AlphaPredictor® Insights

Our latest AlphaPredictor® insights

Investment Association Sector: Emerging Market Equity
Date: April 2026

Key Takeaways

1. Representative Expected Top Quartile EM Equity Fund Outperformance Is Coming from Value Tilts and a Combination of Stock Selection and Top Down Macroeconomic Alpha

The majority of the representative top-quartile EM funds are not "pure selectors" or "pure navigators." They blend **positive all-weather Alpha skills** from security selection with solid **time-varying skills** – reflected by their sector tilts – that position them well for the current **macroeconomic** environment.

- **Redwheel Next Generation EM Equity** is the clearest example: strong selection and macro Alpha, with positive sensitivities to strengthening EM currencies and commodity prices. *See page 7.*
- **Lazard EM Equity** also benefits from solid selection and macroeconomic positioning that adds value in the current cycle. *See page 7.*

2. Representative Expected Bottom Quartile Funds Held Back by Investment Style Exposures, Poor Security Selection, and a Lack of Top Down Skills to Navigate the Current Macroeconomic Environment

The bottom quartile funds tend to have **negative all-weather Alpha** and **macro exposures poorly suited** to the current economic environment.

- **Negative EM FX sensitivity** is a common drag, especially as EM currencies strengthen. *See page 7.*
- Several funds also suffer from **negative short-rate and term-spread sensitivities**, which is unhelpful in a rising-rate, steepening-curve environment. *See page 7.*

3. Commodity and EM Currency Trends Are the Cycle's Largest Differentiators for Alpha Generation

In this stage of the business cycle, the biggest separation between Alpha winners and laggards comes from **commodity** and **EM currency sensitivities**.

- Expected top-quartile funds such as **Lazard, M&G** and **Redwheel** benefit from rising commodity prices. Redwheel, invests in frontier markets and benefits from its EM forex exposures. *See page 7.*
- Expected bottom-quartile funds like **Comgest**, **Pictet, and Polar Capital** have negative sensitivities to commodities which negatively impacts Alpha when prices rise.
- **Rising EM currency rates** have been an **Alpha drag** for **Comgest** and **Morgan Stanley**. *See page 7.*

Feature	Expected Top Quartile	Expected Bottom Quartile
Alpha Profile	Positive all-weather Alpha from security selection combined with strong time-varying Alpha from the right sector tilts for the current environment.	Negative all-weather and time-varying Alpha often detracting from returns.
Macroeconomic Environment Alignment	Well positioned for rising short rates, steepening term structure, and strengthening EM curencies and commodity prices.	Macro sensitivities are a drag on Alpha
Market Beta and Factor Exposures	Positive Value tilts generally supportive	Growth and Small Cap tilts negatively impacting Beta performance

TRICIO INVESTMENT ADVISORS LTD
THE OLD TOWN HALL MARKET PLACE, OUNDLE, PE8 4BA
WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
020 7070 0983

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Our latest AlphaPredictor® insights

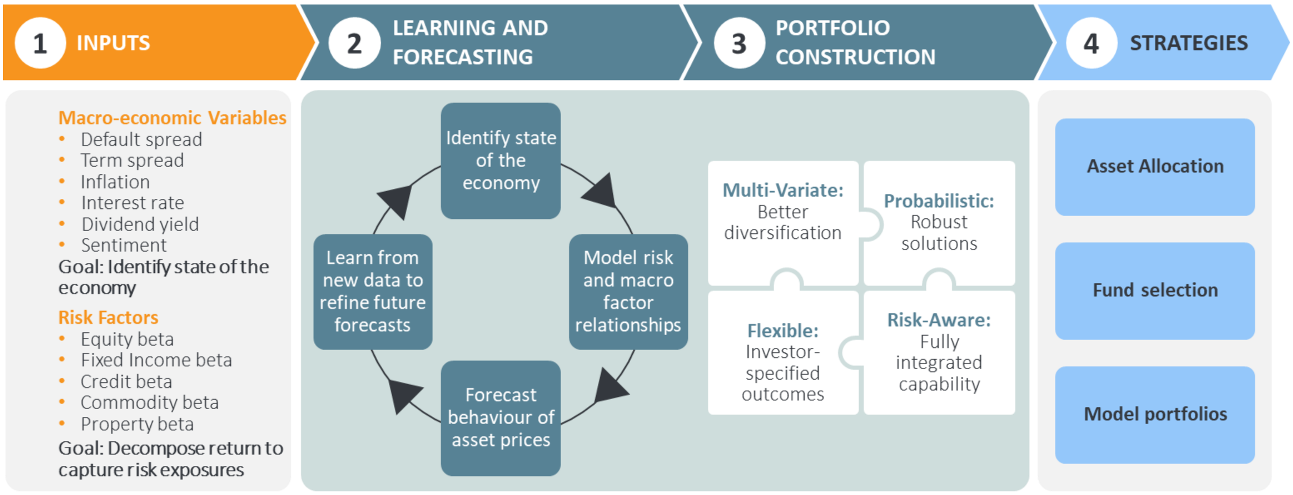
Investment Association Sector: Emerging Market Equity
Forecast horizon: 3-month ahead forward-looking view
Base currency: U.S. Dollar
Date: April 2026

How were these funds selected?

The funds below are members of the Emerging Market Equity peer group. Five funds were selected to represent the top and bottom quartiles based on their 3-month expected return rankings, with a minimum fund size of at least £75 million and a historical ranking within one quartile of their forward-looking quartile ranking.

About the AlphaPredictor® Methodology

AlphaPredictor® is an advanced learning methodology collaboratively developed by leading academics and experienced practitioners. It forecasts investment asset behaviour across the business cycle and adapts rapidly to changing market conditions. In the case of actively managed funds, AlphaPredictor® can help identify the future "best" performers and avoid underperformers. The methodology is also used for asset allocation and portfolio construction to select the best combination of assets to hold at any point in the business cycle while diversifying against different economic outcomes.



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THE OLD TOWN HALL MARKET PLACE, OUNDLE, PE8 4BA
WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
020 7070 0983

AlphaPredictor® expected return breakdown for each fund shown as monthly return contributions

Representative expected top quartile funds

Fund name	Expected return (%)	All-weather Alpha (%)	Time-varying Alpha (%)	Beta return (%)	Risk-free rate
Artemis SmartGARP Emerging Markets Equity	-0.88%	0.22%	0.04%	-1.46%	0.32%
Lazard Emerging Markets Equity Fund	-0.72%	0.21%	0.24%	-1.48%	0.32%
M&G Global Emerging Markets Fund	-1.03%	0.20%	0.16%	-1.70%	0.32%
Pacific North of South EM All Cap Equity	-1.02%	0.32%	0.00%	-1.65%	0.32%
Redwheel Next Generation EM Equity	-0.55%	0.66%	0.37%	-1.89%	0.32%
Peer Group Average	**-1.45%**	**0.02%**	**-0.10%**	**-1.68%**	**0.32%**

Expected return = Risk-free rate + All-weather Alpha contribution + Time-varying Alpha contribution + Beta contribution
Beta return contribution = Sum of the Beta factor exposures multiplied by the expected returns of each Beta factor
All-weather Alpha = Alpha component that is independent of business cycle changes and associated with security selection
Time-varying Alpha = Sum of the Alpha sensitivities to the macroeconomic variables multiplied by their (expected) changes

Comments

- **Artemis** has a **positive all-weather Alpha**, reflecting stock selection that adds value. Its small positive **time-varying Alpha** indicates that navigating the business cycle is **not the fund's primary strength** but it is not a performance drag. The fund has the **'best' expected Beta return** among its peers.
- **Lazard** is expected to benefit from **solid all-weather Alpha** and one of the **strongest time-varying Alpha contributions** in the group.
- **M&G** expected return is supported by **steady all-weather Alpha** and a **positive time-varying Alpha contribution**. Its expected Beta return is slightly below the peer average.
- **Pacific North of South** has a strong **all-weather Alpha**, consistent with a high-conviction, stock-picking-led approach. The fund does not exhibit time-varying Alpha skills in the current environment.
- **Redwheel Next Generation** is the **expected Alpha leader**, with the **highest all-weather Alpha** and the **strongest time-varying Alpha** contribution. The fund invests in EM frontier markets and its larger negative expected Beta return in the current environment is unsurprising.

Representative expected bottom quartile funds

Fund name	Expected return (%)	All-weather Alpha (%)	Time-varying Alpha (%)	Beta return (%)	Risk-free rate
Comgest Growth Emerging Markets Plus	-2.17%	-0.50%	-0.41%	-1.58%	0.32%
JP Morgan Emerging Markets Small Cap	-1.81%	0.09%	-0.30%	-1.92%	0.32%
Morgan Stanley Emerging Leaders Equity	-1.68%	0.09%	-0.23%	-1.85%	0.32%
Pictet Emerging Markets	-1.72%	-0.23%	-0.28%	-1.53%	0.32%
Polar Capital Emerging Markets Stars	-1.78%	0.01%	0.04%	-2.15%	0.32%

Comments

- **Comgest** and **Pictet** are expected to face performance drags from **negative all-weather** and **time-varying Alphas** due to poor stock selection and top down skills.
- **JP Morgan** and **Morgan Stanley** are expected underperform due to a combination of **negative time-varying Alpha and low expected Beta returns.** Negative time-varying skills is often **attributable to poor sector tilts** for the current stage of the business cycle.
- **Polar Capital** is expected to deliver one of the **weakest Beta returns**, with **negligible all-weather** and **time-varying Alpha**. The absence of meaningful Alpha leaves the fund highly exposed to negative market conditions, resulting in an expected return firmly in the bottom quartile.

AlphaPredictor® Beta factor contributions to fund expected returns

Representative expected top quartile funds

Fund name	Total Beta return (%)	Emerging Market Equity Beta	Small Cap Premium	Value Premium	Momentum
Artemis SmartGARP Emerging Markets Equity	-1.46%	-1.59%	-0.03%	0.17%	-0.01%
Lazard Emerging Markets Equity Fund	-1.48%	-1.59%	-0.02%	0.18%	-0.05%
M&G Global Emerging Markets Fund	-1.70%	-1.74%	-0.04%	0.14%	-0.07%
Pacific North of South EM All Cap Equity	-1.65%	-1.70%	-0.03%	0.11%	-0.03%
Redwheel Next Generation EM Equity	-1.89%	-1.83%	-0.19%	0.13%	-0.01%
Peer Group Average	**-1.68%**	**-1.60%**	**-0.03%**	**-0.02%**	**-0.03%**

Comments

- **General observations:** The representative expected top quartile funds have a **positive expected return from their exposure to Value** (see page 5) whereas the bottom quartile funds Value returns are low to negative.
- **Artemis** and **Lazard** have similar expected **Equity Market Beta and factor returns**.
- **M&G** and **Pacific North of South** expected Beta returns are around the peer group average. Their **positive expected return from** their **value tilt** offsets the **drag from** their **Equity Market Beta** performance.
- **Redwheel Next Generation** is expected to have the **most negative total Beta return**, due to its **exposure to small cap stocks**. This Beta profile is consistent with the fund's frontier-market focus and the current volatility environment for emerging and frontier markets.

Representative expected bottom quartile funds

Fund name	Total Beta return (%)	Emerging Market Equity Beta	Small Cap Premium	Value Premium	Momentum
Comgest Growth Emerging Markets Plus	-1.58%	-1.56%	-0.04%	0.02%	0.00%
JP Morgan Emerging Markets Small Cap	-1.92%	-1.66%	-0.17%	-0.06%	-0.03%
Morgan Stanley Emerging Leaders Equity	-1.85%	-1.37%	-0.15%	-0.29%	-0.04%
Pictet Emerging Markets	-1.53%	-1.67%	-0.02%	0.08%	0.10%
Polar Capital Emerging Markets Stars	-2.15%	-1.71%	-0.07%	-0.30%	-0.07%

Comments

- **General observations:** the majority of representative expected bottom quartile have **negative Small Cap and Value Premium returns.** This can be explained by these funds owning smaller cap stocks and having a growth investment style when both small caps and growth stocks are expected to underperform.
- **Comgest** and **Pictet** have **expected Beta returns** which are **better than the peer group average**. However, their **negative all-weather and poor time-varying Alpha skills** are responsible for these funds being placed in the expected bottom quartile.
- **JP Morgan** and **Morgan Stanley** have **larger negative expected Beta returns** than the peer group average. The main reason is they hold smaller caps stocks (see page 6) when small caps are expected to underperform. Morgan Stanley also shows a **notably negative Value Premium expected return** which is explained by the fund holding growth stocks when growth is expected to underperform value.
- **Polar Capital** expected to deliver the **most negative total Beta return** in the bottom-quartile group. Its combination of strong negative Equity Market Beta and **Value Premium returns** is the main driver of its expected underperformance. The fund's Small Cap Premium and Momentum expected returns are also negative.

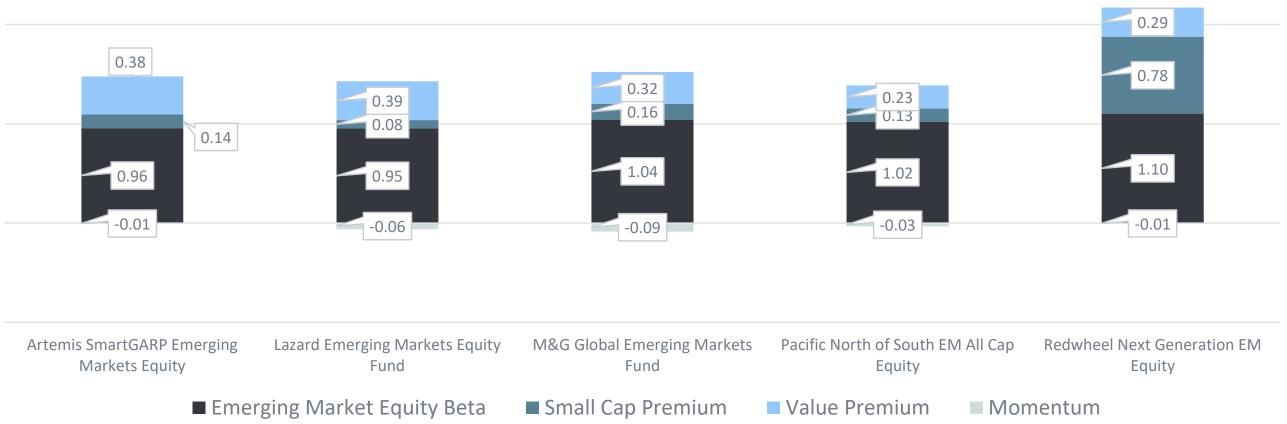
TRICIO INVESTMENT ADVISORS LTD
THE OLD TOWN HALL MARKET PLACE, OUNDLE, PE8 4BA
WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
020 7070 0983

Fund Beta factor exposures

The charts show the Beta factor exposures that help explain each fund's performance. They are expressed as Beta sensitivities not as returns. A Beta of 1.0 indicates that the fund's performance tends to move in 1:1 tandem with the Beta factor. A negative Beta indicates that the fund's performance tends to move in the opposite direction of the Beta factor.

Representative expected top quartile funds Beta factor exposures



Comments

- General observations: the top-quartile funds, have **broad market-like Equity Market Beta** sensitivities with positive **Value tilts** and negative **Momentum exposures**.
- **Artemis** and **Lazard** exhibit **slightly below-market Equity Betas, positive Value tilts, and Small Cap tilts.** Lazard's **negative Momentum** may indicate longer security holding periods.
- **M&G** and **Pacific North of South** show **near-market Equity Betas** with **positive Value and Small Cap exposures**. Momentum exposures are **negative**.
- **Redwheel Next Generation** ands out with the **highest Equity Market Beta** and a **significant Small Cap tilt**, far larger than peers. The fund also has a **positive exposure to Value**. This exposure mix reflects a **higher-beta, smaller-company orientation**, consistent with its frontier markets focused investment universe.

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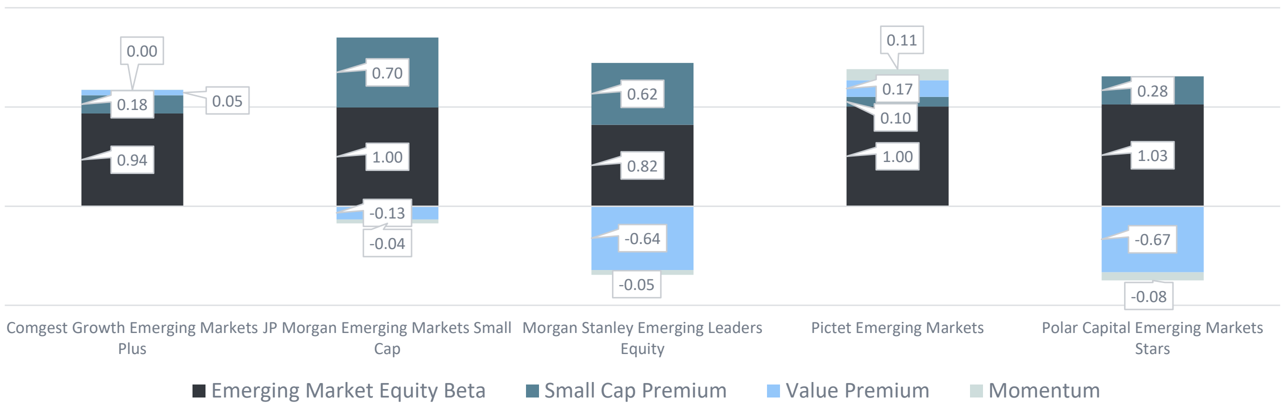
THE OLD TOWN HALL MARKET PLACE, OUNDLE, PE8 4BA
WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
020 7070 0983

Representative expected bottom quartile funds Beta factor exposures



Comment

- **General observations:** The representative bottom quartile funds have significant exposures to **Small Cap**. Large **negative Value Premiums** (blue colour above) **indicates a growth investment style**.
- **Comgest** and **Pictet** maintain **market-like Equity Betas** with **modest Small Cap exposure** and **slightly positive Value tilts**. Their expected underperformance is driven by **Alpha weakness** rather than out-of-favour factor tilts. **Pictet** is the only fund in the group with a **positive exposure to Momentum**.
- **JP Morgan** and **Morgan Stanley** have more **significant tilts to Small Cap** than their peers, which aligns with the negative Small Cap return contributions seen on page 4. Both also show **negative Value Premium exposures** which is indicative of a growth investment style.
- **Polar Capital** has an **above-market Equity Beta** and a **moderate Small Cap tilt**. The fund's deeply **negative exposure to the Value Premium** reflects a fundamental stock selection process that includes growth characteristics. Its negative Momentum exposure is consistent with longer-than-average stock holding periods and a concentrated portfolio focus.

Fund time-varying Alpha from navigating changes in the business cycle

The AlphaPredictor® methodology provides the unique ability to identify managers with skills which will perform well given different but plausible economic outcomes. Time-varying Alpha is manager skill associated with navigating changes in the business cycle and is often demonstrated by sector tilts or security selection within sectors. Macro Alpha sensitivities reflect the portion of a manager's skill which is correlated (positively or negatively) with important macroeconomic variables. By pairing macroeconomic variable changes with a fund's Macro Alpha sensitivities, you can gain insights about their Alpha generation in different environments. The table below shows the **macro Alpha return contributions** and **sensitivities** of each fund to changes in important macroeconomic variables. An arrow indicating the **trend in each macroeconomic variable** is also shown.

Understanding how a fund's Alpha might be impacted as the business cycle evolves can help a fund selector pick winners and avoid funds whose Alpha may deteriorate in specific environments. The AlphaPredictor® model is an advanced learning model, and it will learn over time as relationships between Alpha and macroeconomic variables evolve.

Representative expected top quartile funds macro Alphas and macro sensitivities

Fund name	Time-varying Alpha (%)	Default Spread ↓ Δ 12MMA Alpha (%)	Default Spread ↓ Δ 12MMA Sensitivity	Term Spread ↑ Δ 12MMA Alpha (%)	Term Spread ↑ Δ 12MMA Sensitivity	Short Rate ↑ Δ 12MMA Alpha (%)	Short Rate ↑ Δ 12MMA Sensitivity	Dividend Yield ↓ Δ 12MMA Alpha (%)	Dividend Yield ↓ Δ 12MMA Sensitivity	Commodity Prices ↑ 12-month log change Alpha (%)	Commodity Prices ↑ 12-month log change Sensitivity	EM Currencies Relative to USD ↑ 12-month log change Alpha (%)	EM Currencies Relative to USD ↑ 12-month log change Sensitivity
Artemis SmartGARP Emerging Markets Equity	0.04%	0.0%	-0.6	0.0%	-0.2	0.1%	0.4	0.0%	-0.4	-0.1%	0.0	0.0%	0.0
Lazard Emerging Markets Equity Fund	0.24%	0.0%	-0.3	0.0%	0.8	0.0%	0.1	0.0%	-0.2	0.4%	0.0	-0.2%	0.0
M&G Global Emerging Markets Fund	0.16%	0.0%	-0.1	0.0%	0.0	0.0%	0.1	0.0%	-0.5	0.2%	0.0	-0.2%	0.0
Pacific North of South EM All Cap Equity	0.00%	0.0%	0.6	0.0%	0.7	0.2%	0.5	0.1%	-1.1	-0.3%	0.0	0.0%	0.0
Redwheel Next Generation EM Equity	0.37%	0.0%	1.4	-0.1%	-4.3	-0.4%	-1.2	-0.1%	1.1	0.1%	0.0	0.9%	0.2
Peer Group Average	**-0.10%**	**0.0%**	**0.2**	**0.0%**	**0.5**	**0.0%**	**0.0**	**0.0%**	**-0.2**	**-0.1%**	**0.0**	**0.0%**	**0.0**

Comments

- **Artemis** added value comes from stock selection not business cycle skills. The fund has **negative sensitivities to default spreads and term spreads**, which hurt Alpha when default spreads fall and the yield curve steepens. Its **positive sensitivity to rising short rates** is currently supportive.
- **Lazard** combines a **negative sensitivity to default spreads** with a **positive sensitivity to term spreads and short rates**. With default spreads declining, this is a headwind, but the steepening term structure and rising short rates are supportive for Alpha. The fund benefits from rising commodities.
- **M&G positive sensitivity to short rates** in a rising rate environment is beneficial, as is its positive macro Alpha sensitivity to rising commodity prices.
- **Pacific North of South** exhibits **positive sensitivities to term spreads and short rates**, which is positive in the current environment. The fund has a **negative sensitivity to dividend yields**, which is supportive as yields decline but Alpha is hurt by rising commodity prices.
- **Redwheel Next Generation** has the **highest expected time-varying Alpha**. Its **positive sensitivity to EM currencies** is beneficial as EM FX strengthens. The fund also benefits from rising commodity prices and declining dividend yields.

Representative expected bottom quartile funds macro Alpha funds macro sensitivities

Fund name	Time-varying Alpha (%)	Default Spread ↓ Δ 12MMA Alpha (%)	Default Spread ↓ Δ 12MMA Sensitivity	Term Spread ↑ Δ 12MMA Alpha (%)	Term Spread ↑ Δ 12MMA Sensitivity	Short Rate ↑ Δ 12MMA Alpha (%)	Short Rate ↑ Δ 12MMA Sensitivity	Dividend Yield ↓ Δ 12MMA Alpha (%)	Dividend Yield ↓ Δ 12MMA Sensitivity	Commodity Prices ↑ 12-month log change Alpha (%)	Commodity Prices ↑ 12-month log change Sensitivity	EM Currencies Relative to USD ↑ 12-month log change Alpha (%)	EM Currencies Relative to USD ↑ 12-month log change Sensitivity
Comgest Growth Emerging Markets Plus	-0.41%	0.0%	-0.1	0.1%	4.4	0.4%	1.1	0.0%	-0.2	-0.1%	0.0	-0.8%	-0.2
JP Morgan Emerging Markets Small Cap	-0.30%	0.0%	0.0	0.0%	-0.6	-0.2%	-0.5	0.0%	-0.4	0.0%	0.0	-0.1%	0.0
Morgan Stanley Emerging Leaders Equity	-0.23%	0.0%	0.7	0.0%	0.3	-0.3%	-0.8	0.1%	-1.4	0.3%	0.0	-0.3%	-0.1
Pictet Emerging Markets	-0.28%	0.0%	-0.1	0.0%	0.0	-0.1%	-0.2	0.0%	-0.4	-0.2%	0.0	0.0%	0.0
Polar Capital Emerging Markets Stars	0.04%	0.0%	-0.2	0.0%	0.5	0.1%	0.3	0.0%	0.3	-0.1%	0.0	0.0%	0.0

Comments

- **Comgest** shows **positive sensitivities to term spreads and short rates**, which helps generate Alpha when the curve steepens and rates rise. This is more than offset by the fund's negative sensitivity to EM currencies given EM FX has been strengthening.
- **JP Morgan** exhibits **negative sensitivities to term spreads and short rates**, which has been an Alpha drag in the current environment. The fund also shows negative sensitivity to EM currencies, which is unhelpful when EM FX strengthens.
- **Morgan Stanley** has a **negative sensitivity to short rates** which is a **drag on Alpha** in a rising rate environment. Its **negative sensitivity** to **dividend yields** has been **beneficial** as has its **positive sensitivity to commodity prices** which have been rising. However, the fund's **negative sensitivity to EM currencies is a significant headwind** as EM FX strengthens.
- **Pictet's negative sensitivities to short rates** has been **a drag in a rising rate environment**. The fund's **negative sensitivity to commodity prices hurts Alpha** when commodity prices rise.
- **Polar Capital** is the **only bottom-quartile fund with a positive time-varying Alpha**, supported by a positive sensitivity to short rates in a rising-rate environment. However, its negative sensitivity to commodity prices is unfavourable as prices rise.

TRICIO INVESTMENT ADVISORS LTD
THE OLD TOWN HALL MARKET PLACE, OUNDLE, PE8 4BA

WWW.TRICIO-ADVISORS.COM

INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB

WWW.PARALA.COM

INFO@PARALA.COM
020 7070 0983

GLOSSARY

Beta risk factors

- Equity Market Beta – MSCI Emerging Markets Index.
- Small Cap Premium – MSCI Emerging Markets Small Cap Index returns minus MSCI Emerging Markets Large Cap Index returns.
- Value Premium – MSCI Emerging Markets Value Index returns minus MSCI Emerging Markets Growth Index returns.
- Momentum - The top 3 S&P Global 1200 sector returns minus the bottom 3 S&P Global 1200 sector returns over rolling12-month periods.

Alpha

- All-weather Alpha –Fund manager security selection skill which is independent from the business cycle.
- Time-varying Alpha – Fund manager skill from dynamically timing industries and sectors over the business cycle.
- Macroeconomic state variables such as the default spread, term spread, short interest rate, dividend yield, inflation, and economic sentiment can be used to identify funds likely to generate superior performance.

Macroeconomic state variables

- Default spread – The difference between global corporate bond and global treasury yields. It is a measure of credit risk and stresses in the financial system. It is counter-cyclical tending to widen in recessions and shrink in expansions.
- Term spread – The difference between the global treasury yields with a weighted average maturity of 8-10 years and short term global treasury yields with a weighted average maturity of 1.8 to 2 years. Academic research has found it to be a predictor of economic growth as well as turning points in the economy.
- Short rate – The yield on short term global treasuries. Short term interest rates are linked to monetary policy. Falling short term interest rates have been associated with rising stock and bond markets in subsequent periods. Higher short rates may signal reduced capital investment by firms as well as lower consumption in the economy.
- Dividend yield – The dividend yield on a broad index of emerging market equities. A measure of relative equity valuations. It is counter-cyclical tending to widen in recessions and shrink in expansions.
- Commodity prices – The S&P GSCI Index represents the global commodities market. It is a production-weighted index covering twenty-four exchange-traded physical commodity futures across energy, agriculture, metals, and livestock.
- Emerging market currencies - A measure of the market cap weighted value of emerging market currencies relative to the U.S. dollar.

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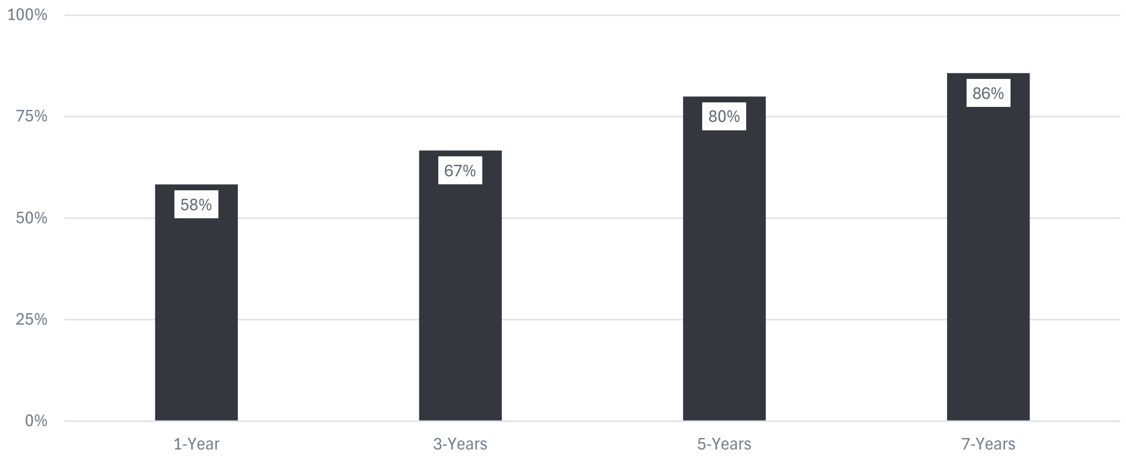
WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
020 7070 0983

Quantifying the Predictive power of the AlphaPredictor® forward-looking rankings for the Emerging Market Equity Peer Group

We calculated the performance of the top quartile predicted 3-month ahead funds versus the bottom quartile predicted funds over the last seven years ending March 2026 and then looked at the consistency of the outperformance of the top versus bottom quartile funds ranked by 3-month expected returns. The chart below shows the frequency of outperformance over 1-, 3-, 5-, 7-year periods.

Percentage of times that the top quartile predicted funds outperformed bottom quartile predicted funds



How to use the AlphaPredictor® Insights report

The report highlights five funds from the top and bottom quartile of expected Alpha funds over the coming 3-months for a specific peer group. It breaks down the key drivers of each fund's performance due to important risk factor exposures including Market Beta, Small Cap Premium, Value Premium, and Alpha. An important differentiator of AlphaPredictor® is its ability to breakdown each fund's Alpha generating capabilities into all-weather (idiosyncratic) skills associated with security selection and time-varying skills associated with navigating changes in the business cycle and often exhibited through sector tilts. Time-varying skills are correlated with important macroeconomic variables and understanding which stage of the business cycle we are in and how skilful a manager is given current or future economic conditions can provide key insights into understanding how a manager and fund are likely to perform.

The Alphapredictor® Insights report provides advisers with a view about which funds are likely to perform well or poorly in the current environment. If advisers already recommend or use these funds, it can help explain how the fund selection truly adds value to the end investors. Otherwise, advisers can consider whether they want to switch funds – especially since different fund manager skills may work better given the changes in business cycle or specific economic conditions.

Subscription services

Advisers can also subscribe to the AlphaPredictor® as a service and get more:

- Detailed report on the Alpha and Beta contributions to expected performance of specific fund(s), including how changes in macroeconomic variables will affect them. This can be a health check on current funds in the clients' portfolios or to find new funds.
- Cost effective tools that help advisers and wealth managers to build fund buy-list objectively, together with other fund research tools if needed.

For more sophisticated wealth managers and advisers, we can provide regular Alphapredictor® dataset for their quantitative analysts and fund research team.

TRICIO INVESTMENT ADVISORS LTD
THE OLD TOWN HALL MARKET PLACE, OUNDLE, PE8 4BA
WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
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WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
020 7070 0983

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TRICIO INVESTMENT ADVISORS LTD
THE OLD TOWN HALL MARKET PLACE, OUNDLE, PE8 4BA
WWW.TRICIO-ADVISORS.COM
INFO@TRICIO-ADVISORS.COM
020 3855 5830

PARALA CAPITAL LLP
NIDDRY LODGE, 51 HOLLAND STREET, LONDON W8 7JB
WWW.PARALA.COM
INFO@PARALA.COM
020 7070 0983