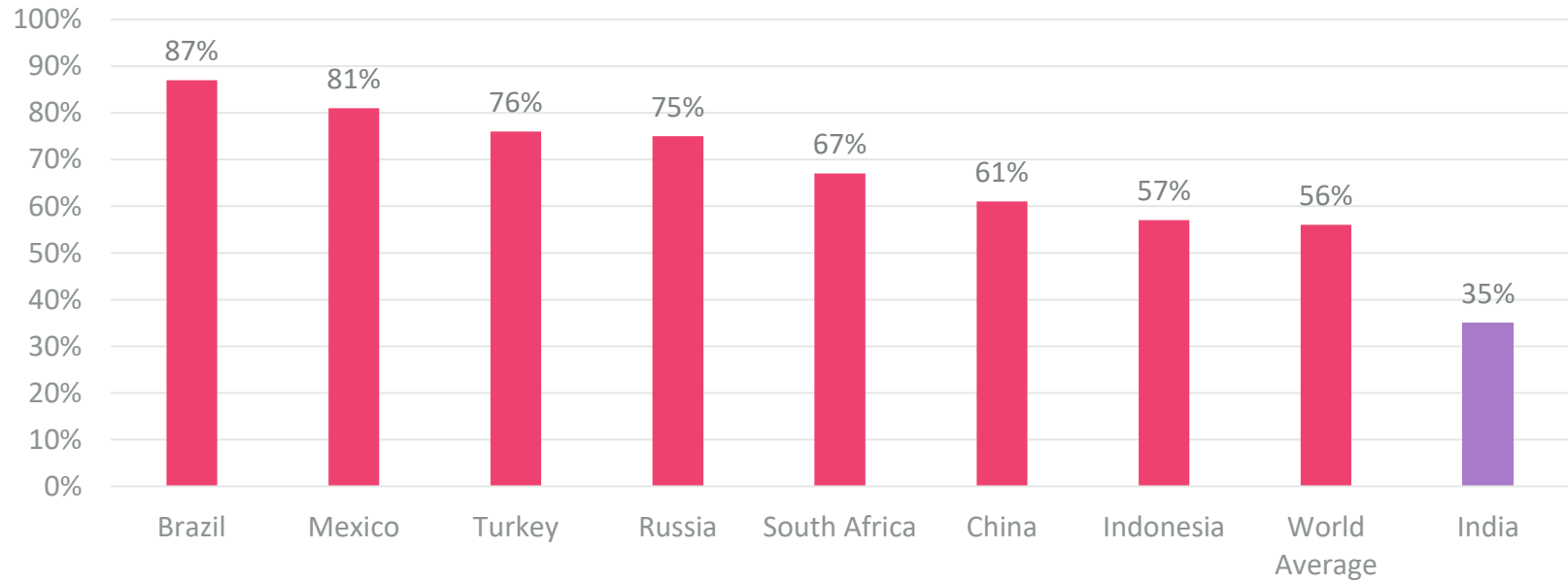
Surpassing China's 1.425bn people in 2023, with an average age of just 28.4 years



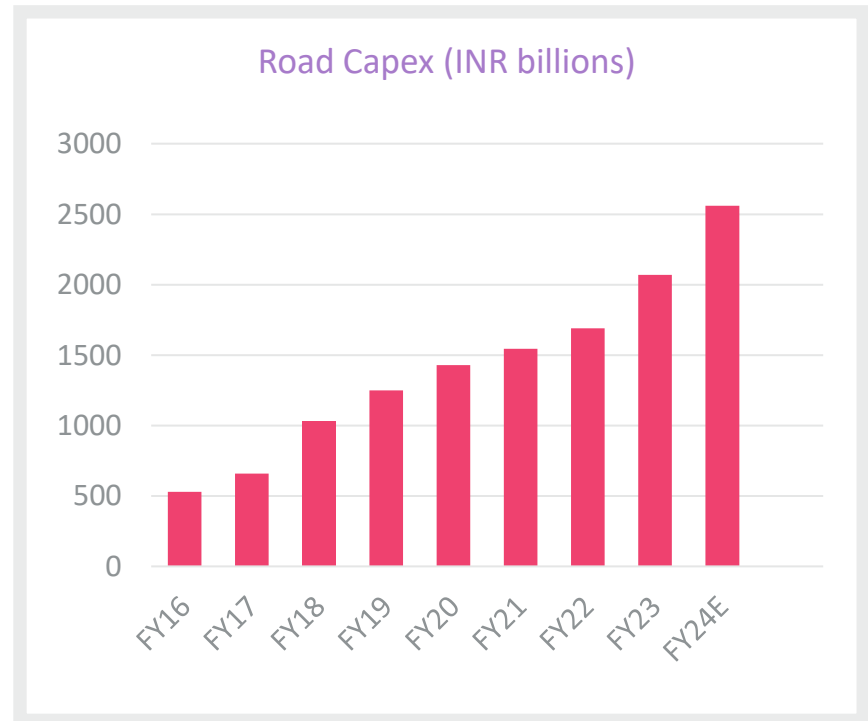
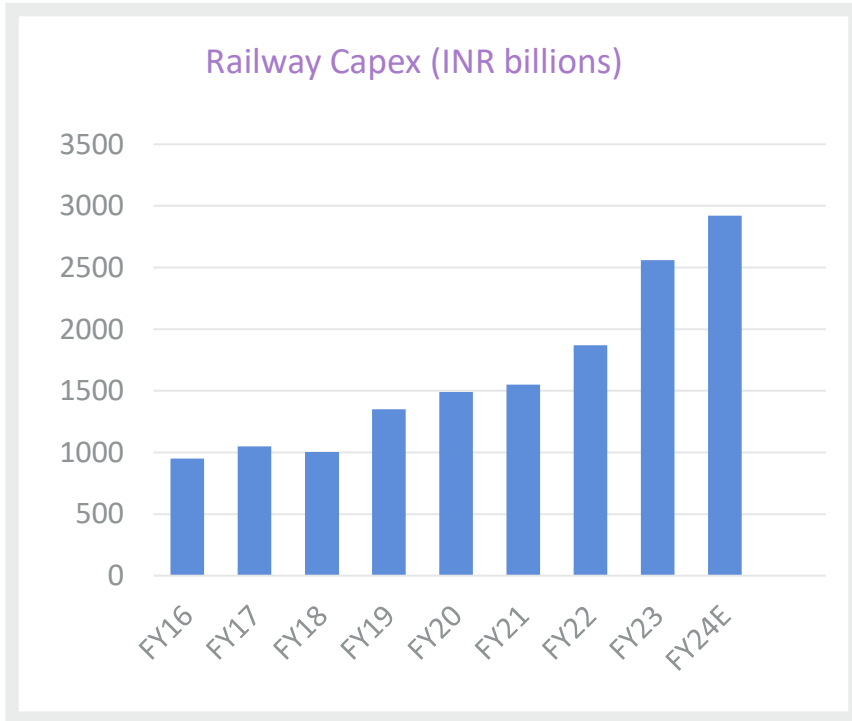
India has the largest Gen Z and Millennial population globally

As does urbanisation

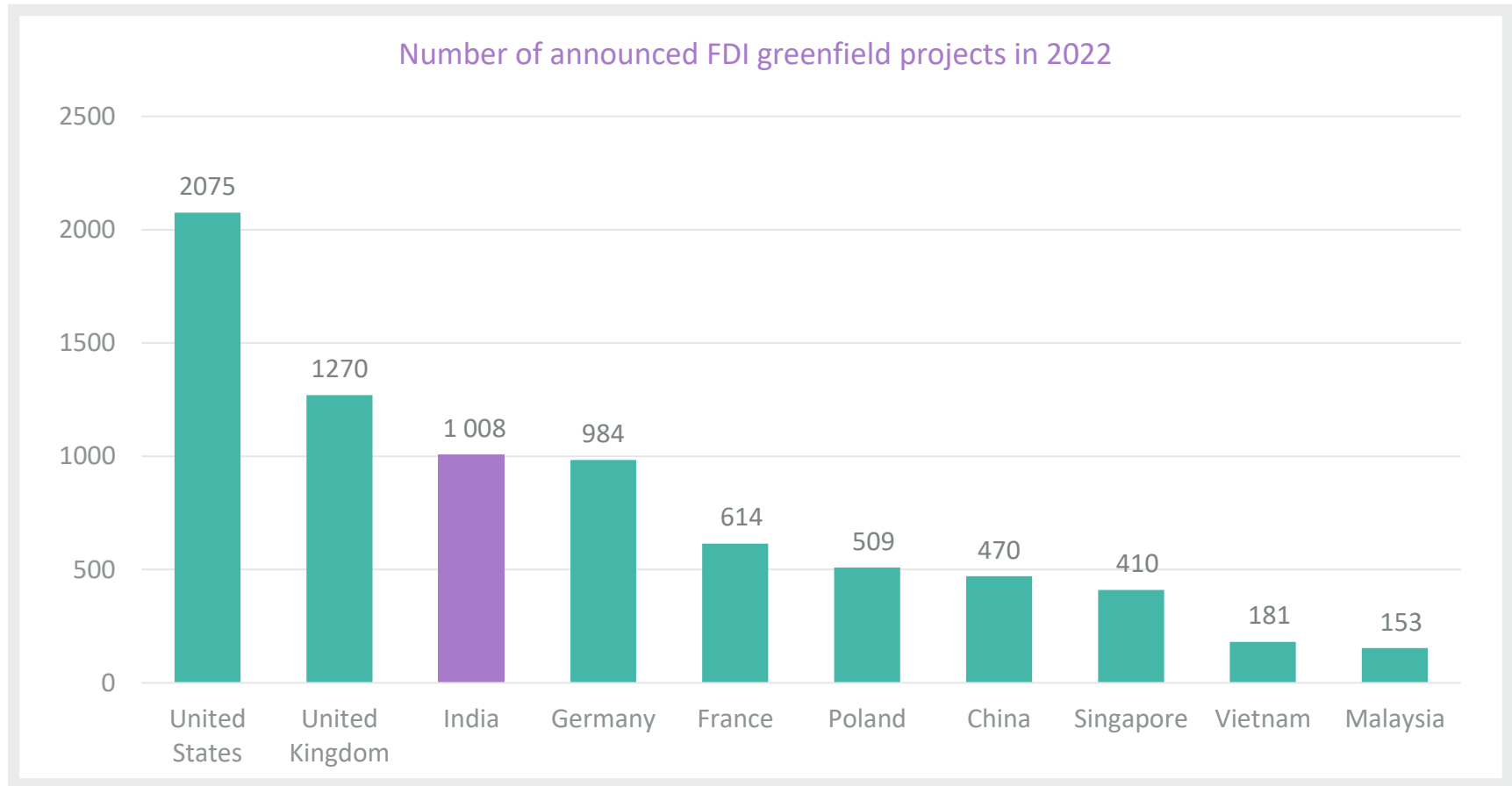
Share of urban population (%)



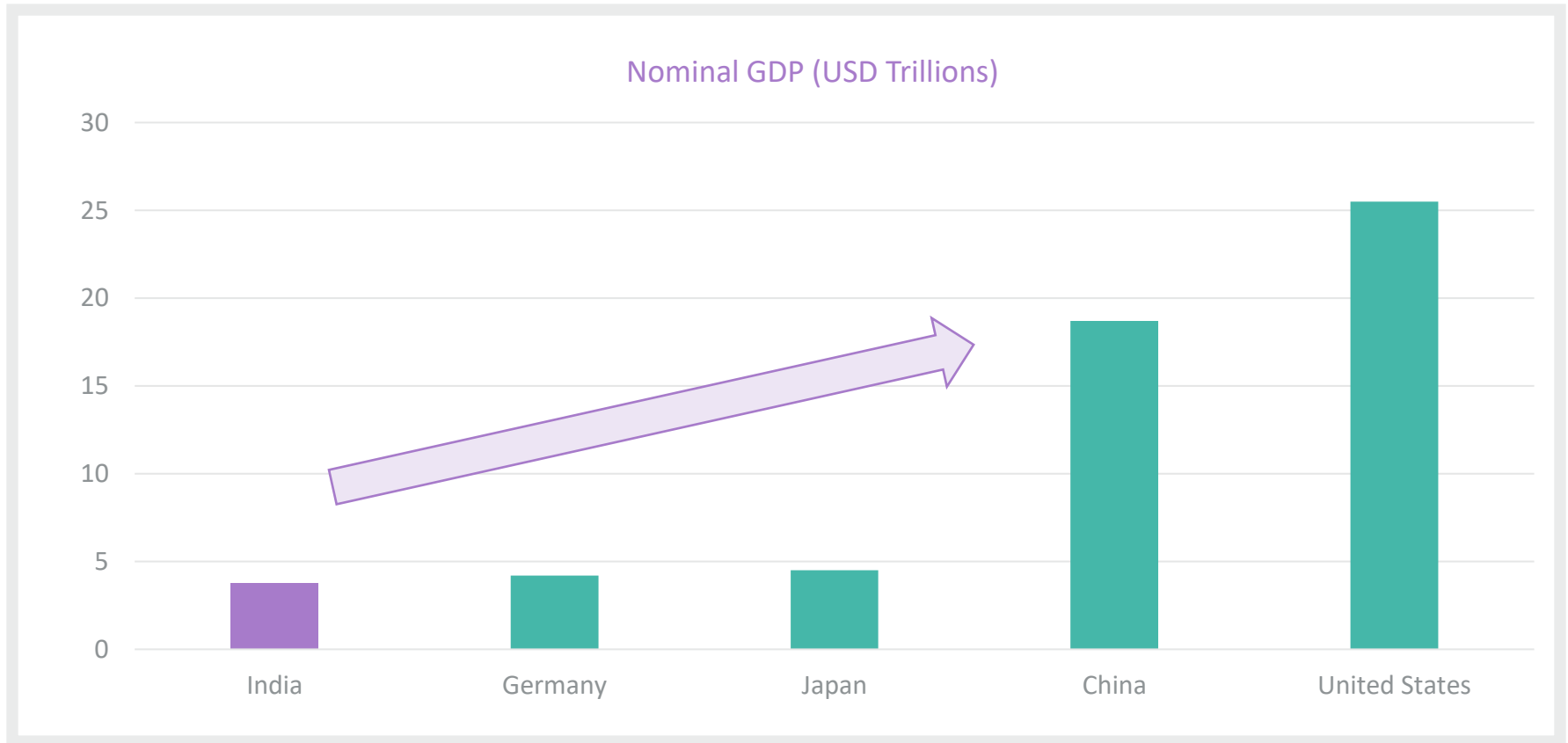
India's infrastructure spending has been surging...



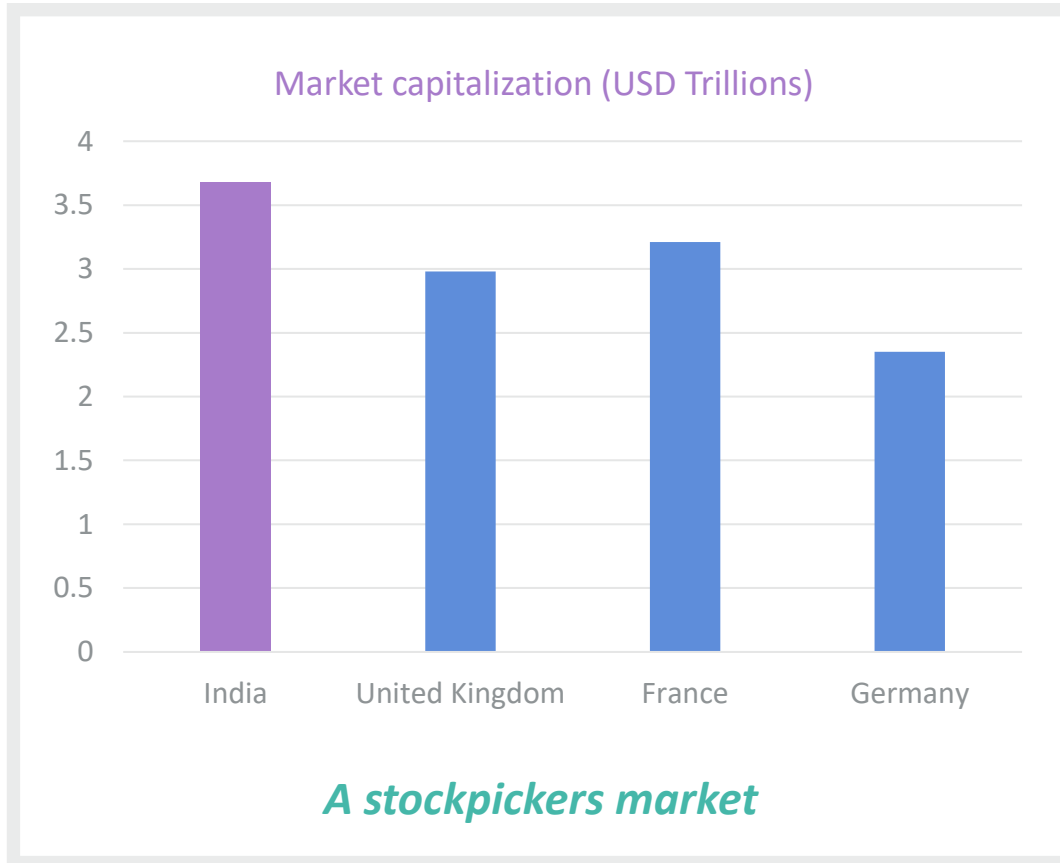
...with foreign investment on the rise (helped by the PLI scheme)...



India is now the world's fifth-largest economy...



...and the stock market capitalisation is already significant



- Daily **liquidity** of approximately US\$ 7-9bn
- **60% of turnover is driven by retail investors**
- **Foreign participation is only approximately 25% of trading volume**

India is an uncorrelated source of alpha

Stock index	Correlation with MSCI India
Korea	0.471
Hong Kong H shares	0.352
Taiwan	0.452
Shanghai	0.231
FTSE	0.492
Nasdaq	0.222
MSCI World	0.371
Brazil	0.210
South Africa	0.269
Eurostoxx	0.472
S&P 500	0.247

Valuations are not excessive



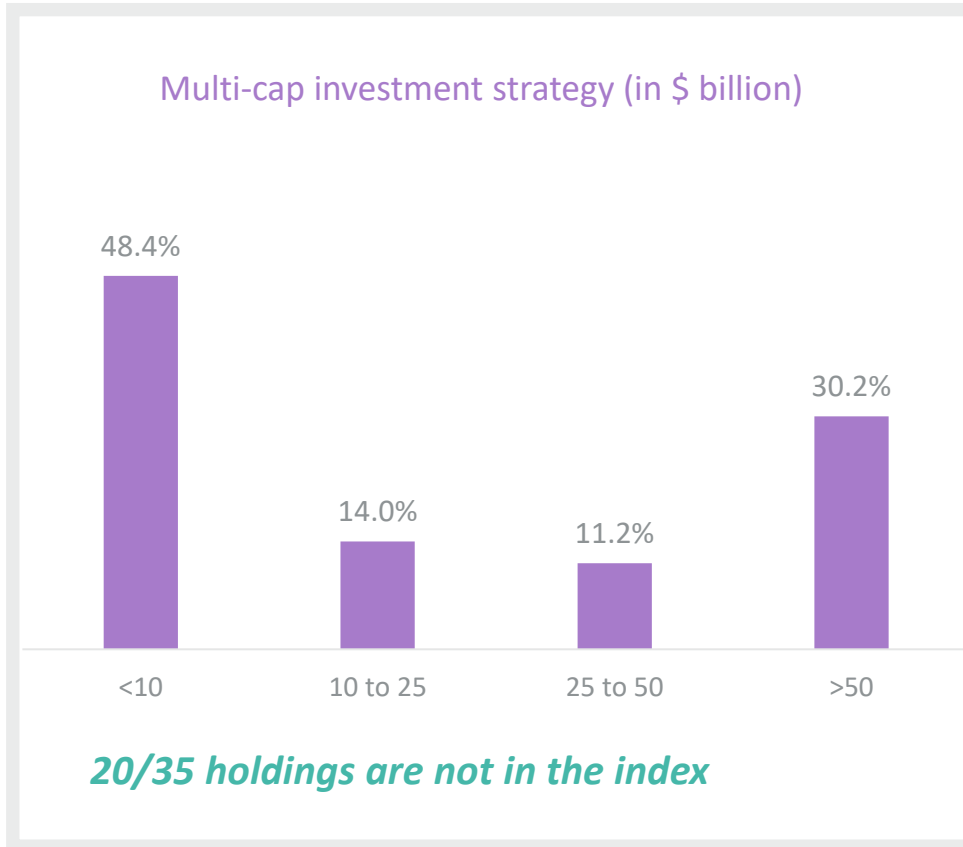


Our strategy for a rapidly changing country

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SUBCONTINENT
FUND

We focus on the next story, not the last



Structural Domestic Themes

URBANISATION

DEMOGRAPHICS

SHIFT FROM INFORMAL TO FORMAL ECONOMY

DIGITALISATION

MADE IN INDIA

Company example



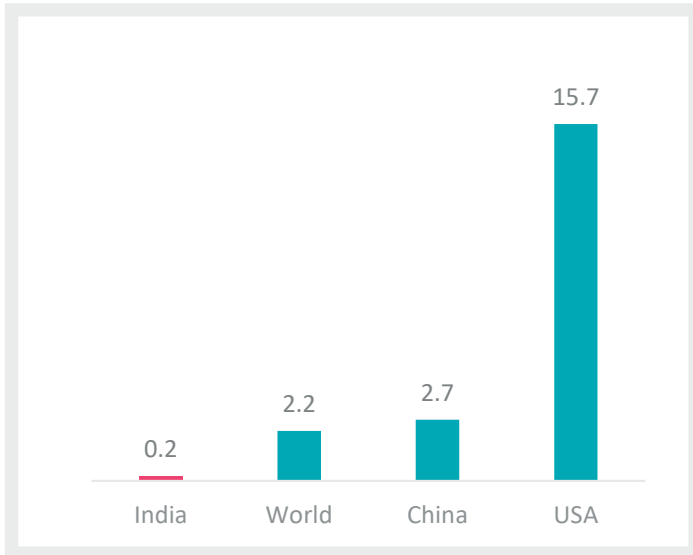
Industry:
Hospitality

Market Cap (USD):
1.1bn

Monetisable Structural Growth

- Aspirational shift towards branded hotels, and away from unorganised sector
- Secular growth in domestic travel; aided by higher disposable incomes and improving transportation
- Hotel supply penetration in India is very low

Hotel supply penetration: number of rooms per 1,000 people



Business Prospects

- We expect a double-digit net profit CAGR over the next few years driven by a strong recovery in domestic travel and insufficient hotel inventory supply
- Structurally higher margins thanks to cost saving initiatives during the pandemic
- Improving balance sheet as Lemon Tree de-lever post-pandemic

ESG – B rating

E: By 2026, Lemon Tree are targeting: 15% reduction in energy consumption intensity (with 50% of total energy consumption from renewable sources), 40% reduction in GHG emissions, 10% reduction in water consumption intensity and 100% certified green buildings

S: Targeting 30% representation of deprived individuals for 2026 (currently around 20%). 15% women in the workforce by 2026

G: 50% of directors are independent, transparency is strong (very good disclosure, regular investor access), whistle blowing policy in place, independent audit committee

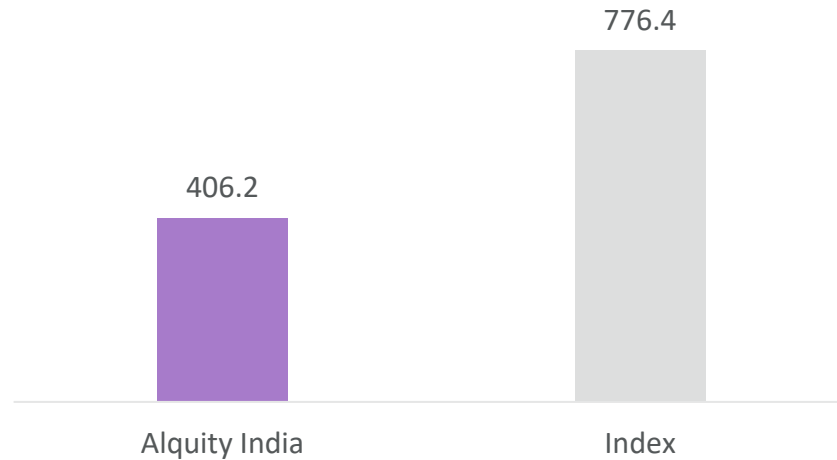
Valuation

Scenario	Assumptions
Base	Including Beta of 1.1, risk free rate of 7.2% and market risk premium of 5%: 18% upside
Bear	We raise our WACC by 1%: 7.6% upside
Bull	We lower our WACC by 1%: 29.6% upside

ESG is critical



Scope 1 and 2 GHG Intensity (in tonnes/\$m)*



India targets a 45% reduction in emissions intensity by 2030

Transforming Lives – Our secret masala!



PHOOL



- **Alquity donates 10% of revenues to Transforming Lives projects** to support disadvantaged groups participate in formal economic growth
- Transforming Lives Award winner **Phool recycles waste temple flowers into incense sticks**, packaging and now have created a flower-based leather called “Fleather”
- On investment trips, we run focus groups with employees **to understand their perspectives** and learn more about the future consumer in India
- For example, **Amrutanjan**, a renowned Indian brand specializing in pain balm medication and sanitary napkins. While it enjoys significant recognition in India, this company remains unfamiliar to both Western investors and sell-side stakeholders."

This results in an exceptional track record

	1 year	2 year	3 year	5 year	7 year	Since inception (30/04/14)
Fund	13.0%	2.6%	75.0%	59.3%	88.5%	175.2%
Index	10.1%	-0.8%	51.8%	59.9%	84.5%	114.9%
Quartile	2 nd	1 st	1 st	3 rd	1 st	1 st

With external validation

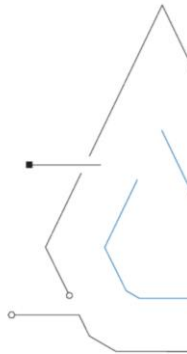
REFINITIV[®]
LIPPER[®]

REFINITIV LIPPER
FUND AWARDS
2023 WINNER
HONG KONG

**Alquity SICAV-Alquity Indian
Subcontinent A USD**

East Capital Asset Management SA
Advised by Alquity Investment Management Limited

Best Fund over 3 Years
Equity India



*



**Morningstar
Rating**
3 Year



Morningstar Sustainability Rating



CITYWIRE

Citywire fund selector: **2/43**
over 3 years

Why you should allocate to the Alquity India Fund

- **India is on the ascent** – economically, politically and in terms of stock indices
- But remains **uncorrelated**
- India is **undergoing a transformation**, with **domestic, structural growth** as the primary driver
- We grasp India’s ongoing transition, and **focus on the future**
- **An outstanding track record proves the success of our strategy**



Q&A



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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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