Q-ACPI India Equity UCITS Fund

(USD Institutional Class)

February 2019

The Q-ACPI India Equity UCITS Fund is an open-ended investment fund incorporated in Ireland. The investment objective of the fund is to achieve long-term capital appreciation by investing in the listed equities of Indian companies that are in a position to benefit from the anticipated growth and development of the Indian economy and its securities markets.

MARKET & PERFORMANCE SUMMARY

* The S&P BSE-200 Index ended the month to 28th February at 4,562.57 providing a total return of -0.4% in INR and -0.4% in USD. The fund generated -0.5% return (in USD) for February. The S&P BSE Midcap Index lost -1.4% (in USD) and the S&P BSE Small Cap Index lost -1.4% (in USD). The INR depreciated by 0.01% against the USD during the month.
* Foreign Portfolio Investors were net buyers for 11 of the 20 trading days in February with net purchases amounting to USD 2.4 billion for the month. Locals – and institutional buyers - continue to have faith with local buying of USD 0.3 billion that kept stock indices buoyant.
* The Fund now owns interest in 26 companies. During February, 11 of these 26 stocks (42%) delivered positive price returns, compared to 87 of the 201 stocks (43%) in the S&P BSE-200 Index. At month-end, cash represented 0.1% the Fund's assets.

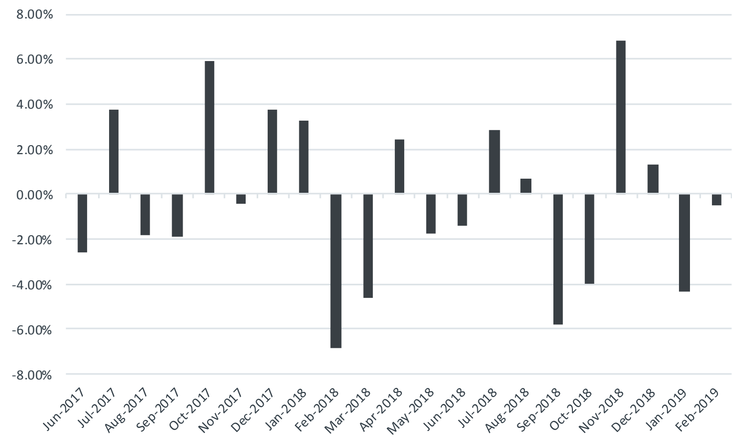
OUTLOOK

* Global markets continued to recover, on the back of assurance from the Fed to increase interest rates in a calibrated manner and reasonable progress on trade negotiations between US and China. The frontline Indices in India traded in a narrow range, supported by few index heavy weights. The broader market continued to weaken. Both S&P BSE Mid-cap and S&P BSE small-cap indices were down by -1.4% during the month.
* The terror attack on Indian military convoy by terrorist organisation Jesh-E-Mohammad killing 40 soldiers raised the friction between India and Pakistan at the tipping point. The Indian Airforce's attack on the terrorist training camps in Pakistan and the counter response by Pakistan could have resulted into outburst of full-fledged war. The ruling BJP government which was facing waning popularity suddenly saw tides turning in their favour with these turn of events.
* With over 100 million voters between the ages of 18 and 27, accounting for nearly 20% of all eligible voters, the political parties will need to tailor-make their promises for job creation. That is why the war within India over the correct employment statistics is more emotional than a war with Pakistan: it can lead to a bloodless change of government. The focus on job reservations, loan waivers to the poor and to farmers, and the strong action against corporate defaulters are all geared to win elections. The losing political party will face near-extinction. Whoever wins, the fiscal accounts are likely to be worse than what is being presented since costs will overshoot and revenue growth will limp along.
* After releasing 3 of the 11 PSU banks from prompt corrective action (PCA) in January, the RBI released 3 more banks out of the PCA in February. Saddled with high Non-Performing Assets, some of the PSU banks have been forced by previous actions of the RBI to stop granting any new loans till they got their house in order. Following government instructions ahead of elections, RBI seems to have now adapted an accommodative approach to ensure increase in lending capacity in the banking system. While the step may improve credit availability in market in the short run, this may potentially compromise the financial sector stability in the long run.

(continued overleaf)

PERFORMANCE

Past performance is no guarantee of future returns. Source: ACPI and Bloomberg. All performance is calculated on a NAV-to-NAV basis and is as at the last business day of the month.



Monthly performance

	J	F	M	A	M	J	J	A	S	O	N	D	Year	BM
2017	-	-	-	-	-	-2.6%	3.8%	-1.8%	-1.9%	5.9%	-0.4%	3.7%	**6.5%**	**13.7%**
2018	3.3%	-6.9%	-4.6%	2.4%	-1.8%	-1.4%	2.8%	0.7%	-5.8%	-4.0%	6.8%	1.3%	**-7.8%**	**-7.6%**
2019	-4.3%	-0.5%	-	-	-	-	-	-	-	-	-	-	**-4.9%**	**-3.4%**

Net performance

	1 month	3 months	6 months	1 year	Since launch
Fund	-0.5%	-3.6%	-6.9%	-8.8%	-6.5%
Benchmark	-0.2%	-2.7%	-9.1%	-7.4%	-2.4%

FUND FACTS

Entity	ACPI Select UCITS Funds Plc, Ireland
Investment manager	ACPI Investments Ltd
Inception date	08 June 2017
Benchmark	S&P BSE 200 TR Index
Minimum investment	$100,000
Minimum additional investment	$500
Subscription	Daily
Redemption	Daily
Redemption notice	One business day
Available currencies	USD, GBP, EUR
ISIN	IE00BD3J5438
TICKER	QACIEUI ID

KEY DATA

Strategy assets (USD)	$2.40m
NAV (USD)	$93.47
Number of positions	26
Total return since inception	-6.5%
Annualised return since inception	-3.8%
Annualised standard deviation	2.1%

FEES

Management fee	1.25%
Performance fee	None

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OUTLOOK

* Anchoring the lower inflation outlook for the March quarter of 2019 and FY 20, RBI has cut interest rates by 25bps with dovish outlook and also favoured to support growth in the economy. RBI's inflation expectation for next year second half has been downward revised to 3.9% which indicates further rate cuts in the coming months. The reduction in interest rate though more on fundamental basis still helps BJP government win some brownie points ahead of elections. The risk to the lower inflation forecast emanates from any slippage in budget deficit and increase in global crude oil prices.
* After the liquidity squeeze seen in September 2018, RBI has provided ample liquidity in the system. However, just when everybody thinks of NPA cycle is peaking out in the banking system; new set of credit risk emerges as few of the reputed business houses like Anil Ambani group and Zee group are fighting for their survival. It is quite likely that right when the elections are round the corner, that government may try and kick the can ahead just to avoid any stain on BJP's image. The ramification may be visible after the new government comes to power.
* With BJP fading in its popularity, there is an increasing likelihood of a poor outcome in up-coming general election, where no one party wins a majority (elections are to be held by May, 2019) and India ends up where it was in 1990-1991; 1996-1998; 1998-1999 where the life expectancy of the ruling coalition governments was less than 18 months. Political gridlock, policy drift and preoccupation with the next impending election will stifle any catalyst for economic reforms and potentially weaken the economy.
* Equity returns over the last four years have been driven by P/E expansion. Triggered by a higher cost of capital and rising US interest rate, investors may now begin to assess the reality of India. The casualty will be the P/E ratio as investors adjust nominal share prices to match the lower reported EPS. Private capex which saw a significant decline post the Lehman collapse, has started showing some signs of revival. Slower demand improvement post demonetisation and GST implementation has resulted in improvement in capacity utilisation amongst companies from c70% few quarters back to c76% now. With no disruption in the economic activities in the current year and the government loosening its purse ahead of the general elections, the economy is limping along with some signs of a natural cyclical recovery.

Despite the recent India-Pakistan border eruption, our predictions for 2019 remain unchanged, namely:

1. The voters are disappointed with the BJP; the BJP cannot win a majority. India will have a BJP-led or Congress-led coalition government;
2. Inflation will pick up as government spending increases in the 1H CY 2019;
3. Interest rates in India will not be raised; spreads between India and US Bonds will narrow;
4. The INR will lose 5% and maybe 10% (if oil rises) in CY 2019

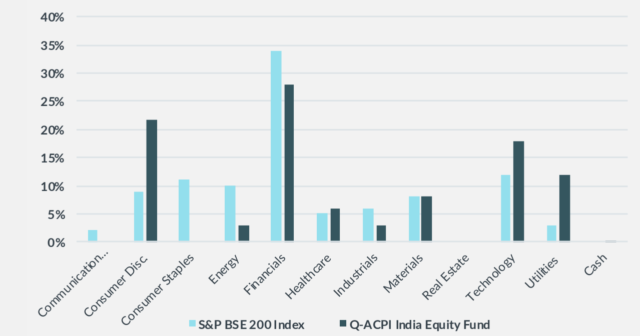
* Political uncertainty will worry investors for the next 3 months. But an accommodative fiscal and monetary policy within India may attract rave-induced flows. Though, with everyone waiting for the music to stop, any "rest" within a note will be seen as a danger sign. Fake or real news will increase volatility in the near term as money oscillates between fear and greed and dances close to the exit. The risk-averse local investors may feel bouts of nausea and prefer to sit out the uncertainty of the elections by placing their savings in bank deposits. Institutional capital allocators, in our opinion, should build upon their positions with a 2-year pay-day in mind – the underlying demand from a mass of consumers will move the economy forward. There is significant money to be made.
* Despite all the near-term headwinds, Quantum continues to believe that India is a great investment destination. India's robust internal consumption patterns have offset the often miserable performance of the various governments that have held power during the past three decades.
* However, we also strongly believe that it is imperative to maintain a value-based investment discipline. Quantum's company-level valuation models assume a 6.5% rate of real GDP growth over the long term and we value the businesses of Indian companies against this macro backdrop. As 'value' investors, Quantum believes it is important to understand the environment under which the companies that we research and choose to own are likely to operate.
* Despite these macro concerns, we are adding to some existing stocks in the portfolio and have been able to invest in a few new companies. We are encouraging our clients to allocate more to India as the Upside Potential of 46% over next two years looks attractive and our assumptions of 6.5% p.a. rate of growth in long term GDP remains unchanged. We suggest an overweight allocation "100% to 125%" of what your intended long term allocation is.

Commentary provided by Quantum Advisors

TOP TEN HOLDINGS

INFOSYS TECHNOLOGIES	8.7%
HOUSING DEVELOPMENT FINANCE CORP	7.9%
BAJAJ AUTO LTD	6.8%
HERO MOTOCORP LTD	5.7%
ICICI BANK	5.0%
WIPRO	4.8%
STATE BANK OF INDIA	4.5%
INDIAN HOTELS CO LTD	4.1%
TATA CONSULTANCY SERVICES	4.1%
LIC HOUSING FINANCE	4.1%

SECTOR ALLOCATION VS. BENCHMARK



MANAGEMENT

I.V. Subramaniam, Member, Portfolio Team

I.V. "Subbu" Subramaniam has over 25 years of experience in the investment management and financial services industry. Since June 2000, Subbu has managed India-dedicated portfolios for Indian clients and since 2005, he has managed India-dedicated portfolios for international clients. Subbu is presently the Managing Director and Chief Investment Officer of Quantum Advisors.

Janish Shah, Member, Portfolio Team

Janish Shah has 19 years experience in Indian capital markets as an Analyst, Head of Research and Portfolio Manager. In addition to being Quantum's primary analyst for oil & gas, metals and real estate, Janish manages portfolios for domestic high net worth clients and assists on portfolios for international clients. Prior to joining Quantum, Janish worked as an analyst at Network Stock Broking Ltd.

Ajit Dayal, Member, Portfolio Team

Ajit Dayal (1990), has over 30 years of experience in investment management and equity research. In addition to founding Quantum Advisors in 1990 (India's first equity research house), Ajit has worked with leading US and UK financial advisory and asset management firms either as a key member of the executive management team or, through the Advisor, as a joint venture partner or affiliate. Ajit served as a Deputy Chief Investment Officer at Hansberger Global Investors, Inc, USA, and as the Lead Manager for the Vanguard International Value Fund.

RISK FACTORS YOU SHOULD CONSIDER BEFORE INVESTING

The value of investments and any income derived are subject to market and exchange rate movements and may fall as well as rise. Investors may not get back the full amount invested.

Investing in investment funds is subject to market risks.

Past performance results are no indication of future results, especially performance results referring to a period of less than twelve months (year-to-date-performance, start of investment fund within the last twelve months) are no reliable indicator for future results due to the short comparison period.

Issuance and redemption commissions are not included in the performance figures. All figures and information are given without any warranty and errors are reserved.

The annual management charge for the Fund will be charged to the Fund's income account. If insufficient income is generated by the Fund to cover the charge, the balance will be deducted from the Fund's capital and to that extent will constrain capital growth.

IMPORTANT INFORMATION

This document may only be distributed in the countries set out in the Fund prospectus. Please refer to the Prospectus for further details.

The tax treatment of the funds depends on the personal circumstances of each client and can be subject to future changes. This document is for information only. It does not represent an offer for the purchase or sale of the Fund.

This document does not constitute an offer or solicitation to deal, whether directly or indirectly, in any particular fund. Nothing in this document should be taken as an expressed or implied indication, representation, warranty or guarantee of performance whether in respect of income or capital growth. No warranty or representation is given as to the accuracy or completeness of this document and no liability is accepted for any errors or omissions that the document may contain.

The manager of this fund is Link Fund Manager Solutions (Ireland) Limited, Registered address: 2 Grand Canal Square, Dublin 2, Ireland. The Fund is authorised by the Central Bank of Ireland as a UCITS pursuant to the UCITS regulations.

For South African investors:

In the Republic of South Africa this fund is registered with the Financial Services Board and may be distributed to members of the public.

In addition to the other information and warnings in this document, the Financial Services Board of South Africa requires us to tell South African recipients of this document that collective investment schemes are generally medium to long-term investments, collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending and that a schedule of fees and charges and maximum commissions is available on request from the manager. The manager does not provide any guarantee either with respect to the capital or the return of a portfolio.

Because foreign securities are included in the investments within this collective investment scheme, we are also required to disclose to you the risks that there may be additional risks that arise because of events in different jurisdictions: these may include, but are not limited to potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks and potential limitations on the availability of market information.

The fund carries no performance fee.

The performance is calculated for the portfolio, individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The value of participatory interests may go down as well as up.

Issued by ACPI Investments Ltd (Registered in England – Number 03781549 at 37-43 Sackville Street, London, W1S 3EH), which is authorised and regulated by the Financial Conduct Authority (Register Number 192403). Details can be found on the following link www.fca.org.uk/register.

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