ALQUITY INVESTMENT PROCESS

A Forward-Looking Approach to Investments

LIFE CHANGING INVESTMENTS
opportunity
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Alquity is an asset management business that connects investors to their investments and social progress in order to deliver better financial outcomes for all.

Our funds target attractive returns, defined as risk-adjusted performance in the top quartile of our peer group and ahead of relevant market indices over the long-term (3-5 years), via a high conviction, fundamentally driven process.

This approach emphasises not only macro analysis and financial valuation but also Environmental, Social and Governance (ESG) factors to assess management quality, operational excellence and firm values. This results in “quality growth” focused portfolios that monetise long-term themes via transparent companies, with effective management who are aligned with shareholders.

Alquity funds are therefore responsible by construction, targeting consistent out-performance whilst contributing to long-term development. This philosophy resonates across the broader business; we encourage fund manager engagement and are happy to share our analysis.

Further, we recognise that responsible investment alone is not sufficient to engender social progress. Therefore, at the corporate level we donate a proportion of our management fees to development projects in the regions in which we invest. In this way, our business aligns the incentives and values of investors, employees, holdings and communities.

We believe these shared investment values are key to achieving enduring financial success.
Alquity portfolios do not follow benchmarks. As such, we do not dilute the ability of our managers to add value or restrict our exposures to large multinationals driven by global factors. Rather, we focus on the wider universe of listed companies with a minimum USD 100m market capitalisation.

**CORE THEMES**

Finding firms that are well positioned

We are interested in companies that can deliver a meaningful return to shareholders over the next 3-5 years. Our first stage filter is to refine the broader universe to those firms we consider **best positioned**. We do this via 3 core themes:

At a **macro level**, identifying the sectors or sub-sectors within particular countries with:

1. **Monetizable Structural Growth** – Underlying drivers that are best positioned to deliver growth over our investment time horizon.

This means having not only positive fundamental impetuses, such as urbanisation, demographic aging or technology adoption, but also the right institutional conditions, including legal framework, monetary and fiscal policy, to turn potential into financial return.

2. **Favourable Cycliclal Positioning** – Characterised by:
   - **Broad Economy** = Improving soft and hard data time series and incremental monetary and fiscal policy accommodation.
   - **Sector Specific** = Troughs in margins/earnings time series and demand/supply/utilisation relationships.

We achieve this via ongoing desk based and on the ground analysis by the investment
team, as summarised by our weekly “Global Market Update” for clients. The lead portfolio managers then use this work to set the bottom-up research agenda, with a formal review each month at the multi-regional strategy meeting.

At a micro level, identifying individual companies that are uniquely positioned for growth on the basis of:

3. **Sustainable Competitive Advantage** – Company level economic moat derived from product differentiation, pricing power, strategic assets and lower cost of production on a forward looking basis including factors such as:

- **Market share**: in top segment of the industry or sub-sector
- **Profitability**: track record higher than peer group (EBIT %, ROIC, ROE, NIM)
- **Balance Sheet**: track record of consistent balance sheet strength (working capital, Net Debt/EBITDA, NPLs, credit costs, CAR, free cashflow generation).

This pool of stocks is built up over time from continual company meetings, conferences and our fundamental research.

Therefore, every stock we take forward has the potential to monetise one or more of our core themes.

**BASIC FUNDAMENTALS**

Within this set of attractively positioned companies, we screen based on headline metrics/observations in the context of the particular core theme. This covers basic financials, the business model and valuation. We do not carry out further analysis on those stocks that fail this sanity check.

**ESG, TRANSPARENCY AND MATERIAL NON-FINANCIAL FACTORS**

Finding firms that are also well managed

Having refined the investable universe to those companies that we consider best positioned, and with no headline impediments, we seek to establish which are sufficiently well managed to monetise their opportunity and mitigate risk.

<table>
<thead>
<tr>
<th>Alquity ESG rating</th>
<th>Description of company achieving this rating</th>
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<td>A</td>
<td>High risk industry demonstrating global best practice performance in ESG</td>
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<td>High risk industry with unsatisfactory ESG performance but with a credible intention to improve communicated to an Alquity fund manager</td>
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<td>Lower risk industry with unsatisfactory ESG performance and no intention of improving</td>
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<td>E</td>
<td>High risk industry with unsatisfactory ESG performance and no intention of improving</td>
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**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.

Having established those companies of interest, which we believe to be both well positioned and well managed, we seek to quantify the attractiveness of each firm on the basis of risk adjusted return potential on a 3-5 year time horizon.

In particular, our valuation:

- Relies on a detailed financial analysis of the company’s annual reports and meeting with management approximately 2x per year.

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**STAGE 2: QUANTIFY**

**DETERMINING CONVICTION**

**Figure 2: Alquity ESG Ratings**
• Integrates each preceding stage of the process; core themes and ESG analysis informing our assumptions. In this way, we are interested not only in the absolute standard of “ESG quality”, but also the ability of a firm to improve its judgement, communication and efficiency over the next 3-5 years.

• Works on a scenario basis (building a base case and understanding the potential variance around this central thesis), which combine to determine our conviction over risk-adjusted returns.

What we look for in a company...

| Transparency          | • Access to management                  |
|                      | • Disclosure levels on websites and in accounts |
|                      | • Detailed ESG policies and reporting   |
|                      | • Culture of openness and honest engagement with shareholders |
| Governance           | • Number of independent directors, and the extent of that independence |
|                      | • Related party transactions           |
|                      | • Use of cash and equity raising track record |
|                      | • Accounting, remuneration and staff incentivisation policies |
|                      | • Reputable auditors                   |
|                      | • Capital structure and treatment of minority shareholders |
|                      | • Succession planning                  |

| Environment and society | • Environmental track record, current standards and practices and forward looking strategy |
|                        | • Efficient and appropriate usage of energy and water |
|                        | • Health and safety polices, practices and track record |
|                        | • Monitoring and standards of supply chain |
|                        | • Staff and client satisfaction and retention |
|                        | • Social and anti-discrimination policies |

| External checks | • ESG rating agencies including MSCI |
|                | • Web and news agency searches |
|                | • ISS voting recommendations |
|                | • Global benchmarking |
|                | • Global sustainability and accounting initiatives |
|                | • Site visits by Alquity and trusted contacts |

Figure 3: ESG Analysis Criteria

STAGE 3: MANAGE
PORTFOLIO CONSTRUCTION AND ONGOING MANAGEMENT

Our investment process means that we only invest in companies with long-term growth potential, where we have clear line of sight and share investment values with management. As such, our conviction is significant. Moreover, we do not follow benchmarks and our portfolios are therefore very different to major indices and many of our peers. Instead, we construct diversified but focused portfolios by basing allocations entirely on this conviction, within the framework of our risk limits. This is to say, we bring together our macro, financial and non-financial analysis to structure the portfolio subject to reasonable and consistent diversification.

The risk limit framework is designed to give investors a well-rounded exposure. Please see the investment rules and guidelines on Page 9 for precise details.

Portfolio managers, and the investment committee, further consider the portfolio in terms of exposure to underlying risk factors to ensure there is a variety of underlying themes at play.

This process is ongoing, with each position continually questioned to ensure the investment thesis continues to hold. Further, those companies that we have identified as well positioned and well managed, but where (on a valuation basis) we have insufficient conviction to add to the portfolio, make up a “watch-list” for integration at a future date should market pricing or their fundamentals evolve. Formally, portfolio management is supported by monthly stock note meetings, where team members present a stock under their coverage for challenge and learning, a monthly data pack, with detailed quantitative analysis to offer an alternative view of the portfolio and a quarterly investment committee meeting that centres on the quality of application of the process and decision making.
The outcome of the process is highly differentiated portfolios, which give an actively managed and focused exposure.

Via our focus on quality, we expect to deliver high risk-adjusted returns, with below average volatility.

From a sector perspective, we expect to be biased towards those industries that benefit from long-run economic development and we will not hold companies with business practices that are fundamentally inconsistent with our process.

This includes companies with over 5% of revenues or profits in their most recent financial report attributed to:

- Tobacco
- Liquor
- Gambling
- Narcotics
- Adult entertainment
- Armaments

Our portfolios are therefore responsible by construction.
INVESTMENT RULES & GUIDELINES

Please note that the rules stated in the Prospectus for the Alquity SICAV and those within UCITS documentation are the definitive investment rules for all funds. The following investment rules and guidelines are purely for indicative purposes and should not be seen as exhaustive.

INVESTMENT INSTRUMENTS

Asset Allocation

The Alquity funds are equity focused and will almost always be invested exclusively in the equity asset class.

A maximum 33% of the portfolio may be allocated to fixed income, money market instruments and other transferable securities listed on regulated markets. Typically, this will be in the form of bonds, where equity type returns are available and this enhances the risk adjusted profile of our investments.

Derivatives may be used to generate income by selling covered calls and, in rare circumstances, for protection and hedging.

Futures are used for efficient portfolio management.

The funds are generally expected be fully invested, but up to 10% of the portfolio can be held in cash. In extreme circumstances, funds can hold cash balances over 10% for up to 23 days, with Board approval required to extend the period.

Universe

The funds may invest in eligible assets listed on regional stock exchanges and stocks listed on non-regional stock exchanges if > 50% revenue/profit is generated in the region, or is expected to do so in near future.

PORTFOLIO COMPOSITION

Issuer Concentration

- A maximum of 10% in a single issuer
- The sum of all holdings greater than 5% must be less than 40%
- The sum of related companies, i.e. a holding company and its subsidiary may not exceed 20%

Number of Positions

Between 20 and 50 per fund.

Overdraft Facility

Allowed to be overdrawn up to 10% of AUM temporarily.

Country Exposure

- Africa
  - Maximum 75% each
- Asia/Latin America
  - Maximum 50% each
- Future World
  - Maximum 50% each
- Indian Subcontinent
  - Unconstrained

Sector/Industry Exposure (based on MSCI GICS®)

- Max 40% exposure to any single industry
- Max 60% exposure to any single sector

Unlisted Securities and Investments with Leverage

- No physical commodities, physical real estate, underwriting, warrants (P-Notes not included as these are listed and do not have leverage), loans, guarantees, uncovered sales, private equity
- Up to 10% allowed in transferable unlisted securities

Securities Lending

Over time, we may use stock lending to enhance investor returns. However, this is not currently undertaken and investors would be advised in advance.

CAPACITY

Given our expectations for the markets in which we invest, we anticipate the capacity of our fund range and strategy to be in the order of USD 500m per sub-fund.

Capacity is reviewed by assessing maximum potential AUM of our current universe according to:
• Our internal liquidity limits, and estimates for market growth.
• Market size such that no holding would represent greater than 10% of the outstanding shares of that company, combined across all the funds with that holding in their portfolio.

LIQUIDITY AND ILLIQUID STOCKS
Based on one-third of 3 month trailing average daily volume, the exposures of each fund can be liquidated according to a minimum of:
• The greater of 33% of the portfolio and full redemptions for the Top 5 fund investors within 5 working days
• 90% of the portfolio within 90 working days

TRADING/ IPO/PLACING ALLOCATION
Where a purchase is made for more than one fund and/or segregated account, allocation must be on a pro-rata basis at average prices (subject to local market practice). Where a holding is exited from a regional fund, it must be exited from broader funds too.

In the event of an IPO or placing which could qualify for more than one fund and/or segregated account, it is at the Portfolio Manager’s discretion to choose the destination. However, to the extent multiple funds and/or segregated accounts are chosen, this must be allocated pro-rata.

COMMISSIONS, SOFT COMMISSIONS & BEST EXECUTION UNBUNDLING
We do not use soft commission.

Trade executions are reviewed daily by the fund managers. Broker performance is reviewed quarterly to ensure best execution of trades is achieved.

In line with MiFID 2, trading relationships are unbundled and completely separate from any research relationships with brokers.

RISK MANAGEMENT
Risk management is ensured through a multi-faceted approach, encompassing a retained 3rd party (Lemanik), internal Operations Team and the Fund Management Team itself. Adherence to UCITS and company rules are reviewed on a daily basis.

KEY MAN RISK
Whilst responsibility for the Alquity funds is split on a regional basis, all our Portfolio Managers have strong track records over global Emerging Markets.

Thus, Mike Sell and Roberto Lampl provide coverage for each other on their respective funds and are both supported by dedicated, regionally focused analysts.

ROLE OF THE INVESTMENT COMMITTEE
The Investment Committee (IC) is chaired by Chris Wehbé, and is additionally comprised of Jean-Charles Guillemin (external), Paul Robinson (CEO) and Mike Sell (Director of Investment Process).

The role of the Committee is to provide oversight for the fund management function. This includes consistency in application of the mandate and rigorous analysis of portfolio construction and individual positions to stimulate thought and ensure best practice.

It would be extremely rare for the Committee to intervene directly on the portfolio, but a veto right is held with respect to ESG standards.

The Committee meets on a quarterly basis, but is also involved in the weekly investment meeting and ad hoc projects. In addition, detailed portfolio analysis documents are circulated to the committee on a monthly basis.

TRANSPARENCY OF OUR PROCESS
We are proud of our investment process, and as such stocks notes and portfolios (on a 1 month lag) are available to all investors.
The information in this document (this “Document”) is for discussion purposes only. This Document does not constitute an offer to sell, or a solicitation of an offer to acquire, an investment (an “Interest”) in any of the funds discussed herein. This Document is not intended to be, nor should it be construed or used as, investment, tax or legal advice. This Document does not constitute any recommendation or opinion regarding the appropriateness or suitability of an Interest for any prospective investor. This material is for distribution to Professional Clients only, as defined under the Financial Conduct Authority’s (“FCA”) conduct of business rules, and should not be relied upon by any other persons. Issued by Alquity Investment Management Limited, which is authorised and regulated in the United Kingdom by the FCA and operates in the United States as an “exempt reporting adviser” in reliance on the exemption in Section 203(m) of the United States Investment Advisers Act of 1940. The Alquity Africa Fund, the Alquity Asia Fund, the Alquity Future World Fund, the Alquity Indian Subcontinent Fund and the Alquity Latin American Fund are all sub-funds of the Alquity SICAV (“the Fund”) which is a UCITS Fund and is a recognised collective investment scheme for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom (the “FSMA”). This does not mean the product is suitable for all investors and as the Fund is invested in emerging market equities, investors may not get back the full amount invested.

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 shares in the Fund with different fee and expense structures.

The Fund’s investment approach is long-term, investors must expect to be committed to the Fund for an extended period of time (3-5 years) in order for it to have an optimal chance of achieving its investment objectives. This Document may not be reproduced in whole or in part, and may not be delivered to any person (other than an authorised recipient’s professional advisors under customary undertakings of confidentiality) without the prior written consent of the Investment Manager.

SWISS INVESTORS:

The prospectus, the Articles of Association, the Key Investor Information Document “KIID” as well as the annual and semi-annual report of the Fund is available only to Qualified Investors free of charge from the Representative. In respect of the units distributed in Switzerland to Qualified Investors, place of performance and jurisdiction is at the registered office of the Representative. Funds other than the Luxembourg domiciled Alquity SICAV mentioned in this document may not be admitted for distribution in Switzerland.

Swiss Representative: FIRST INDEPENDENT FUND SERVICES LTD., Klausstrasse 33, 8008 Zurich.
Swiss Paying Agent: Neue Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich.