VT HALO GLOBAL ASIAN CONSUMER FUND

July 2021 Monthly Fund Fact Sheet

HALO

All Data at 12.00 GMT 30th July 2021

Portfolio Description

The VT Halo Global Asian Consumer Fund aims to achieve an annualised total return before fees of 8-12% over the period of an economic cycle of typically 5-7 years. This will be achieved from investing in companies globally which are exposed to the growth of the Asian middle class and the corresponding rise in their consumption.

Fund Manager's Comments

The Fund fell 8.81% in July as the regulatory crackdown in China led to a broad-based sell off in the region. The regulatory crackdown can broadly be split into 3 areas: catch up regulation in new economy sectors, a focus on social equity and national security concerns.

We believe that China's regulatory crackdown on the after-school tutoring industry is part of a broader trend towards an equalisation of public services. China is attempting to address the impending demographic issue caused by its one-child policy by hoping to lower the cost of education, which it views as an important impediment to couples when choosing to have children. The hyper-competitive environment in education has led to concerns about inequality in educational opportunities and over burdening of children. However, the resulting policy was worse than expected, effectively mandating the conversion of all compulsory tutoring institutions into non-profit and barring foreign capital investment. We exited our position in New Oriental, the after-school tuition provider at the start of the month when we first became concerned that policy might be much worse than expected and decided to focus on the vocational segment and our holding in China Education, which enjoys policy support and lower policy risk as a result.

We view the regulation in the new economy tech sectors as an attempt to catch up with the sector's development. China follows a innovate first, regulate later approach. The Chinese tech companies have had almost a free rein when it comes to growth and development over the past decade and this has led to a number of un-checked anti-competitive practices, which the regulator is now trying to address. We do not believe the regulators are trying to break up the companies but rather set up a regulatory framework. The regulators have in fact stated that they are "intending to guide the operation of an open, interoperable, safe and orderly market environment, and promote the development of a standardized healthy and high-quality industry". What we have seen is the regulator seek to address unfair competitive practices such as forcing exclusivity of merchants, user privacy, unfair pricing discrimination of customers and "walled gardens", where platforms are forced to open up to competition. On paper this looks like sensible legislation however, the unexpected and sometimes poorly worded nature of such legislation has come as a surprise and when on top of the legislation on after-school tutoring and national security, has spooked an already vulnerable market.

Finally, it is becoming apparent that US- China tensions are leading to China becoming increasingly wary about the risk of Chinese data falling into American hands. As a result we have seen regulators becoming more stringent on the criteria for Chinese companies seeking to list in the US. This has led to investor fears about a crackdown on the popular VIE structure, which is not our base case. Subsequent comments from the regulators have sought to reassure investors of the importance of foreign investment and VIE structure.

We feel the market is incorrectly extrapolating the uncertainty over anti-trust rules and heightened oversight. Whilst the various legislation is likely to result in higher compliance related costs, we do not believe it is likely to materially change the earnings trajectories for our core holdings and advise investors to see through the current volatility and focus on the long-term earnings of our companies.

B £ Acc NAV	**169.1p**
Investment Manager:	**Halo Global Asset Management**
Fund Manager:	**Andrew Williamson-Jones**
ACD:	**Valu-Trac Investment Management Ltd.**
Fund Type:	**UK UCITS IV OEIC**
Launch Date:	**3 Nov 2014**
Classes:	**A, B, C**
Base Currency:	**Sterling**
Dealing & Valuation:	**Daily 12.00pm**
Year End:	**30 June**
Management Fees:	**A: 1.15% p.a. B: 0.85% p.a. C: 0.65% p.a.**
ISIN:	
A $ Acc	GB00BRJTG644
A £ Acc	GB00BRGCDR64
A € Acc	GB00BK9W9C11
B $ Acc	GB00BRWQWY25
B $ Inc	GB00BRJTG867
B £ Acc	GB00BRWQWX18
B £ Inc	GB00BRGCDS71
B € Acc	GB00BK9WNR45
B € Inc	GB00BK9WNQ38
C $ Acc	GB00BRWQX051
C $ Inc	GB00BRJTG974
C £ Acc	GB00BRWQWZ32
C £ Inc	GB00BRGCDT88
C € Acc	GB00BK9WNT68
C € Inc	GB00BK9WNS51
Asset Under Mgt	**$92.1m**
Depository:	**National Westminster Bank PLC**
Dealing Frequency:	**Daily**
Daily NAV available:	**Bloomberg, Morningstar & Valu-Trac**

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Coming back to the other key factor that drives share prices, namely earnings, this continued to be positive for us in July and we have had Indian and Vietnamese companies reporting. Techcombank was some 10% ahead of expectations driven by strong net interest margins. PNJ the jewellery retailer also delivered some impressive results and continues to take share away from the unorganised sector. However, the share prices of both stocks were muted as Vietnam is currently experiencing its worst outbreak of Covid with a lot of Southern Vietnam under severe mobility restrictions. Both HDFC and ICICI Bank reported very respectable results, with India having just been through the second wave of Covid, there could have been a spike in non-performing loans. The management of ICICI commented that the bad debt situation is very manageable and as a result its shares reached new highs. Also in India, one of our new holdings, KEI Industries, produced profits some 14% ahead of expectations and reiterated revenue guidance of 20% this year, driven by its sales to DIY retailers.

Outside of these two countries we had results from East Money in China, which can be described as a Hargreaves Lansdown equivalent. Revenues grew 73% YoY and profits for the quarter were 35% ahead of expectations, driven by strong fund sales to investors. The shares reached new highs in July despite the broader market turbulence.

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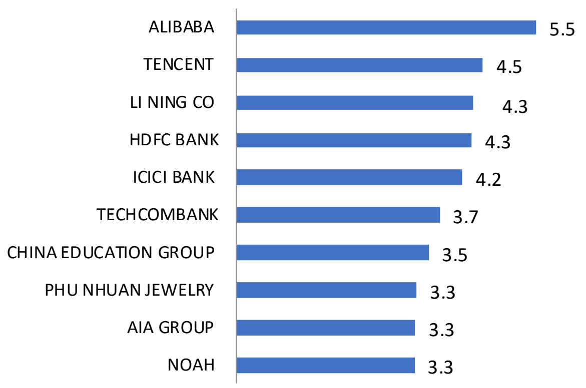
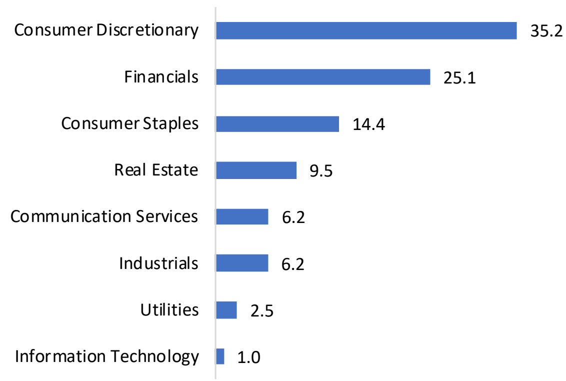
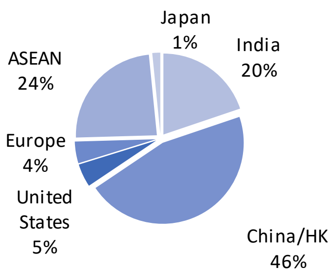
Top 10 Holdings (% of NAV)



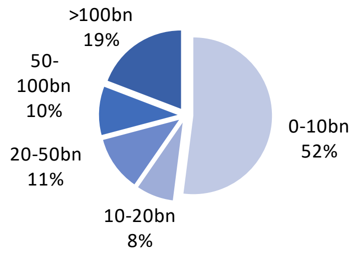
Sector Allocation (% of NAV)



Geographical Allocation %

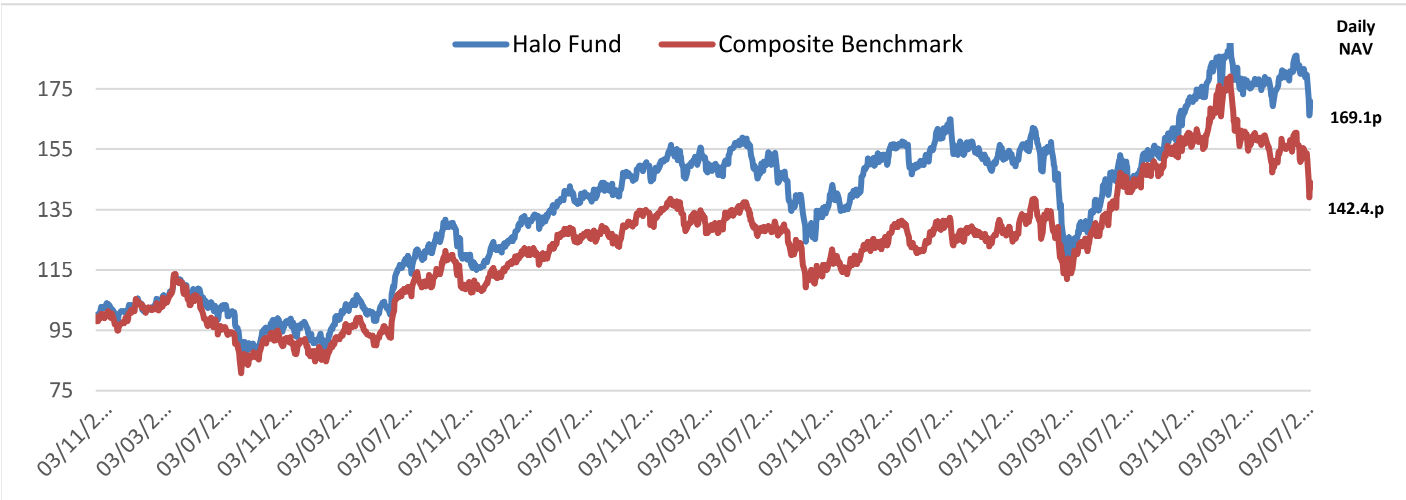


Market Cap Allocation % (USD)



Fund Performance since Inception

Performance data shown is of the B £ Net Acc. share class. Custom Benchmark, 30% MSCI AC Asia ex Jap Consumer Staples, 40% MSCI AC Asia ex Jap Consumer Discretionary and 30% MSCI AC Asia ex Japan Index. From 01/12/18 Custom Benchmark reduced Consumer Discretionary to 30% and added 10% Communication Services, due to reclassification by MSCI. ***Past performance is not a guarantee of future returns.*** *Data from Valu-Trac Administration Services and Reuters. This is for illustrative purposes only and in accordance with our Prospectus Halo does not benchmark against any index.*



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