AIKYA

Fund Objective and Policy

To achieve long-term capital growth by investing in equities in emerging market economies, including those companies listed on developed market exchanges whose activities predominantly take place in emerging market countries. The Fund will take sustainability considerations into account when making investment decisions.

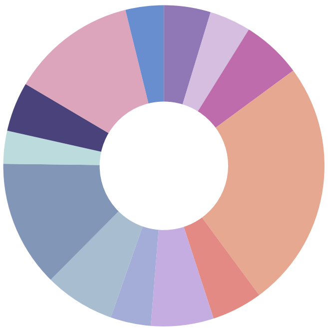
Fund Information

Fund Launch Date	05/03/2020
Base Currency	AUD
Benchmark	MSCI Emerging Markets Index (AUD)
Management Fee (p.a.)	1.28%
Minimum Investment (AUD)	$25,000
Number of Holdings	33
Strategy AUM (AUD)	$1.8m

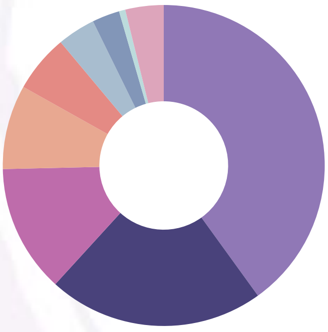
Top Ten Holdings

Company Name	NAV (%)
Marico	7.4%
Tata Consultancy Services	6.4%
Uni-President Enterprises	6.4%
Fomento Economico Mexicano	6.3%
Unilever	5.0%
Universal Robina	4.1%
Mahindra & Mahindra	3.8%
Banco De Chile	3.5%
Banco Bradesco	3.4%
Kasikornbank	3.3%

Country Exposure



Sector Exposure



Performance as at 31 May 2020

	1 Month	3 Months	6 Months	Since Inception[1] (p.a.)
Fund Return (%)	0.6	n/a	n/a	-8.0
MSCI Emerging Market Index (%)	-0.6	-9.6	-7.9	-10.3

Past performance is not a reliable indicator of future performance. Returns are calculated using the exit prices per unit at the start and end of the relevant period in AUD, with distributions reinvested, and are net of applicable fees, costs and taxes (excluding taxes relating to individual investor circumstances). The returns also do not fully reflect the spreads incurred by investors when applying for and redeeming units in the fund.[1] Inception is 5th March 2020.

Enquiries

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Portfolio Manager's Comments

The market continues to gyrate between the optimism of reopening of economies, an expectation of a liquidity-induced economic recovery, and the pessimism of the logistical difficulty of reopening the economy with concerns of a second wave of infections. We find it difficult to make predictions on how the next few months will play out and we find our efforts better placed in identifying stewards of businesses who are able to look past the current noise and position their businesses for sustainable growth and improved competitive advantage. In other words, companies that are not just resilient in the face of adversity but also constantly trying to improve their positioning.

One such business, where we have increased our stake over the past month, is SITC international. SITC is a Chinese integrated logistics and shipping company that is majority owned by its employees. Supported by its favourable ownership structure and capable management team, they have consistently navigated the long and challenging shipping cycles far more effectively than their competitors for whom the principal-agent problem exists. SITC has chosen to focus on smaller vessels in the Intra-Asia route, which has been in stark contrast to other shipping companies who have chosen to focus on larger vessels in the Trans-Pacific route. SITC has chosen to provide an invaluable service to its customers by offering frequent point-to-point shipments and by integrating into the clients' supply chains, while their competitors have chosen to focus on trying to reduce costs through scale advantages – a strategy that has not worked. All of this shows up in SITC's stable cashflow profile over the past decade while competitors struggle to meet their cost of capital.

We had a very engaging conversation with Mr. Yang Xiangxiang, the current CEO of SITC and 2nd largest shareholder, about how the coronavirus and related disruptions are likely to accelerate the fragmentation in global supply chains. While the rest of the industry is reducing capacity, SITC has been adding services between China and Southeast Asia and is one of few buyers of new shipping vessels. Mr. Yang is anticipating that in a few years' time, we will see increased demand for shipments between China and Southeast Asia and reduced supply (as weaker competitors pull out) and their business is being positioned to take advantage.

SITC has also encouragingly put out a thorough sustainability review of their operations. Being a mostly employee-owned company, SITC is far ahead of its peers in its support for its sailors who are vulnerable to being left out in the ocean if countries decide to shut down ports and prevent disembarkation. This has been built into SITC's operating model – they have always had an emergency response system built into their operations to protect their employees from typhoons and prevent disruptions for their clients and so they have been organisationally well equipped to handle the coronavirus-related disruptions in a manner that respects their employees and customers. SITC also takes its marine conservation and carbon footprint responsibilities very seriously – for example, SITC has always insisted on using low-sulphur fuels and installed combustion gas treatment devices to reduce their emission levels. Now with IMO-2020 regulatory changes and as their competitors struggle to install expensive scrubbers on board, SITC is enjoying a lower operating cost as they had been forward thinking environmental stewards.