Growing together, with integrity and respect

Alquity Subcontinent Fund: Fund Manager Review – July 2026

This document provides a review of the Alquity Indian Subcontinent Fund based on the information supplied, including the June 2026 factsheets, Q1 and Q2 2026 presentations, the December 2025 process document, manager notes and recent webinar commentary. Data is reflective of information available to 30 June 2026 unless stated otherwise.

Strategy Overview and Objective

The Alquity Indian Subcontinent Fund is an actively managed Indian equity strategy focused on long-term capital growth.

The fund seeks to:

- Invest in public companies across the Indian Subcontinent
- Focus on quality growth companies
- Capture the structural changes taking place in India
- Invest across the market-cap spectrum
- Integrate financial valuation and ESG analysis
- Target attractive risk-adjusted returns over the long term

The fund is not simply trying to replicate the Indian market.

It is focused on:

Changing India rather than Old India

This is important because the fund deliberately seeks exposure to the areas of the Indian economy that may benefit from long-term structural change: domestic growth, the shift from informal to formal activity, digitalisation, rising travel and leisure spend, financial inclusion, urbanisation and a growing middle class.

The June 2026 factsheet describes the fund as focused on quality growth companies that are predominantly domestically driven, with a thematic focus on "Changing India", significant off-index exposure, a multi-cap approach and ESG integration.

At a Glance

Area	Detail
Fund	Alquity Indian Subcontinent Fund
Structure	UCITS V SICAV
Domicile	Luxembourg
SFDR classification	Article 8
Liquidity	Daily
Fund manager	Mike Sell
Number of holdings	43
Comparator used in factsheet	iShares India ETF, for illustrative purposes only
Current tracking error	6.77%
Current active share	69.7%
GBP I OCF	0.90%
GBP I performance fee	None
GBP R OCF	2.45%
GBP R performance fee	15% with high-water mark
GBP B OCF	3.00%
GBP B performance fee	15% with high-water mark

The institutional GBP I share class has a materially lower OCF and no performance fee, while the GBP R and GBP B share classes are significantly more expensive and include a performance fee. This is important for any due diligence because the selected share class will have a meaningful impact on the value proposition.

Investment Philosophy & Edge

The philosophy combines four core ideas.

1. Quality Growth in Domestic India

The fund focuses on companies that are predominantly domestically driven.

This means the strategy is less focused on exporters and more on Indian households, businesses, and consumption.

The manager's view is that India's long-term opportunity is not just about GDP growth, but about how that growth changes behaviour.

Examples include:

- More formal retail
- More digital payments
- More domestic travel
- More online financial services
- More organised property development
- More consumer choice
- More financial inclusion

The central idea is simple:

As India changes, the winners may not be the same companies that dominate the index today.

2. New India, Not Old India

The fund has a deliberate bias towards what Alquity calls "New India".

This means a greater focus on:

- Entrepreneurial businesses
- Consumer discretionary
- Real estate
- Digitalisation
- Travel and leisure
- Retail formalisation
- Building India
- Electrification

The fund avoids what it describes as “Old India”, including state-owned banks, oil refineries and conglomerates. The Q2 2026 presentation highlights that the fund has much higher exposure to consumer discretionary and real estate than the Indian ETF and peer average, and no exposure to oil refineries or similar “Old India” areas.

This gives the fund a very different profile from passive India exposure.

3. Multi-Cap with a Small and Mid-Cap Bias

The fund is not constrained to large caps.

The process looks across the market-cap spectrum and is willing to invest in under-researched smaller companies where the team believes the growth opportunity is not fully recognised.

As at 30 June 2026, the market capitalisation split was:

- Small cap: 32.3%
- Mid cap: 18.2%
- Large cap: 26.5%
- Mega cap: 23.3%

The Q2 presentation also notes that 21 of 43 holdings were out of index, 61% of holdings were entrepreneurial-driven and 41 of 43 holdings were primarily domestically driven.

This is a key differentiator.

It also explains why performance can diverge from the broader Indian market.

4. ESG as Risk Management

ESG is integrated into the investment process.

This is not just a label. The December 2025 process document explains that ESG is used from screening and exclusion, through fundamental analysis, proprietary ratings, valuation and engagement. Companies need a minimum ESG rating of C to be investable.

In India, this matters.

Governance, minority shareholder alignment, controlling shareholders, related-party transactions and environmental risk can materially affect returns.

The fund, therefore, uses ESG less as a marketing wrapper and more as a risk filter. In simple terms:

The fund seeks to find the best of India while avoiding areas where governance or sustainability risks could impair long-term returns.

Team & Resources

The strategy is led by:

- Mike Sell – Head of Emerging Markets and Lead Portfolio Manager
- Kieron Kader – Associate Portfolio Manager
- Dan Billis – Associate Portfolio Manager
- Francisco Gala – Business Analyst, ESG and engagement
- Vikas Kumar – Business Analyst, on-the-ground research in India

Mike Sell has over 30 years' experience investing in India and joined Alquity in 2014. Kieron Kader joined in 2019, Dan Billis joined in 2018, and the wider team has worked together since 2018. The December 2025 process document states that most analysis and idea generation is conducted in-house and that the team does not rely on broker research.

Alquity's website also identifies Mike Sell as responsible for equity investments across Global Emerging Markets, with Kieron and Dan working alongside him within the Emerging Markets team.

The team structure appears to be:

- Collegial
- Generalist
- Internally research-led
- ESG-integrated
- Supported by on-the-ground insight

A notable differentiator is Alquity's Transforming Lives model. The official Alquity fund page states that the firm donates a minimum of 10% of revenues to charitable projects in the regions where it invests, which it says also broadens insight through engagement.

From an investment perspective, the more interesting point is not the donation model alone. It is that the fund uses consumer panels and local engagement as an additional source of insight. The manager's notes refer to a previous rural finance tilt being identified, in part, through consumer panels linked to the Transforming Lives Foundation.

This is unusual and potentially valuable, but it should not be overstated.

The fund still needs to be judged primarily on investment outcomes.

Investment Philosophy Process

The investment process combines top-down thematic thinking with bottom-up fundamental and ESG analysis.

The December 2025 process document sets out a clear funnel:

- India listed equities universe: c. 5,000 stocks
- Market capitalisation filter: c. 1,100 stocks
- Firms well-positioned for core themes: c. 900 stocks
- ESG filter: c. 650 stocks
- Financial health check: c. 400 stocks
- Core universe: c. 140 stocks
- Portfolio: typically 35–50 stocks

The initial universe includes companies with a minimum market capitalisation of $100m. The team then filters for structural growth, sustainable competitive advantage, favourable cyclical positioning and companies that may benefit from the climate transition.

The process includes:

1. Thematic Screening

The team looks for companies aligned to themes such as:

- Urbanisation
- Formalisation
- Digitalisation
- Financial inclusion
- Climate transition
- Rising middle-class consumption
- Travel and leisure
- Domestic structural growth

2. ESG Filter

The team excludes companies that do not meet environmental, social or governance requirements.

Approximately 30% of the universe is removed at this stage.

3. Financial Health Check

The team removes companies where financial risk appears too high.

This includes:

- Excessive leverage
- Weak free cash flow
- Valuation detached from growth prospects
- Weak financial structure

4. Deep Dive

The core universe then goes through detailed research.

This includes:

- Internal financial modelling
- Earnings forecasts
- Free cash flow analysis
- Balance sheet assessment
- Return analysis
- ESG rating
- DCF & peer valuation
- Comparison with consensus expectations

5. Portfolio Construction

The portfolio is then built around conviction, diversification and risk control.

The stated risk parameters include:

- Position size: 0.5–10%
- Beta: 0.8–1.2
- Tracking error: 5–10%
- Sector exposure cap: 40%
- Typically 35–50 holdings
- Low turnover

The process also includes ongoing monitoring, performance attribution and trigger reviews where a stock contributes a predetermined amount of negative attribution.

In simple terms:

The fund blends thematic conviction with stock-level discipline.

Portfolio Characteristics

As at 30 June 2026, the fund had 43 holdings.

The sector allocation was:

- Consumer Discretionary – 31.5%
- Financials – 29.6%
- Information Technology – 11.1%
- Real Estate – 9.0%
- Industrials – 7.8%
- Communication Services – 5.8%
- Materials – 2.9%
- Health Care – 1.4%
- Consumer Staples – 1.0%
- Cash – -0.2%

The top 10 holdings represented 43.8% of the fund.

Top holdings were:

- HDFC Bank – 9.1%
- ICICI Bank – 7.3%
- Bharti Airtel – 4.1%
- Lemon Tree Hotels – 3.7%
- Lodha Developers – 3.6%
- Infosys – 3.4%
- Ixigo – 3.2%
- Phoenix Mills – 3.2%
- Skipper – 3.2%
- Polycab India – 3.1%

The portfolio therefore has a meaningful exposure to financials, consumer discretionary, property, travel, communications and digitalisation.

This is not a narrow large-cap India fund.

It is a multi-cap, domestic growth strategy.

Recent Portfolio Activity

The June 2026 factsheet notes that the fund rotated away from rural-sensitive companies during the month.

The manager notes add more colour.

Recent purchase:

Groww, formally Billionbrains Garage Ventures, is India's largest retail investing platform by users. The thesis is linked to democratising wealth management, increasing middle-class wealth and financialisation.

Recent exit:

Mahindra Finance, a rural finance provider for cars and tractors, was exited following the removal of a tactical rural growth tilt, partly due to developing El Niño conditions. This is useful because it shows that although the fund is long-term and thematic, it is not static.

The team will make tactical adjustments where the macro or thematic picture changes.

What the Active Share Tells Us

The fund manager has provided:

- Tracking error: 6.77%
- Active share: 69.7%

This tells us the fund is meaningfully active, but not unconstrained.

A tracking error of around 6.8% suggests:

- Clear deviation from the comparator
- Active risk is being taken
- The fund should behave differently from passive India exposure
- But it is still operating within a controlled framework

An active share of around 70% suggests:

- The portfolio is meaningfully different from the index
- But it still owns some larger, high-quality companies such as HDFC Bank and ICICI Bank
- The strategy is not as extreme as some very concentrated India funds

In practical terms:

This is active, but not reckless.

The fund's edge comes less from ignoring the index entirely and more from combining large, high-quality names with off-index small- and mid-cap ideas.

Performance Overview

Performance has been mixed recently, but stronger over longer periods.

For the GBP I share class, as at 30 June 2026:

Period	Alquity	ETF
1 month	6.5%	3.3%
3 months	14.4%	6.4%
6 months	-10.6%	-7.9%
Year to date	-10.6%	-7.9%
1 year	-12.1%	-8.5%
3 years	-1.1%	9.0%
5 years	22.0%	24.4%
Since inception	56.6%	50.1%

Calendar-year returns for GBP I show:

- 2025: -10.1% versus ETF -4.6%
- 2024: 12.8% versus ETF 10.9%
- 2023: 13.1% versus ETF 10.9%
- 2022: 1.2% versus ETF 2.0%
- 2021: 45.8% versus ETF 23.5%

This shows strong relative returns in 2021, 2023 and 2024, but a difficult 2025 (driven largely by unusually poor performance from smaller companies) and weaker recent rolling performance.

The Q2 presentation shows a strong recovery in Q2 2026, with the fund up 15.0% versus the ETF up 7.1%, placing it in the first quartile for that period. However, the same presentation shows the fund remained behind year to date.

The Q1 2026 review explains the recent weakness. The fund underperformed in Q1 due to concerns about the impact of AI on the global digital economy and worries about the Gulf conflict affecting Indian consumer discretionary spending, particularly travel and leisure. Real estate and other domestic growth sectors were weak, while utilities performed strongly; the fund had zero exposure to utilities because those stocks did not meet its ESG threshold.

The manager's explanation is consistent with the portfolio.

The fund tends to do well when:

- Quality growth leads
- Small and mid-caps perform
- Fundamentals matter
- Domestic structural growth is rewarded
- Entrepreneurial India outperforms state-linked India

The fund tends to struggle when:

- Large-cap defensives lead
- State-owned or value names outperform
- Poor governance is overlooked
- Small caps underperform
- Domestic growth sectors are sold indiscriminately

In simple terms:

Recent performance has been uncomfortable, but explainable.

The important question is whether the causes of underperformance are temporary or structural.

Macro Environment & Themes

India remains a compelling long-term opportunity.

The manager's Q2 presentation argues that India is an uncorrelated stock picker's market, with daily liquidity of around US$10–12bn, 60% of turnover driven by retail investors, and exports to the US representing only around 2.5% of GDP. The same presentation shows low five-year correlation between Alquity India and several major equity markets, including the Nasdaq, S&P 500 and World Index.

This supports the case that India may behave differently from other equity markets. The structural themes include:

Demographics

India has the largest population globally and a young population, with an average age of 28.4 years. The Q2 presentation also highlights India as having the largest Gen Z and Millennial population globally.

Rising Middle Class

The growth in higher-income and upper-middle-income households is central to the fund's thesis.

More income should support:

- Travel
- Leisure
- Digital services
- Organised retail
- Housing
- Financial products
- Consumer discretionary spending

Formalisation

A key theme is the shift from informal to formal economic activity.

This may benefit listed companies that can take share from fragmented, informal competitors.

Digitalisation

The fund has exposure to digitalisation through companies linked to online travel, digital platforms, financial services and technology-enabled businesses.

Building India

Infrastructure, property, electrification and urbanisation are key long-term themes.

Cyclical Support

The manager notes point to tax cuts, interest-rate cuts, easing inflation and an economy that has weathered oil-related concerns better than expected.

The Q1 review also notes that India entered the period of US–Iran related volatility from a position of relative strength, with a current account deficit of 0.6% of GDP in FY25 and consumer price inflation at 3.4% year on year in March.

India as a Standalone Allocation

This remains the key due diligence question.

The argument for India is persuasive.

India has:

- Favourable demographics
- Strong domestic growth potential
- Low correlation to many global markets
- A large and deep stock market
- Low exposure to US exports relative to GDP
- Structural themes not directly linked to AI, commodities or geopolitics
- A long runway for formalisation, financialisation and digitalisation

But this is still a single-country emerging market allocation.

Normally, adviser portfolios may include:

- UK equities
- US equities
- Europe
- Japan
- Emerging markets
- Asia

They do not always include individual emerging market countries.

India may be an exception, but it should be a deliberate decision.

The case for a standalone India allocation:

- India may be under-represented in global and emerging market portfolios
- Emerging market funds are increasingly influenced by Taiwan and Korea because of AI-related names
- India's domestic growth story is different from China, commodities or semiconductors
- Low correlation may provide diversification
- A specialist active manager may exploit inefficiencies better than passive exposure

The case against:

- Single-country risk is significant
- Indian valuations can be high
- Currency can affect returns
- Political and regulatory risks remain
- Small and mid-cap exposure increases volatility
- Clients may already have India exposure through global, Asia or emerging market funds

In simple terms:

India may deserve a seat at the table, but it should not take over the table.

Key Strengths

1. Clear Philosophy

The fund has a clear view of the opportunity.

It is focused on New India, domestic growth and structural change.

2. Differentiated Exposure

The fund is not a passive India proxy.

It has a meaningful small and mid-cap bias, off-index exposure and a clear tilt towards entrepreneurial India.

3. ESG Integration

ESG is integrated into the investment process and used as a risk management tool, particularly around governance.

4. Experienced Lead Manager

Mike Sell has over 30 years' Indian experience and has been with Alquity since 2014.

5. On-the-Ground Insight

The combination of Vikas Kumar's local research and Transforming Lives consumer panels may provide insight into areas of the economy that are under-researched.

6. Long-Term Domestic Growth Alignment

The fund is well aligned with India's demographic, consumption, formalisation and digitalisation themes.

7. Controlled Active Risk

The tracking error and active share suggest a genuinely active portfolio, but not an unconstrained one.

Risks & Considerations

1. Single-Country Risk

This is the main risk.

India is a single emerging market country. A dedicated India allocation must be sized carefully.

2. Small and Mid-Cap Risk

The fund has meaningful small and mid-cap exposure.

This can add alpha, but it also adds volatility, liquidity risk and periods of underperformance.

3. Style Risk

The fund performs best when quality growth and fundamentals are rewarded.

It can struggle when value, state-owned companies, utilities or lower-quality cyclicals lead.

4. Valuation Risk

India can be expensive.

Even good companies can disappoint if expectations are too high.

5. Recent Performance Risk

The fund had a difficult 2025 and Q1 2026.

While performance improved in Q2 2026, the recovery needs to be monitored.

6. Currency Risk

UK investors face currency risk.

Returns can be affected by movements in sterling, the rupee and the fund's base currency.

7. Governance Risk

The fund has a strong ESG process, but governance risk remains a feature of Indian equity investing.

8. Share Class Risk

The value proposition varies materially by share class.

The institutional share class is more attractive on cost. Other share classes may be significantly more expensive.

9. Client Understanding

Clients may understand the India growth story, but not the risks of:

- Single-country exposure
- Small-cap exposure
- Currency
- Valuation
- Governance
- Periods of sharp underperformance

10. Impact / ESG Communication Risk

The Transforming Lives model and Article 8 classification are important features, but the fund should not be presented as a low-risk or guaranteed positive-impact investment.

It remains an Indian equity fund.

Passive vs Active Context

Passive India

- Lower cost
- Broad index exposure
- More large-cap driven
- Includes state-owned and old economy companies
- Less governance discretion
- Less small and mid-cap exposure

Alquity

- Higher cost
- Active multi-cap approach
- New India focus
- Quality growth bias
- ESG-integrated
- Greater off-index exposure
- More small and mid-cap exposure
- More exposure to domestic structural growth themes
- Generated excess alpha over the long term versus the passive alternative

Balanced view:

Passive India gives broad exposure to the Indian market.

Alquity tries to capture the parts of India that may benefit most from structural change.

Peer / Portfolio Context

Within the India and emerging market universe:

Passive Emerging Markets

- Broad exposure
- India exposure included but often diluted
- Increasingly influenced by Taiwan, Korea and AI-related stocks

Passive India

- Direct India exposure
- Lower costs
- More benchmark-led

Large-Cap Active India

- Focus on established companies
- Lower liquidity risk
- May be closer to the index

Alquity

- Multi-cap New India exposure
- Small and mid-cap bias
- ESG and governance filter
- Domestic growth focus
- Off-index alpha source

Overall positioning:

Dimension	Alquity Position
Passive vs active	Active
Country exposure	India specialist
Style	Quality growth
Market cap	Multi-cap, with small and mid-cap bias
Theme	New India / domestic structural growth
ESG	Integrated, used as risk management
Portfolio role	Specialist satellite
Time horizon	Long term

In simple terms:

A New India, quality growth, multi-cap strategy.

Role in a Portfolio

The fund could be used as:

Specialist India Allocation

For portfolios where the investment committee wants deliberate India exposure.

Complement to Emerging Markets

The fund could sit alongside a broader emerging market fund to increase exposure to India's domestic growth story.

Long-Term Growth Satellite

The strategy is most appropriate for clients with a long time horizon and capacity for volatility, who are looking for a differentiated growth story versus other Emerging Markets or the US / Nasdaq.

It is less suitable as:

- A sizeable core global equity holding
- A replacement for broad emerging markets
- A cautious-risk allocation
- A short-term tactical trade
- A decumulation income strategy
- A low-volatility ESG solution

This is a growth fund.

It should be sized accordingly.

Key Monitoring Points

The fund should be monitored against the following:

1. India Thesis

Is the domestic India growth story still intact?

2. Small and Mid-Cap Recovery

Has the small and mid-cap bias returned to being a positive contributor?

3. Quality Growth Environment

Are quality, growth and fundamentals being rewarded?

4. Stock Selection

Is off-index stock selection adding value after fees?

5. Portfolio Valuation

Is the portfolio still attractively valued relative to growth?

6. ESG Discipline

Is the ESG process helping to avoid governance and sustainability risks?

7. Share Class Cost

Is the selected share class still appropriate?

8. Team Stability

Are Mike Sell, Kieron Kader and Dan Billis still central to the process?

9. Client Portfolio Exposure

How much India exposure already exists through global, Asia and emerging market funds?

10. Client Understanding

Can the adviser clearly explain why a dedicated India allocation is being used?

Money Wise UK View

The Alquity Indian Subcontinent Fund is a credible and differentiated Indian equity strategy.

The central idea is clear:

India's future growth may be captured through quality companies benefiting from domestic structural change.

There is a lot to like.

The fund has:

- A clear New India philosophy
- Multi-cap flexibility
- Strong exposure to domestic structural growth themes
- ESG embedded into the process
- A differentiated small and mid-cap alpha source
- Experienced leadership
- Evidence of long-term active thinking
- A recent Q2 recovery following a difficult period

However, this is not a simple fund.

The risks are equally clear:

- Single-country emerging market exposure
- Small and mid-cap bias
- Style risk
- Valuation risk
- Currency risk
- Recent underperformance
- Share class cost differences
- Client understanding risk

The fund is more differentiated than a passive India fund, but that differentiation comes with a cost.

The most important question is not whether India is attractive.

The question is whether the adviser firm wants a dedicated India allocation and whether Alquity is the right expression of that view, given their focus on ‘new india’.

A balanced conclusion:

- Not a replacement for broad emerging market exposure
- Not suitable as a core holding for all clients
- But a credible specialist satellite for long-term portfolios where a dedicated India allocation is justified

In simple terms:

Alquity offers exposure to the changing face of India.

The opportunity is the long-term growth of domestic, entrepreneurial, formalising India.

The risk is that small and mid-cap quality growth does not always get rewarded, and clients must be prepared for periods where the fund looks very different from the wider market.

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