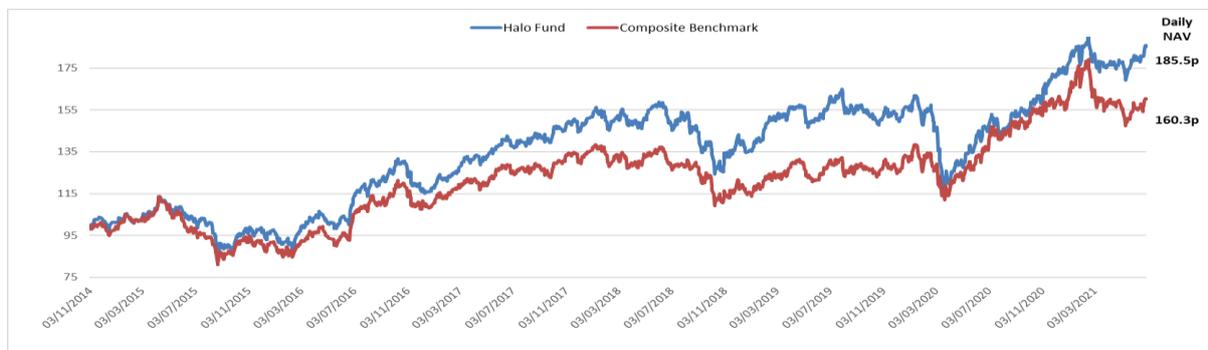


June 2021 Quarterly Letter

The quarter to the end of June for the Fund has been characterised by some strong individual stock moves primarily due to some very positive earnings results. This can be seen in the Fund's strong relative performance against our bespoke benchmark for the period. Headline inflation numbers across the world have come in at higher levels and investors and us who thought bond yields would move closer to 2%, have been surprised as 10 year yields have declined to 1.47%. Lower bond yields have also provided support to developed markets during the quarter but have had less of an impact in Emerging Markets, where dollar strength has unnerved some investors. As we finished the quarter there were perhaps some question marks over the strength of the recovery in these markets, given the spread of the Delta variant and the impact this may have on the timing of economies opening up further.

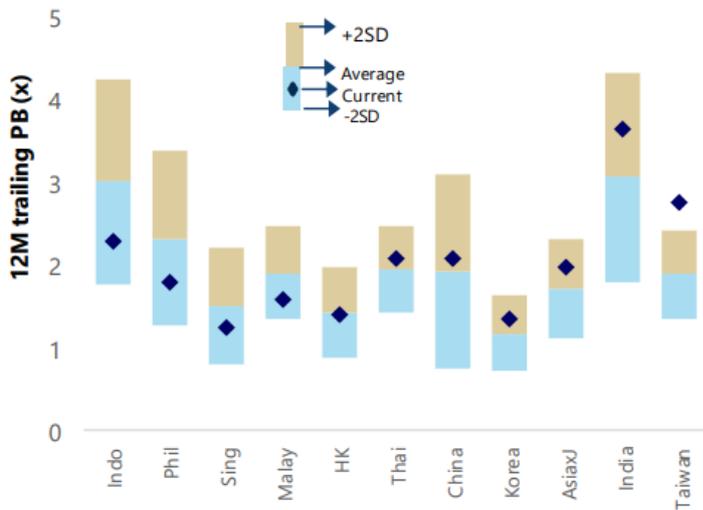


Past performance is not a guarantee of future returns.

Performance data shown is of the B £ Net Acc. share class. Custom Benchmark, 30% MSCI AC Asia ex Jap Consumer Staples, 30% MSCI AC Asia ex Jap Consumer Discretionary, 10% MSCI Communication Services 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. 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 in accordance with our Information Memorandum and Prospectus.

Over the quarter we started to position the Fund towards economic reopening in the Philippines and recovery of growth in Vietnam, as well as looking to increase our exposure to Indonesia. This was based on the expected vaccine roll out in these countries in the second half of 2021 and the relative valuations of their markets today. In the chart below, the Philippines and Indonesia stand out on a price to book valuation compared to other Asian markets and if these economies are able to get back to some sort of normality in the next 12 months, we believe the valuations will move up to a level more in line with other Asian markets.

Exhibit 166: AxJ markets - PB peak-to-trough since 2004



Source: Jefferies, Factset

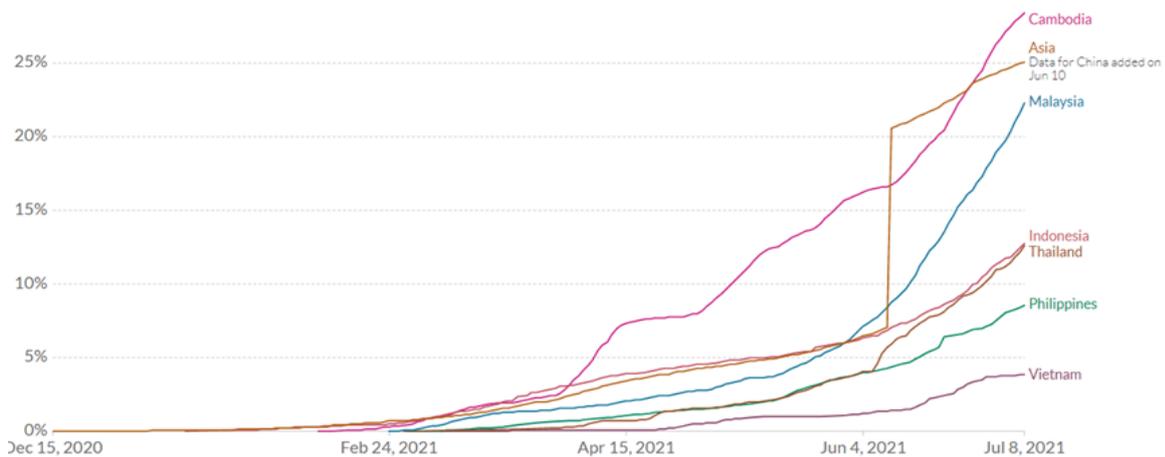
For this to happen, herd immunity through vaccinations needs to occur, so it is worthwhile looking at how ASEAN is progressing with the vaccine rollout as of now. Below is a graph from Our World in Data showing the progression of administered vaccines. As you can see, Cambodia has accelerated its rollout in the last two months, which is relevant for us as we have a small position in Nagacorp, the casino operator based in Phnom Penh. The casino is currently shut, it is likely it will not be allowed to open before vaccinations reach critical mass in the capital. This could well happen in the next couple of months as the majority of the vaccines delivered to date have gone to the residents of the capital city. Other ASEAN countries, especially the ones relevant to us, have been slow to ramp up, but are now gathering pace in earnest.

Share of people who received at least one dose of COVID-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses. This data is only available for countries which report the breakdown of doses administered by first and second doses.



LINEAR LOG



Source: Official data collated by Our World in Data

CC BY



Below is a table for the expected delivery of vaccines in the Philippines. The Philippines received close to 11m vaccines in June, and in July they now estimate they will receive at least 15m doses, higher than previously forecast. This has also provided them the ability to ramp up the average number of daily vaccinations, which was running at 120,000 over a month ago, but is now 350,000 per day. If

they do receive the lower end of each month's range between now and December, and administer them without due delay, the country will have injected 50m adults with two doses. The Philippines has a population of 105m with 37% being under 18 years old, this by deduction implies the adult population is 66m. If they can administer two jabs to 50m adults by the year end, then just over 70% of the adult population will have been immunised. This is important for markets, because as shown in Europe and the US, at this level the country can open up with some semblance of normality and the economy functioning again. If the Philippines is able to open up for Christmas 2021, it is likely the stock market will anticipate this and reflect this scenario a few months earlier, we believe around September/October time. Although we can't be that precise, it will certainly bode well for the likes of Robinsons Land, the shopping mall operator, Jollibee Foods, the fast food restaurant company as well as for Alliance Global, the consumer conglomerate. So although the next month or two might remain soft, we are anticipating better times ahead later in the year.

Base Case Assumptions as of June 21

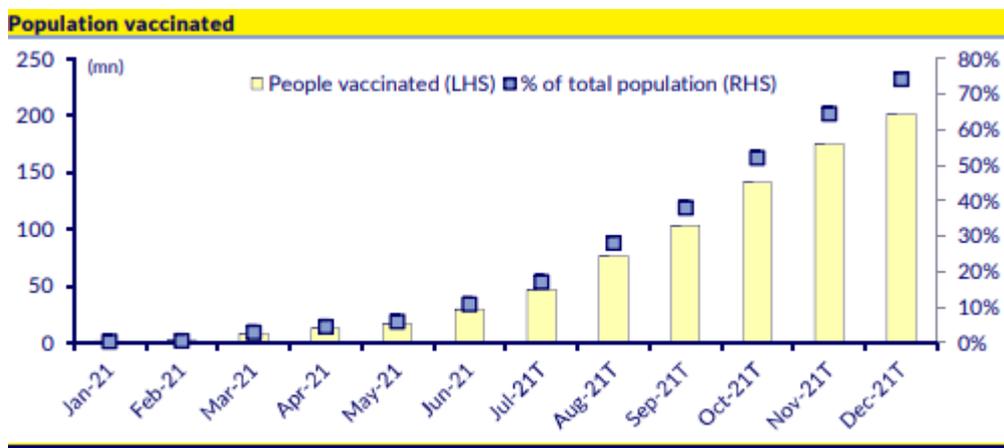
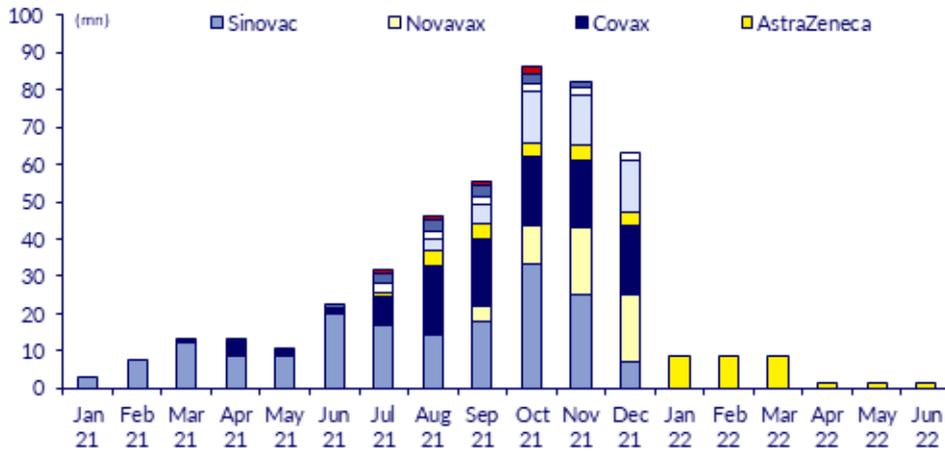
		2021											
		Q1		Q2			Q3			Q4			
		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
COVAX <small>CEPI WHO UNICEF GAVI</small>	~40M		0.5 (AZ)		2.2 (AZ/Pf)	~4.2 (AZ/Pf)	Additional ~30-35M from COVAX not yet accounted						
sinovac	20M	0.60	1.4	1.5	2.0	5.5	4	4	4	4	4		
THE GAMALEYA NATIONAL CENTER	10M				0.1	1	1	2	2	2	2		
AstraZeneca	17M						1.2	1.2	2	2	2	2	
moderna	20M					0.25	1	1.5	2.3	4	5	6	
NOVAVAX	10M							2	2	2	2	2	
Johnson & Johnson	6M ¹								2	2	2		
Pfizer	40M							5	5	5	5	5	
Total Supply	~150M ++	0.6	1.9	1.5	4.3	10-11	10-12	15-20	20-25	20-25	20-25	15-20	

1. Single dose vaccine.
Note: Numbers in millions of doses

Ultra Cold Chain Required includes Private Sector Doses

Source Ayala Corp, Philippines

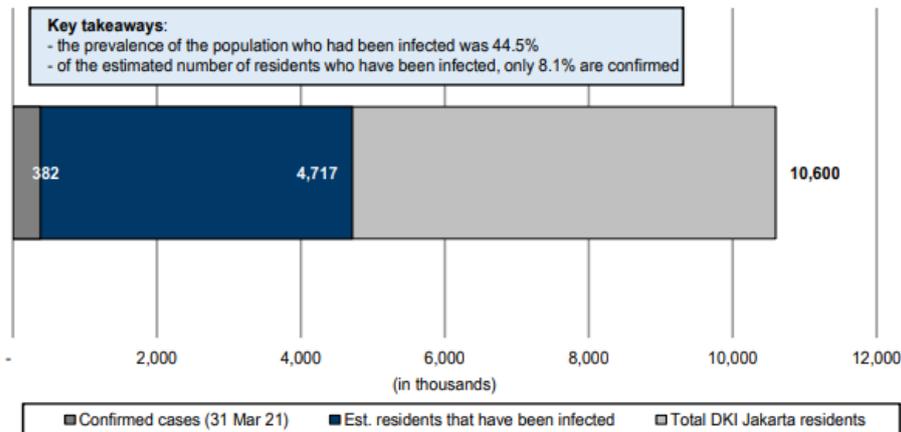
Indonesia is in a similar position, albeit they have currently vaccinated a greater percentage of their population with 15% of the people receiving at least one dose. At the current projected run rate based on vaccines arriving in the country, they plan to vaccinate 70% of the population by the year end. Out of a total population of 270m, 67% are over 18, or 181m people. This will require 400m doses assuming a 10% wastage rate and the government has secured 466m doses to date, which is more than enough to cover the target population with a large increase in supply arriving from August onwards as illustrated below in the data compiled by CLSA.



Source: CLSA

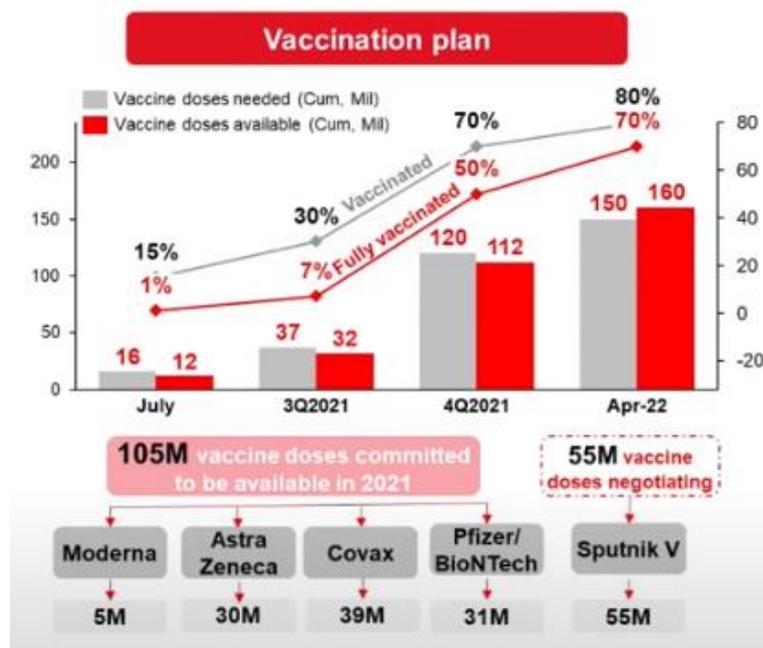
The Fund has a low exposure to Indonesia, partly due to fewer consumer names being listed on their market but also the consumer names have not sold off as much as in the Philippines. We are currently doing some investment research on a couple of names and assessing a way to play the recovery in the economy. What is interesting to note right now is the number of reported cases has been climbing exponentially in the last few weeks, with case numbers now at over 50,000 per day, but stock markets are not seeing a panic sell off. Indeed, the market is at the same level it was when cases had been flat lining at 5-8k per day. Perhaps investors are already looking through this second wave and anticipating that in a few months' time case numbers will be declining (something we have been seeing in Jakarta in the last week) and the country's mobility restrictions will have eased back to some sort of normality. The government's recently published serology survey looking at Covid infections in Jakarta certainly enhances the thought that the country is past the peak when it comes to infections. It points to the fact that perhaps 44.5% of the population has already been exposed to the virus and herd immunity will be reached along similar lines as to India, through infection rather than vaccination.

Figure 19: Jakarta Serology survey concluded that ~45% have been infected with COVID



Source: Jakarta Health Agency, Credit Suisse. Note: Using stratified multistage sampling design methodology, taken from ~5k samples on 15-31 Mar 2021.

In Vietnam, having controlled flare ups remarkably well in 2020 and though-out this year, are now in their first significant outbreak, with current case numbers at 3000-5000 per day. There is now a 14 day lockdown in Saigon and the Mekong Delta area, and social distancing in Hanoi. They have also been slow in vaccinating their population, as they had felt little need, having had zero Covid until now and had been relying on the Covax facility to provide vaccines for their population in due course. The strategy has now changed, and they expect 8m doses to arrive in July and another 40m by the end of September and a target of 150m doses by the end of the year. This should help accelerate the vaccination drive in the next few months. The government targets 75% vaccination rate by December 2021, though perhaps 50-60% might be more realistic, depending on when the Sputnik V will arrive. This vaccination plan is shown below and is taken from Techcom Bank’s Q2 2021 results presentation.



The Vietnamese market has been a strong performer this year, having been up 27.5% for the six months to 30th June, supported by very strong earnings growth, especially in the banking sector. But July has seen a sell off on the back of the outbreak of Covid and is now only up 12.8% as of 19th July. The current forward PE at 13.6x is below its historical average and again as the vaccines are rolled out or they suppress the current wave of Covid through the lockdown and aggressive contact tracing, we would anticipate the market moving higher.

Conclusion

The current positioning of the Fund, with 48% in China and 18% in India, provides what we would deem fairly defensive and less correlated returns to global markets. These two economies are large in their own right, and dance more to the tune of domestic policy than what goes on in the rest of the world. So even with perhaps a sell off in other markets these countries could be a lot more resilient. China has effectively returned to its long run growth trend, and in our view India has achieved herd immunity with their economy recovering exceptionally quickly from the Delta variant. The remaining 22% exposure is to ASEAN markets, which certainly will be more swayed by events globally, but we believe with valuations below their long run average there is more upside as vaccines are rolled out in earnest in H2 2021. Such that their stock markets could move up in a significant fashion if there is a firm belief that their economies can return to normal in H1 22. We continue to expect this to occur and so are portfolio positioning will further emphasise this over the next few months.

Andrew Williamson-Jones 15/7/21

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