This report was printed using 100% recycled paper, a 100% waterless process, in a factory powered by 100% renewable energies, produces zero waste to landfill, has a positive impact in reducing climate change and is beyond Carbon Neutral in its impact on the environment. By printing this report, Alquity is helping to support a leading United Nations backed project at the mouth of the Amazon rainforest, which is helping to conserve 86,000 hectares of forest and to regenerate a further 1,200 hectares of deforested land.
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When we developed the original concept for Alquity, we imagined a new type of investment business. One that would deliver attractive returns not only by investing in responsible, well positioned businesses, but by also contributing to sustainable economic growth by providing the opportunity for those in the poorest segment of society to climb out of poverty.

Managing assets of USD 425m and having generated USD 1.75m* (GBP 1.23m) in donations that have impacted the lives of over 60,000 people, we feel that we are on the path to completing, and hopefully surpassing, our original goal.

Indeed, in July 2018, our funds become the first emerging market products to be awarded the French Finance Ministry’s SRI label; an award that followed a detailed onsite audit and aims at reconciling economic performance and social and environmental impact by financing companies contributing to sustainable development in all business sectors.

As we enter the next stage of our growth, we wanted to share the details and data behind our virtuous circle business model. This impact report has been designed to provide our investors with a comprehensive assessment of the three critical elements we focus on and how they help us achieve our investment and impact goals:

1. **Attractive Returns:** our target is to deliver top-quartile risk adjusted returns over a 3-5 year period. As signatories to the UNPRI, a critical aspect of our investment approach is the integration of material non-financial analysis, incorporating forward-looking ESG factors. In this report, we’ll explain how we do this and share some key data on the make-up of our portfolios and their impact.

* As at 30 June 2018
2. **Responsible investments:** in addition to selecting well-managed, responsible businesses, we believe in active ownership and engaging with our holdings on a range of issues. We are advocates of the UN Global Compact and through our voting and engagement activities, we support our holdings to make progress towards the key principles enshrined within the Compact. In this report, we’ll explain how we track the ESG progress of our holdings and engage on material issues.

3. **Transforming Lives:** we set aside a minimum of 10% of our revenues to support development projects in the regions which we invest in. The projects are aimed at supporting the UN Sustainable Development Goals, focusing on education (Goal 4), social inclusion (Goals 5 and 10) and economic growth (Goal 8). By providing capital towards building stronger, more equitable economies, we support the long-term prospects for our current and future investments. In this report, we share the details of the projects and charity partners we are working with and give real examples of the lives we are helping to transform.

Whilst written over 3 sections, this report should be read as a whole, with each section connecting to the next via our business model.

Alongside transparency, we hope you will find a critical feature of this publication is its pragmatism. ESG impact reporting is in its infancy and because of this is based upon best estimation rather than confirmed data. In this report, much of the information is our own and built from first hand, verified data collection undertaken by our investment team. Where we have used external data, we have highlighted it and stated its limitations clearly.

This is our first report and as such it should be seen as a statement of intent against which future reports can be benchmarked and our progress measured. We have achieved a lot already but are at the early stages of the Alquity journey and we therefore have more to do. Nonetheless, we are convinced that our virtuous circle approach is proving beneficial for our investors, our holdings, our employees and society at large.

"With assets under management of USD 425m and having generated USD 1.75m (GBP 1.23m) in donations that have impacted the lives of over 60,000 people, we feel that we are on the path to fulfilling our original goal"
ATTRACTION
RETURNS

opportunity

LIFE
CHANGING
INVESTMENTS
ATTRACTIVE RETURNS: FORWARD LOOKING ESG INTEGRATION

OVERVIEW

Figure 4: Alquity Investment Process Overview highlighting the critical elements of ESG Integration. Source: Alquity

ESG analysis is a critical component of Alquity’s investment process. Having identified those firms we believe are best positioned on the basis of structural growth drivers, cyclical positioning and competitive advantage, ESG determines our assessment of operational excellence, quality of management and value alignment. In other words, whether we believe individual firms can monetise their opportunity set for shareholders.

Correspondingly, our ESG focus encourages responsible corporate behaviour that benefits not only investors but also the employees, communities and environment in which our holdings operate. This way, attractive financial returns can coincide with sustainable and inclusive economic growth.

RED FLAGS

ESG analysis is a critical component of Alquity’s investment process. Whilst most analysis and financial valuation must weigh each element of a business in an overall firm, country and sector context, there are certain practices we believe are inconsistent with long-term financial returns and an overall positive societal impact. These red flags are the standards we expect from every company we invest in and we will not consider any company that fails one or more of these criteria.

Full details of our red flags can be found in Appendix 1.
ESG RATINGS

For those firms we believe to be best positioned for growth over the next 3-5 years, as a function of our core themes filter, we assign a rating from A-E. This assessment requires significant engagement with management and will focus not only on general corporate practices but also the idiosyncrasies of the sector, country and business. As such, our ratings are not automated or quantitative, but based on detailed analyst work. Ratings are guided by a framework which encompasses three elements; industry-level risk, global and regional best practice and management intent. Only those companies rated A-C can be included in the portfolio. This means that we will only invest in firms where there is satisfactory quality and alignment of management to deliver for all stakeholders over the long-term.

Figure 5: Schematic showing how ESG ratings are determined and the importance of “ESG improvement”

In addition to absolute standards of ESG adherence, we are forward-looking and identify the “direction of travel” in relation to responsible behaviours. In the emerging and frontier markets where our holdings are based, awareness of ESG related factors can be low and whilst standards are acceptable, there is often room for improvement. Our assessment of management includes their future plans, as we have seen from experience that changes in ESG factors over time can have a direct influence on future investment returns. Figure 5 provides an overview of our ESG ratings approach.

More details on our ratings criteria can be found in Appendix 2.

PORTFOLIO ESG RATINGS

Every stock that is included in an Alquity portfolio has achieved an A to C rating. The table below shows the mix of ratings for each fund.

Figure 6: Mix of A-C ratings for holdings in Alquity Funds and company overall as at June 2018. Source: Alquity

<table>
<thead>
<tr>
<th>% Holdings</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>20%</td>
<td>27%</td>
<td>53%</td>
</tr>
<tr>
<td>India</td>
<td>12%</td>
<td>29%</td>
<td>58%</td>
</tr>
<tr>
<td>Latam</td>
<td>36%</td>
<td>54%</td>
<td>6%</td>
</tr>
<tr>
<td>Future World</td>
<td>22%</td>
<td>40%</td>
<td>39%</td>
</tr>
<tr>
<td>Africa</td>
<td>30%</td>
<td>29%</td>
<td>38%</td>
</tr>
<tr>
<td>Alquity Funds</td>
<td>23%</td>
<td>37%</td>
<td>41%</td>
</tr>
</tbody>
</table>

We also show in the pie charts above, how the A-C mix across all our portfolios has changed over the 12 months between June 2017 and June 2018. These changes are because of new stocks being added to the portfolios, other stocks being removed and certain ratings changing. As each rating is determined after in-depth analysis, changes only occur for significant and material variance in ESG standards evidenced by the investment team. Examples where we have changed ESG ratings include:

1. Yuzhou Properties, China: Original rating C: We upgraded Yuzhou to “B” following the production of a full company ESG report that fulfilled management’s commitment to us from the previous year. Whilst we still see room for improvement
on other areas, particularly as it pertains to governance, we saw this initiative as being supportive of their business via better local government and community relations, particularly in the award of land parcels.

2. Gateway Distriparks, India: Original rating C: We reviewed this holding following a split in the family ownership. The new MD appointed his wife to the board and various younger children to subsidiary company boards. He also appointed himself to the audit committee. Whilst each element alone might be understandable in isolation, the combination raised our concerns about future governance and the protection of minority shareholders. We regraded the stock “D” and exited our position.

STOCK EXAMPLES

STRONG ESG CONTRIBUTING TO RETURNS

ULTRAPAR
Distribution and Retail, Brazil

Current ESG Rating: A

An example of persistent excellence in ESG standards, leading to consistent out-performance, is Ultrapar, a Brazilian company engaged in specialised distribution and retail, which embodies best in class processes in all its operations.

The execution of its strategy reflects the corporate culture. By treating their customers with respect, providing training and career paths for their employees and making decisions that deliver superior returns for their shareholders, there is a clear alignment of interest with their stakeholders. They also engage with their local communities and have apprentice schemes to provide skills to talented individuals and invest in innovation to decrease their usage of natural resources. For instance, decreasing their use of water by 45% on an annual basis by switching to treated refuse water in their specialty chemicals business, reduced both their environmental impact and provided a material reduction in costs for the business.

The cumulative impact of their strategy resulted in a total shareholder return of 750% in USD vs 60% in the Bovespa (31/12/2005 to 31/12/2017).

POOR ESG STANDARDS FAILING OUR RATINGS

VAKRANGEE
Distribution / Logistics, India

Current ESG Rating: D

Vakrangee is a delivery agent for banks, government agencies, insurance, logistics and e-commerce companies (notably Amazon). The share price rose 207% in 2017 with an impressive shareholder register including Blackrock, Fidelity Robeco, Axa, Bernstein, Wellington and Norges Bank. Our primary research raised concerns that distribution outlets did not exist or were not as described. In September 2017, we visited 5 stated locations and confirmed that 4 were indeed fictitious and 1 was very small and informally constructed. Further, peer review revealed that most bricks and mortar peers had “never heard of them” whilst financial analysis also identified unusual costs. On the 28th January 2018, an investigation was launched by the regulator for alleged share price and volume manipulation. The share price has since collapsed 90% from its peak and PwC resigned as the company’s auditors.

Figure 8: Vakrangee share price movement since December 2016. Source: Bloomberg
Naspers, a media company with interests ranging from print to satellite TV and internet, is the largest company in Africa by market capitalisation, representing 27.74% of the MSCI Emerging Frontier Africa Index (May 2018). More than 100% of the Enterprise Value is represented by a 33.18% stake in Tencent (Chinese internet gaming company). Tencent shares have risen rapidly in the last 2 years, contributing significantly to the performance of the index. However, the company fails our ESG assessment on the grounds of unsatisfactory governance. The fundamental issue is opacity of the control structure managed through a dual share listing. The company will not give formal disclosure and we only have a “best guess” compiled from historical filings on who has overall control. As such we cannot be sure the interests of minority shareholders would be protected and because of this we do not hold the stock.

Despite the significant appreciation of the Naspers share price, management have actually destroyed shareholder value; the stock has massively underperformed the underlying Tencent holding. Relatedly, whilst ESG issues may not derail an investment case in the short-term, in the fullness of time we believe unsatisfactory standards are wholly incompatible with positive shareholder returns.
PORTFOLIO IMPACT MEASURES

The Alquity funds are not constructed to have impact per se, as our process focuses on delivering high risk adjusted returns through a responsible investment approach. Instead, it is an outcome of this process that our portfolios make a positive contribution through the identification and selection of well-managed, responsible businesses.

To assess the impact of our portfolios, we have worked with an external data provider, Impact Cubed, to provide an assessment of the impact of each portfolio versus its most relevant index. Impact Cubed use 14 well-established outcome indicators to measure the sustainability of listed companies. Portfolio impact is represented by the amount the portfolio deviates from a relevant benchmark with respect to the 14 sustainability characteristics. As a quantitative, data-based tool developed to maintain objectivity, Impact Cubed complements and validates our own reporting. Further details of the Impact Cubed data production methodology can be found in Appendix 4.

For each portfolio, we deliver:

- **An impact overview**: this spider diagram provides a simple overview of how each portfolio compares with its index on each of fourteen different impact measures.

- **Impact Measures**: an assessment of the impact across our 14 measures (mapped to the UN SDGs) both for Alquity and, as a reference point, benchmark indices. We also report where estimation has been necessary.

We update this analysis on a quarterly basis for each portfolio and the latest impact overviews can be found on each portfolio factsheet, distributed monthly.

The data has been summarised below at an Alquity company level for all holdings in the funds. The dark blue circle represents the MSCI Emerging Markets Index. The light blue line represents our holdings.

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Figure 11: Impact Cubed Spider Diagram comparing all holdings across Alquity portfolios against the MSCI Emerging Markets Benchmark for 14 Impact Indicators as at June 2018. Source: Impact Cubed

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1 Due to the high active share and small-mid cap focus of our portfolios, there is some degree of estimation in the data provided. All estimations are stated clearly and our analysis of their methodology and independent validation from our investment team gives us confidence that the data is meaningful and informative at a portfolio level.
Any data point inside the dark blue circle represents a measure where the Alquity holdings perform worse than the index. Any measure outside the dark blue circle represents a measure where the Alquity holdings perform better than the index. The larger the gap, the better the relative outperformance to the index.

THE 14 MEASURES CAN BE PLACED INTO 4 GROUPS:

1. ENVIRONMENT: covering the measures on carbon, waste and water efficiency. Each calculates the amount emitted/used (in tons or litres for water) by the Alquity holdings versus the Index holdings per unit of revenue.

The data shows that the Alquity holdings are broadly similar on this measure to the index. Whilst not excluding “high risk” industries such as mining and fossil fuels, our portfolios tend to have a lower weighting to these sectors as our focus is on domestically driven growth factors such as consumption and urbanisation rather than global factors such as commodity prices. We do invest in materials businesses (for example, cement manufacturers) that are benefitting from infrastructure growth influenced by urbanisation for example. However, as we have a bias in our portfolios towards small and mid-cap stocks, they don’t benefit from the scale dynamics of the large caps and so the per unit revenue calculation is skewed higher.

2. GOVERNANCE: covering gender equality, executive pay and board independence.

The data shows that we outperform on gender equality and this reflects our focus on the quality of management in our portfolio companies which is often reflected in their diversity. On executive pay and board independence, we score below the index. This we believe again reflects the small and mid-cap make up of our portfolios. These are more likely to include owner-directors whose income reflects equity holdings and also likely to have fewer independent board directors. As you will see later in our KPI section, we do not focus on absolute board independence but more pragmatically on seeking the same level of board independence as available free float. This we believe is sufficient to protect minority shareholders.

3. BUSINESS MODEL: covering industries deemed to do social or environmental good and also contrasting this with companies that are socially or environmentally destructive.

The Alquity investment process is returns focused, so we do not pursue any fixed impact or sustainability objective. The data shows that our holdings have a bias towards industries that help alleviate social issues. These include education, healthcare and building materials. On the other measures, our holdings are similar in makeup to the index which is not unexpected.

4. SOCIETY: covering economic development, water scarcity, employment and tax gap.

The data reflects the focus on Alquity holdings in frontier markets which tend to have lower levels of economic development and employment than the larger emerging markets. In addition, our strong governance and quality of management focus means it is less likely our holdings will pursue aggressive tax mitigation schemes. Finally, we take water scarcity very seriously and track this through our engagement KPIs, which are explained in the next section of the report.

Figure 12 reports the quantitative impact of the total Alquity holdings relative to the MSCI Emerging Markets benchmark on each measure assessed by Impact Cubed. The table also highlights the relevant UN Sustainable Development Goal for each measure.

For both our portfolios and benchmark indices, we review the top 3 contributors and detractors in terms of impact for each of the 14 measures on a quarterly basis. In this way, our ex-ante impact measurement feeds back to the investment process, offering a different perspective on our holdings. The team will judge the materiality of such scores from a risk and return perspective, which may lead to enhanced engagement and changes to our valuations or ratings.
<table>
<thead>
<tr>
<th>Metrics</th>
<th>Fund</th>
<th>Index</th>
<th>Based on company reported</th>
<th>Estimated</th>
<th>SDG Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon efficiency</td>
<td>0.30</td>
<td>0.35</td>
<td>tons of GHG (Scope 1 &amp; 2) emissions per unit revenue</td>
<td>58%</td>
<td>7</td>
</tr>
<tr>
<td>Waste efficiency</td>
<td>1.39</td>
<td>0.87</td>
<td>tons of waste generated per unit revenue</td>
<td>70%</td>
<td>6, 12, 14, 15</td>
</tr>
<tr>
<td>Water efficiency</td>
<td>12.22</td>
<td>19.06</td>
<td>litres fresh water used per unit revenue</td>
<td>54%</td>
<td>6</td>
</tr>
<tr>
<td>Gender equality</td>
<td>17.1</td>
<td>13.4</td>
<td>percentage of women in boards and top management</td>
<td>2%</td>
<td>5</td>
</tr>
<tr>
<td>Executive pay</td>
<td>47.7</td>
<td>35.2</td>
<td>ratio of executive level pay to median employee pay</td>
<td>72%</td>
<td>10</td>
</tr>
<tr>
<td>Board independence</td>
<td>45</td>
<td>48</td>
<td>independent board members</td>
<td>6%</td>
<td>10, 16</td>
</tr>
<tr>
<td>Environmental good</td>
<td>2.1%</td>
<td>2.6%</td>
<td>portfolio allocated to environmental solutions</td>
<td>n/a</td>
<td>most SDGs</td>
</tr>
<tr>
<td>Social good</td>
<td>40.1%</td>
<td>16.3%</td>
<td>portfolio allocated to help alleviate social issues</td>
<td>n/a</td>
<td>most SDGs</td>
</tr>
<tr>
<td>Avoiding environmental harm</td>
<td>4.7%</td>
<td>5.8%</td>
<td>portfolio allocated to environmentally destructive industries</td>
<td>n/a</td>
<td>most SDGs</td>
</tr>
<tr>
<td>Avoiding social harm</td>
<td>2.9%</td>
<td>2.6%</td>
<td>portfolio allocated to industries aggravating social issues</td>
<td>n/a</td>
<td>most SDGs</td>
</tr>
<tr>
<td>Economic development</td>
<td>$7,700</td>
<td>$19,300</td>
<td>median income of portfolio weighted geography of economic activity</td>
<td>n/a</td>
<td>16, 17</td>
</tr>
<tr>
<td>Avoiding water scarcity</td>
<td>2.70</td>
<td>2.62</td>
<td>geographic water use (World Resource Institute scale 0-5 from most to least water scarce areas)</td>
<td>n/a</td>
<td>16, 17</td>
</tr>
<tr>
<td>Employment</td>
<td>6.4%</td>
<td>5.9%</td>
<td>unemployment in portfolio weighted area of economic activity</td>
<td>n/a</td>
<td>1, 8, 11, 12, 16</td>
</tr>
<tr>
<td>Tax gap</td>
<td>1.4%</td>
<td>2.4%</td>
<td>estimated % tax avoided by corporate tax mitigation schemes</td>
<td>n/a</td>
<td>1, 9, 10, 16</td>
</tr>
</tbody>
</table>
TOTAL ENVIRONMENTAL IMPACT

Using the data provided by Impact Cubed on each holding across the Alquity portfolios, we can estimate the total environmental impact of our investments versus the MSCI Emerging Markets Index. The impact is calculated by multiplying the total emissions produced by each holding by its weighting. The table below illustrates the outcomes.

*Figure 13: Total Environmental Impact: Alquity Portfolio vs MSCI EM Index*

<table>
<thead>
<tr>
<th>Measure</th>
<th>MSCI EM Index</th>
<th>Alquity Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG Emissions</td>
<td>8,069m tonnes</td>
<td>833m tonnes</td>
</tr>
<tr>
<td>Waste Produced</td>
<td>8,902m tonnes</td>
<td>6,363m tonnes</td>
</tr>
<tr>
<td>Water Used</td>
<td>292,445m litres</td>
<td>13,686m litres</td>
</tr>
</tbody>
</table>
OVERVIEW

The majority of our engagement and ESG focus is on the issues specific to an individual firm, sector and country, which we believe are of the greatest financial materiality. This engagement is reported each quarter and is an ongoing, important part of our analysis. Further, 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.

Our KPIs are designed as a set of questions we ask each holding and engage on with them over time. Unlike the red flags, these are not pre-requisites for investment but act as an aspirational framework for our engagement activity. In some cases, particularly involving high risk industries, these KPIs may have an associated red flag that has to be met before investment.

KEY PROGRESS INDICATORS (KPIs)

Figure 15 summarises our KPIs, their rationale and which principles of the UN Global Compact they support. A more detailed explanation of each KPI can be found in Appendix 3.

HUMAN RIGHTS

PRINCIPLE 1
Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2
Make sure that they are not complicit in human rights abuses.

LABOUR

PRINCIPLE 3
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4
The elimination of all forms of forced and compulsory labour;

PRINCIPLE 5
The effective abolition of child labour; and

PRINCIPLE 6
The elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

PRINCIPLE 7
Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8
Undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9
Encourage the development and diffusion of environmentally friendly technologies.

ANTICORRUPTION

PRINCIPLE 10
Businesses should work against corruption in all its forms, including extortion and bribery.
KPIs: WHERE WE STAND TODAY

The following charts provide an overview of where we stand today across all our holdings in respect of the KPIs described. With respect to disclosure items, we differentiate between those that publicly report the relevant information and those that have only disclosed it to our investment team upon request. Our engagement objectives are therefore two-fold:

1. **Encouraging adherence**: clearly, we want our holdings to meet our KPIs as described and we engage with them on key material areas to make progress towards these.

2. **Public Disclosure**: we encourage public disclosure of all relevant information so that our holdings can act as role models in their sectors and countries, driving increased transparency and higher standards across their economies.

### Overview

**Figure 16: Percentage of holdings meeting KPIs across all Alquity portfolios. Source: Alquity**

![Percentage of holdings meeting KPIs](image)

Whilst there is room for progress on the above KPIs, there are some additional explanatory factors:

1. GHG emissions and water usage: many industries we invest in have materially low emissions or water usage, such as banks or real estate (not involved in construction). Therefore, whilst disclosure would be the best practice and should be encouraged, it does not affect the investment hypothesis.
Figure 17 below provides more detail on water usage in countries with high water stress.

2. Staff turnover can be commercially sensitive information, which whilst it may be shared with us directly, it is often not shared publicly.

3. Health and Safety policy is again more materially relevant in sectors involving large scale manufacturing or production facilities, rather than traditional office-based environments. We have expanded the data in Figure 17 below for high-risk sectors to provide greater granularity.

WATER STRESSED COUNTRIES

Figure 17: Percentage of holdings with publicly available water usage disclosure in countries with high water stress (defined by a freshwater withdrawal 10x higher than available freshwater resources). Source: World Bank, Alquity

Further analysis of the holdings in the three countries where we have currently have no water usage data shows:

**Tunisia:** We have two holdings. SAH Lilas, which produces paper-based household products and employs very little water in its production processes, and Delice, which produces fresh dairy products. Delice provides a lot of support and training to farmers to increase their yields. This includes water management in indirect ways (capital investment to reduce water usage). Moreover, in 2014, as part of a 420mn TND investment plan over 10 years, the company bought new machines to double production while decreasing energy and water consumption by 25% in one of their plants. We are therefore confident that water usage is a management focus and are engaging with them to encourage more disclosure.

**Morocco:** We have three stocks, only one of which is a major water user; Brasserie du Maroc. The firm produces and sells a range of beverages and in our engagements with management, they have confirmed that they track water usage and provided us with the data. We are now engaging with them to include this within the normal public company disclosures. They also meet all local standards for water use and management.

**Philippines:** We own a bank, air-conditioning manufacturer and retailer, all of whom use relatively little water in their facilities and disclosure has minimum material impact. We continue to engage with them on the subject, but this is a lower priority than other KPIs that are more material to the investment hypothesis.

We also see significant room for progress on water use reporting in other key countries such as Egypt and India. Our investment team are proactively engaging our holdings in this area.

COUNTRIES WITH A HIGH RISK OF CORRUPTION

Figure 18: Percentage of holdings with a Whistleblowing Policy in a high corruption risk country (Defined as those countries below median position is the Transparency International Corruption Perception Index). Source: Transparency International, Alquity

We currently have 5 stocks in Vietnam and Bangladesh, of which two have a whistleblowing policy (both are banks). We are currently engaging with Masan (Vietnam) and they have created a “corporate governance enhancement consulting group” which have made recommendations on anti-corruption policies.
We are also currently engaging with Nam Long (Vietnam) and they have IFC as a long term strategic partner which provides additional comfort. Finally, Marico Bangladesh are a 90% separately listed subsidiary of the parent group called Marico. They have a whistleblowing policy and we are engaging with them to ensure they also apply this to the subsidiary.

HEALTH AND SAFETY POLICIES IN HIGH RISK INDUSTRIES

Whilst all our high-risk industry holdings achieve our KPI on health and safety policies, some still do not disclose them publicly and we were able to confirm adherence only via engagement.

VMART
Clothing retailer, India
Current ESG Rating: B

Vmart is a clothing retailer with 150 stores in Northern India. Since we first met with the company we have engaged with them on the transparency and provenance of their products through the supply chain to ensure the production facilities did not engage in unethical labour practices, such as forced or child labour or providing substandard materials. The recent scandal involving Welspun, an Indian cotton producer that lost 50% of its market value for falsely claiming their products were made from Egyptian cotton, shows the potential financial impact of poor supply chain management. Vmart now undertakes surprise audits of their suppliers’ factories whereas before our engagement they relied upon a self-certification “trust” policy. This approach clearly supports principle 4 and 5 of the UN Global Compact.

VIETCOMBANK
Retail banking, Vietnam
Current ESG Rating: C

In frontier countries, many regulatory and governmental institutions are in their early stages of development, so there is a greater emphasis on management to set behaviour standards and maintain oversight. In our engagement with Vietcombank this has manifested itself in numerous ways. Firstly, management’s attitude towards disclosure and protecting minority shareholders. For example, their desire to increase the number of independent board directors and the high levels of transparency we experienced in face-to-face meetings. Secondly, by incorporating a consideration of environmental impact within its lending policies. Not only does this promote greater environmental responsibility but also improves the quality of its loan book, which is one of the reasons behind their substantial out-performance versus peers. Vietcombank are strong role models for principles 9 and 10 of the UN Global Compact.
STRATEGIC ENGAGEMENT

In addition to the KPIs, we continuously track the ESG performance of holdings in the portfolio on a wide range of issues and engage with management when required. We do this both to help shape our overall assessment of the business, and to manage specific ESG related risks and opportunities.

Items we would like to see improved over time, and commitments made by management to enhance their ESG practices, are recorded in the “Engagement” section of our stock notes. These areas of improvement and commitment are reviewed on a regular basis when the investment team interact with the management of these companies. These notes can be made available to investors upon request.

There is increasing evidence that the Alquity approach to ESG integration and engagement driven by the investment team on material issues has tangible benefits. A recent study commissioned by the PRI and produced by Cass Business School in London identified three aspects of engagement that drove value for investors:

1. **Communicative value**: by making their engagement objectives, expectations and desired form of success clear to companies upfront it improves communication. Communicative value can also be increased through improved public transparency and disclosure – and hence social accountability – of how engagement processes are initiated, executed, managed, monitored and evaluated.

2. **Learning value**: if investors strengthen the feedback loop between new ESG information and knowledge gained through engagement, and their main ESG integration databases and decision-making processes.

3. **Political benefits**: these can be derived through balancing individual and collective forms of engagement to create and maintain long-term relationships with investee companies.

All the above are fundamental aspects of the Alquity approach.

PROXY VOTING

Exercising our voting rights is an important aspect of Alquity’s investment process, as we must ensure our interests as minority shareholders are well represented. As research-driven investors, we approach our proxy voting responsibilities with the same commitment to rigorous research and engagement that we apply to all our investment activities. We systematically vote on all relevant issues at company meetings where we have the authority to do so.

We subscribe to the proxy research services provided by Institutional Shareholder Services (“ISS”). The invitations to vote are monitored and exercised by the investment team on a weekly basis. When we have insufficient information to cast our vote, we will engage where possible with the management of the company to get more insight and make an informed decision. We maintain records of all proxy voting decisions in a format which will allow the dissemination of this data to clients.

**PROXY VOTING STATISTICS**

*Figure 20: Combined voting against management statistics for all Alquity portfolios. 12 months to 30 June 2018. Source: ISS*

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td>31%</td>
</tr>
<tr>
<td>Reorg. &amp; Mergers</td>
<td>3%</td>
</tr>
<tr>
<td>Controls</td>
<td>9%</td>
</tr>
<tr>
<td>Independence</td>
<td>38%</td>
</tr>
<tr>
<td>Routine/Business</td>
<td>19%</td>
</tr>
<tr>
<td>Insufficient controls on issuing stock</td>
<td></td>
</tr>
<tr>
<td>Insufficient Board Independence</td>
<td></td>
</tr>
<tr>
<td>Lack of information</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Votes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of votes</td>
<td>1,475</td>
</tr>
<tr>
<td>Number of votes With Management</td>
<td>1,283</td>
</tr>
<tr>
<td>Number of votes Against Management</td>
<td>154</td>
</tr>
</tbody>
</table>

The data reflects our approach to exercising our voting responsibilities whenever possible (there are occasions when voting can only be conducted in person on a set date, which we
are unable to meet). When able to, we vote with management approximately 90% of the time and this reflects our in-depth assessment of the quality of management and their alignment with minority shareholders. When we do vote against management, this is based upon an assessment of the available information and as you will see from the example below, when possible, we try and engage with the company to clarify the situation before making a final voting decision.

“As research-driven investors, we approach our proxy voting responsibilities with the same commitment to rigorous research and engagement that we apply to all of our investment activities.”

PROXY VOTING EXAMPLE

ORIENTAL WEAVERS
Manufacturing, Egypt
Current ESG Rating: C

We actively engage in our voting responsibilities both through ISS and independently. ISS provide a thorough approach; however, we will not hesitate to vote against their policy where appropriate. Recently, they recommended voting against five proposals at the AGM for Oriental Weavers, an Egyptian rug manufacturer in our Africa Fund. The proposals ranged from Director remuneration to Related party transactions. We engaged directly with the company on each of the proposals through our personal contacts in the business. They provided detailed and satisfactory answers to all our enquiries. In this case, armed with this first-hand information, we went against ISS recommendations and voted with management on each proposal.
TRANSFORMING LIVES: TAKING RESPONSIBILITY FOR THE UN SDGS

OVERVIEW

The use of ESG in our investment process sits alongside our transforming lives activities. Recognising that the corporate sector is only a part of the economy, we set aside a minimum of 10% of our revenues for social mobility and development projects in the regions in which we invest. Collectively, responsible investment and this development work focused on financial inclusion, support economic opportunity for all. Moreover, they create a “virtuous circle” for investors, sowing the seeds for future growth.

THE ALQUITY TRANSFORMING LIVES FOUNDATION

The Alquity Transforming Lives Foundation (the Foundation) is a UK registered charity (Number: 1162494) that distributes the revenues set aside by the Alquity business through grants to charities in the regions in which the Alquity funds invest. The focus of the Foundation is on social and economic challenges that changes in corporate behaviour alone cannot address. In so doing, the Foundation grants help develop fairer, more sustainable economies that deliver inclusive long-term growth. Specifically, the Foundation focuses on:

- Providing access to formal education and employment
- Targeting sections of the community discriminated against or excluded due to social norms and pressures
- Providing support and access to finance to overcome poverty traps and help responsibly run small and medium enterprises to scale and create employment opportunities.

The above focus enables the Foundation to directly contribute to the following UN Sustainable Development Goals (SDGs):

- **SDG 4: Quality Education**: obtaining a quality education is the foundation to improving people’s lives and sustainable development.
- **SDG 5: Gender Equality**: achieve gender equality and empower all women and girls
- **SDG 8: Decent Work and Economic Growth**: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- **SDG 10: Reduced Inequalities**: Reduce inequality within and among countries

The Foundation is governed separately from the Alquity business. The board of trustees consists of independent charity and business impact experts alongside Paul Robinson, Chairman of Alquity and Chris Wehbe, Alquity CEO. Full details of the current Board of Trustees are available on the Foundation website (www.alquityfoundation.org).

DONATIONS GENERATED

"In total, Alquity has generated US $1.75m in donations and currently the business generates approximately US $1,500 of donation every working day."

Source: Alquity Transforming Lives Foundation. Daily donation calculated using current donation accrual rate from existing assets under management as of 30 June 2018.
MEASURING LIVES TRANSFORMED

As the Foundation supports a range of projects in different regions, it takes a pragmatic approach, leveraging the expertise of its charity partners alongside its own monitoring and evaluation process to amalgamate the numbers into meaningful measures that are comparable and transparent.

The Foundation uses two key metrics to assess projects, both or just one may apply:

1. **Direct Lives Transformed:** We define a “life transformed” as one where the intervention has made a significant, tangible and lasting improvement in the life and future prospects for that individual. This is defined with specific metrics for each project. For large projects, we expect representative sample data to enable us to confidently state the number of lives transformed.

2. **Indirect Lives Impacted:** We define a “life impacted” as one where the intervention has directly or indirectly improved the life or future prospects for that individual. We will define this for each project along with metrics already provided by the charity partner.

We combine these numbers to give a total figure for the foundation.

The Foundation is currently developing a third metric, which has been provisionally called **Economic Value Released (EVR).** Our impact premise is that we are creating the opportunities for individuals to deliver the latent potential in themselves and the community in which they live, which otherwise would have remained untapped. The EVR will be expressed in USD. The intention is for this metric to be calculated directly from the “lives transformed” number but may also include other network effects (i.e. the sum of the whole may be more than that of the individual parts). The Foundation is actively working with existing charity partners to define and measure the EVR for their projects. For example, our charity partner Shivia provides training and poultry development toolkits to rural villagers in Northern India. We have recently calculated that our donation of £10,000 will provide 925 toolkits, which will (based upon their historical impact) release an estimated £24,960 of economic value over two years, transforming 135 lives directly and 675 indirectly.

It is critical for the Foundation that all the metrics reported are evidence-based and represent an accurate assessment of the impact of the projects. All projects are established with phased targets that are tracked; with any significant divergence addressed directly with the charity partner.

**OUR IMPACT METRICS**

As at end of June 2018:

<table>
<thead>
<tr>
<th>Direct lives transformed</th>
<th>Indirect lives impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,771</td>
<td>40,942</td>
</tr>
</tbody>
</table>

**Total: 60,713**

**OUR CURRENT PROJECTS**

From the table below, you will see that we have supported a range of projects. Some are focused on deep engagements with “at risk” individuals to provide them with the assistance and finance to reintegrate into society and play meaningful roles. These interventions can take several years and have a higher relative cost however, the outcomes are more economically active individuals who are also committed to giving back and supporting others. Other projects are less intensive and cover larger groups. They provide the impetus for individuals which leads to a general improvement in their own and their dependents situation. Whilst this helps many out of poverty, further support is subsequently required to help them make a sustainable change.

More details are provided on each project in the fund summaries in the Appendix and can be found on the foundation website: www.alquityfoundation.org
### Table of current projects supported by Alquity

<table>
<thead>
<tr>
<th>Charity Partner</th>
<th>Location</th>
<th>Activity</th>
<th>Donation</th>
<th>Target Lives Transformed (Direct)</th>
<th>Target Lives Transformed (Indirect)</th>
<th>SDG Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afrikids</td>
<td>Ghana</td>
<td>Employability</td>
<td>£17,220</td>
<td>45</td>
<td></td>
<td>4 and 8</td>
</tr>
<tr>
<td>Hand in Hand</td>
<td>Kenya</td>
<td>Microfinance</td>
<td>£15,000</td>
<td>240</td>
<td>220</td>
<td>4 and 8</td>
</tr>
<tr>
<td>Amantani</td>
<td>Peru</td>
<td>Employability</td>
<td>£12,951</td>
<td>20</td>
<td>32</td>
<td>4, 8 and 10</td>
</tr>
<tr>
<td>Shivia</td>
<td>India</td>
<td>Entrepreneurship</td>
<td>£10,000</td>
<td>135</td>
<td>675</td>
<td>5, 8 and 10</td>
</tr>
<tr>
<td>Reach</td>
<td>Vietnam</td>
<td>Employability</td>
<td>£32,234</td>
<td>71</td>
<td>0</td>
<td>4, 8 and 10</td>
</tr>
</tbody>
</table>

---

**CASE STUDY:** PARTNERSHIP WITH AMANTANI

**SUPPORTING YOUNG PEOPLE FROM A RURAL COMMUNITY IN PERU**

**HECTOR**
Pathway to Employment

**Partner:** Amantani (Peru)

Having grown up in a difficult family situation, Hector was shy and had trouble socialising with other young people. His father is a tailor and from a young age Hector supported the family trade, earning an infrequent income repairing clothes for his friends and neighbours.

Through the programme’s support, he realised that his tailoring skills were a huge asset. As a result, he decided to study textile design. With Amantani’s support, Hector prepared tirelessly for the admissions exam where he came 5th out of 200 applicants and began his course at the well-respected SENATI practical training institute in Cusco.
APPENDIX

APPENDIX 1: ALQUITY RED FLAGS

We have defined the following red flags for all investments. Presence of any one of the red flags below would automatically disqualify a stock from our portfolios.

<table>
<thead>
<tr>
<th>ESG Factor</th>
<th>Red Flag</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>Any high-risk industry holding where either no data is publicly available on emissions or they do not provide this to us when requested.</td>
<td>By definition, high risk industries will be energy intensive, so we see action on emissions as a materially critical business priority.</td>
</tr>
<tr>
<td>E</td>
<td>Any holding using significant volumes of water in the production process not reporting water usage or communicating a commitment to reduce water usage.</td>
<td>For stocks using water intensive production processes, we see action on water conservation and recycling as a materially critical business priority, especially if the production location is additionally water-stressed.</td>
</tr>
<tr>
<td>S</td>
<td>Any high-risk industry holding without an H&amp;S policy (this will also be extended to other sectors such as food production at the discretion of the portfolio manager).</td>
<td>Safe working conditions are a basic human right that must be maintained always. Accidents, fatalities and contaminated products can damage business profitability irretrievably.</td>
</tr>
<tr>
<td>S</td>
<td>All companies with greater than 5% of revenues or profits attributed to tobacco, narcotics, armaments, adult entertainment, gambling or liquor.</td>
<td>We do not share the social and business values of management prepared to operate in sectors that produce products proven to be unethical and/or directly contribute to material social harm.</td>
</tr>
<tr>
<td>G</td>
<td>No audited accounts or auditor not independent from business</td>
<td>We are unable to have confidence on the accuracy and independent validity of the financial information supplied.</td>
</tr>
<tr>
<td>G</td>
<td>Holding doesn’t meet investors or arrange regular open-access calls.</td>
<td>We are unable to assess management capability or values and risk that our investment will be subjugated to the interests of other “privileged” shareholders.</td>
</tr>
<tr>
<td>G</td>
<td>No transparency on identity of majority shareholders.</td>
<td>We are unable to confirm the motivations and intentions of controlling shareholders that could make decisions not in our interests as minorities.</td>
</tr>
</tbody>
</table>
**APPENDIX 2: ESG RATING CRITERIA**

<table>
<thead>
<tr>
<th>Alquity ESG rating</th>
<th>Description of company achieving this rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td>High risk industry demonstrating global best practice performance in ESG. Lower-risk industry demonstrating regional best practice in ESG.</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>High risk industry demonstrating regional best practice in ESG. Lower risk industry with satisfactory ESG performance, in-line with or better than regional peers, and with a credible intention to improve communicated to Alquity fund manager.</td>
</tr>
<tr>
<td><strong>C</strong></td>
<td>High risk industry with satisfactory ESG performance, in line with regional peers, but demonstrating a meaningful commitment to improve. Lower-risk industry with satisfactory ESG performance, in-line with or better than regional peers, but with no credible intention to improve.</td>
</tr>
<tr>
<td><strong>D</strong></td>
<td>High risk industry with unsatisfactory ESG performance but with a credible intention to improve communicated to an Alquity fund manager. Lower-risk industry with unsatisfactory ESG performance and no intention of improving.</td>
</tr>
<tr>
<td><strong>E</strong></td>
<td>High-risk industry with unsatisfactory ESG performance and no intention of improving</td>
</tr>
</tbody>
</table>

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

*Lower Risk Industry*: all other industries within the Alquity investable universe.
ENVIRONMENTAL

Our objective is to focus on two specific aspects of the environmental impact of the holdings in our portfolio. Firstly, the efficiency with which they operate. Here we are specifically concerned with metrics such as carbon emissions, water usage and waste generated per unit of production.

Secondly, the materiality of the above in relation to the future sustainability of the business. For example, for a manufacturing business carbon emissions or water usage may have a significant impact on its cost of production and where a resource is limited, its viability. However, for a bank, its emissions may be negligible, but we would seek to assess their lending policies to assess any risks to their loan book from environmental impacts. We focus our emissions analysis on companies in the following sectors: Industrials, Materials, Oil and Gas and Utilities.

Our environmental objectives support Principles 7, 8, and 9 of the UN Global Compact:

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: Undertake initiatives to promote greater environmental responsibility; and
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Environmental Impact Measures

Where environmental impact is a material factor to a business’s future, we seek to assess their GHG Emissions. Any changes in emission rates are discussed with management, including their plans to minimise and/or reduce these.

Where water is a component of the production process, we seek data on mitigation efforts, fresh water usage and recycling.

SOCIAL

Our objective is to ensure our holdings look after their employees and communities which will in turn lead to lower turnover (reducing costs) and more motivated, skilled and engaged staff (increasing productivity). At a minimum, holdings must provide safe and dignified labour conditions for their employees.

Our social objectives are closely aligned to the UN Global Compact principles 3, 4, 5, and 6:

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Social Impact Measures

To assess the social impact of our investments, we track whether they have the following:

1. A formal health and safety policy for all their employees.
2. Staff Training Plans covering all areas including for example legislative, health and safety and skill certifications.
3. Staff turnover publicly reported
4. Equal Opportunities Policy in place

GOVERNANCE

In relation to governance, our clear objectives are to ensure that our investments operate with integrity and adhere to their legal duties in the markets they serve. It also provides comfort that the business is being managed for the long-term interests of all its stakeholders rather than to benefit a specific group.

Our Governance objective directly support Principle 10 of the UN Global Compact:
• Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

**Governance Impact Measurement**

We specifically measure the impact of our governance assessment using three metrics.

Firstly, the existence of an anti-corruption/whistleblowing policy. We believe that ensuring one exists, provides comfort that there is a clear framework within which employees can operate ethically.

Secondly, we track the proportion of board directors that are independent. Independent directors must not have any relationship with the company or related person, except the fees paid for carrying out their duties.

Finally, we encourage all holdings to disclose management remuneration publicly.
APPENDIX 4: IMPACT CUBED METHODOLOGY AND DISCLAIMER

METHODOLOGY NOTE

IMPACT GRAPH

The impact graph shows the size of the portfolio’s exposure to each impact measure. It’s a single visual designed to help the viewer quickly understand where a particular fund’s strengths lie.

How to read the impact graph

1. The symmetrical grey circle in the middle of the graph represents the benchmark.

2. The (usually more irregular) bright blue line shows the fund’s measure exposures relative to its benchmark’s exposures.

We use standard deviations of each measure to unify the scale in the impact graph.

If the circular and irregular lines were exactly the same, it would mean that the portfolio is tracking the benchmark closely on every impact measure.

When parts of the blue line (which represent the portfolio) are outside the benchmark circle, in the coloured area, that indicates a positive impact. The further they are outside the benchmark circle, the bigger the active exposure of the fund to that particular impact measure. When the blue line falls inside the benchmark circle, this indicates that it has negative active exposure to an impact measure. For example, in the sample graph above, the sample portfolio allocated more capital to companies with highly paid male executives than the benchmark.

All the measures used in the model are positive indicators, meaning that the fund line falling outside the benchmark circle is always a positive. By looking at the graph, we can quickly tell how the positive and negative areas either side of the benchmark circle compare to each other in terms of size (summarized in the single impact number), and how the fund’s impacts are distributed between the different measures.

For example, if you were looking at a best in class governance quality fund, you would want to see the blue line outside the benchmark circle for Board independence, Executive pay and Gender equality, in the purple coloured section of the graph, whereas someone looking for an environmentally focused fund would want to see strong exposures in carbon, waste, water, and water scarcity.

Our benchmarks

The benchmarks used on the Investment Impact Model website are calculated in-house to represent 90% of the investable universe. We use regional classification following standard industry practice. Clients subscribed to the full version of the tool may provide their own benchmarks, both bespoke and industry standard.

From our experience, using various versions of a capitalization weighted index rarely materially changes the benchmark impact measures.

Our impact measures

Our 14 impact measures have been chosen to span the sustainability space where relevant to listed assets. We focused on outcome indicators, choosing broadly accepted measures of sustainability which can be collected or confidently estimated for a global universe of companies based on publicly available data. We group them into four categories:
This page contains a visualization of the impact of the portfolio grouped not by impact measure, but by SDG. We map our 14 impact measures to the SDGs. Owing partly to the cross-stakeholder nature of the SDGs, there are hardly any one-to-one matches and usually multiple impact measures are relevant to one SDG. For each SDG, we calculate the maximum achievable impact across these measures for a global universe of companies. We then show the portfolio’s SDG impact on the graph as a proportion of this maximum achievable impact. The faded-out portion of the bar is the gap between impact achieved and impact that is possible.

**Estimated data**

This is the percentage of positions by weight in the portfolio that did not report the data we use to calculate a measure. We fill gaps in company reporting with proprietary estimation models and run quality checks on reported data to identify outliers. In rare instances, the numbers reported by companies are completely implausible and we replace them with estimations, as these are more reliable. We disclose the percentage of reported data for transparency, and because it is a simple and commonly recognized metric to understand how much of the data comes directly from companies and how much relies on estimation.

**FUND IMPACT MEASURES**

This section reports the raw data in terms of impact vs. the benchmark, measure by measure. For example, for Executive pay we will show the weighted average of the ratio of top management pay over average employee pay for the fund and the benchmark side by side. The standardized difference in these values is what is plotted on the impact graph.

### Table of Impact Measure

<table>
<thead>
<tr>
<th>Environment</th>
<th>Governance</th>
<th>Business Model</th>
<th>Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon efficiency</td>
<td>Gender equality</td>
<td>Environmental good</td>
<td>Economic development</td>
</tr>
<tr>
<td>Waste efficiency</td>
<td>Executive pay</td>
<td>Social good</td>
<td>Avoiding water scarcity</td>
</tr>
<tr>
<td>Water efficiency</td>
<td></td>
<td>Environmental harm</td>
<td>Employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social harm</td>
<td>Tax gap</td>
</tr>
</tbody>
</table>

**Figure 23 : Table of Impact Measure**

- **Carbon efficiency**: Tons of scope 1 and 2 greenhouse gas (GHG) emissions per unit revenue
- **Waste efficiency**: Tons of waste generated per unit revenue
- **Water efficiency**: Tons of fresh water used per unit revenue
- **Gender equality**: Proportion of women on the company board and in its top management
- **Executive pay**: Ratio of top management pay (CEO and top executives where available) to the pay of average employees
- **Board independence**: Proportion of independence directors on company board
- **Environmental good**: % Revenues from products and services categorised as environmental solutions according to the UN SDGs
- **Social good**: % Revenues from products and services categorised as alleviating social issues according to the UN SDGs
- **Environmental harm**: % Revenues from products and services causing environmental harm according to the UN SDGs
- **Social harm**: % Revenues from products and services aggravating social issues according to the UN SDGs
- **Economic development**: Economic activity in geographies with low median income
- **Avoiding water scarcity**: Degree of water scarcity in geographies where companies consume fresh water
- **Employment**: Unemployment rate in geographies where companies employ workers
- **Tax gap**: Gap between reported tax paid and statutory tax rates in company geographies of operations
CONTACT US
If you have questions about the Investment Impact report, or you would like to discuss the model and its application with us further, we will be happy to hear from you at info@impact-cubed.com.

ABOUT IMPACT-CUBED
Impact-Cubed measures Investment Impact in terms of sustainable development for any portfolio of listed securities.
Understanding, measuring and managing investment impact facilitates cheaper access to capital for more sustainable companies, and with that, encourages a flourishing planet.
Impact-Cubed was originally used to measure investment impact in-house by Auriel Equity Investors LLP. It was spun off as a separate company (currently seeking B-Corp Certification in the UK) in summer 2017 with the intention of becoming a self-sustaining service to the investment community.
It is our hope that this service helps investors make informed decisions about the way they allocate capital, by shedding light on the varying levels and areas of impact delivered by different investment funds.

DISCLAIMER
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This Document is qualified in its entirety by the information contained in the Fund’s prospectus and other operative documents (collectively, the “Offering Documents”). Any offer or solicitation may be made only by the delivery of the Offering Documents. Before making an investment decision with respect to the Fund, prospective investors are advised to read the Offering Documents carefully, which contains important information, including a description of the Fund’s risks, conflicts of interest, investment programme, fees, expenses, redemption/withdrawal limitations, standard of care and exculpation, etc. Prospective investors should also consult with their tax and financial advisors as well as legal counsel. This Document does not take into account the particular investment objectives, restrictions, or financial, legal or tax situation of any specific prospective investor, and an investment in the Fund may not be suitable for many prospective investors.

An investment in the Fund is speculative and involves a high degree of risk. Performance may vary substantially from year to year and even from month to month. Withdrawals/redemptions and transfers of interests are restricted. Investors must be prepared to lose their entire investment, and without any ability to redeem or withdraw so as to limit losses.

References to indices herein are for informational and general comparative purposes only. There will be significant differences between such indices and the investment program of the Funds. The Fund will not invest in all (or any material portion) of the securities, industries or strategies represented by such indices. Comparisons to indices have inherent limitations and nothing herein is intended to suggest or otherwise imply that the Fund will, or are likely to, achieve returns, volatility or other results similar to such indices. Indices are unmanaged and do not reflect the result of management fees, performance-based allocations and other fees and expenses.

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.

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Swiss Representative: FIRST INDEPENDENT FUND SERVICES LTD., Klausstrasse 33, 8008 Zurich.
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