AZTLAN
Equity Management, LLC

YEAR IN REVIEW 2020

Jan · 31 · 2021

AZTLAN Equity Management, LLC

Index

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A LAST LOOK AT THE YEAR THAT WASN'T …

"There are dark shadows on the earth, but its lights are stronger in the contrast"

2020 was a unique year – not that we needed to say this, explicitly. As the world struggled with the pandemic, the divergence between the economy and financial markets widened to a point never seen before. We alluded to this in our revised outlook for 2020, released in early April 2020. And it panned out, broadly speaking, in the way we thought it might. Overall, Aztlan's three strategies had a good 2020, both in absolute and relative performance. Our general positioning being typically overweight in sustainable, free cash flow generating, new-economy stock picks helped a lot in the year.

We have been carrying many of the outperformers in our Developed Markets strategies *(DM: Aztlan DM SMID Strategy; DMXUS: Aztlan Developed Markets Ex USA SMID Strategy)* since the inception of the respective strategies (DM: End-2017; DMXUS: End-2018). 2020 was a blowout year for many of these companies, helped in part from the general market sentiment and in part from fundamental reasons as the pandemic helped accelerate some of the business models and value propositions of many of these companies. Our DM regional allocations remained well diversified across all major markets helping in the overall consistency of our full year result. Towards the end of the year, we saw a shift towards value names, as vaccine hopes dominated market sentiment. We made some switches and tweaks to the portfolio – adding in a couple of value names while trimming some of our best performers/supersized names. We didn't go full volte-face, as we continue to believe in the longer-term potential of our companies. We lost a bit of our YTD relative outperformance during the fourth quarter as we balanced with the shifting market sentiments with our desire to keep churn out and minimize the juggling.

Emerging Markets *(EMF: AZTLAN EM SMID Strategy)* was a different ball-game all together. With divergent policies adopted by various countries, we stuck to our parsimonious stance in order to gain clarity on how things proceeded in individual countries: we saw, and continue to see, a wide spectrum of policy actions from most stifling stringencies to absolute cavalier. We fretted about legacy business, fiscal space, trade restrictions, varying success rates in pandemic control & spread rates, just to name a few. Large caps, particularly in the sectors we like (the Tencents and the Alibabas), did well in sympathy with global markets . We started the year with a more diversified sector mix compared to our more concentrated DM strategies, in line with our assessment of macro uncertainties and risks. The need to switch more comprehensively, in line with our sector-concentration DM mix, was calling. We didn't rush in or make wholesale changes as the pandemic raged. We had our stock picks and we waited. As the year came to the halfway mark, EM policy makers entered a holding pattern and we were also able to better assess the ground realties. We made our switches. Subsequently, it was a case of recovering lost ground, on a relative basis.

As we exit the year, we continue to focus our research in the pursuit of finding disruptive new-economy businesses with the capacity to generate sustainable free cash flow, grow and compound capital at high rates as adoption of these nascent technologies (in manufacturing, AI & data analytics, automation, renewable energy, disruptive mobility,, to name a few) take hold over the coming decades (and which we will detail more in our Outlook in the coming month; a synopsis is put forth at the end of this report).

From an operational perspective, a brief word: End of the year also marked the completion of 3 years for both developed and emerging markets strategies. We added new vehicles for our clients and crossed a significant threshold in assets under management. We added new institutional clients and expanded on our operations, client relations and compliance teams. Our core investment and research team remains the same.

AZTLAN EQUITY MANAGEMENT LLC
Telephone: 703-473-8020
Email: investors@aztlanequities.com
1751 Pinnacle Drive, Suite 600 McLean, VA 22102
Aztlanem.com

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Aztlan Developed Markets SMID Strategy [DM]

Review

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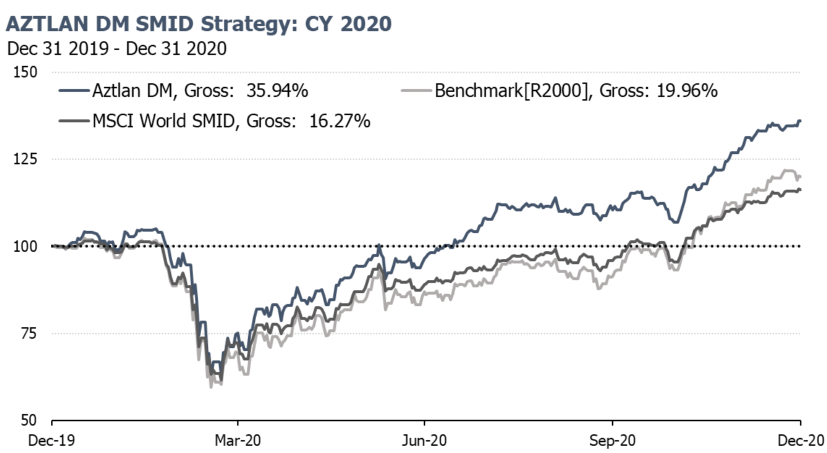
AZTLAN Equity Management, LLC

COMMENTARY *The Numbers*

Aztlan Developed Markets Strategy [DM] ended CY2020 ~36% up, outperforming the primary benchmark Russell 2000 [Up 20%] by 16 percentage points and secondary reference index MSCI World SMID Index [Up 16.3%] by 19.7%. Since the lows of the year, the strategy bounced back 118.5% [R2000: Up 101.3%; MSCI DM SMID: Up 83.7%]. Overall, the strategy was fairly consistent from a relative performance, outperforming the benchmark in 8 of the calendar months and in 3 quarters. In Q4, the strategy´s relative underperformance happened during the month of October as we saw a significant market return divergence, (geographical, style and sectoral) – our underweight positions in the beneficiaries of that month hurt us significantly.
Since inception, cumulatively, the strategy is up 152%, comparing very favourably to the Russell 2000 and MSCI World SMID Indices.



Benchmark: Russell 2000 Index | **Note:** Rebased to 100 at start of year

Benchmark: Russell 2000 Index | **Note:** Rebased to 100 at DM Inception

The strategy was helped by our healthcare exposures - predominately healthcare tech and to a lesser extent, Managed Care. We had slightly more than a third of our portfolio allotted to healthcare, even before the pandemic hit the shores. Four of the top 5 performers came from the healthcare space.
Strong selection factors and to a lesser extent, allocation helped. We were significantly underweight (better to phrase as almost no presence in) financials, a decision that proved to be the second leading contributor to our relative performance; likewise, for utilities. Towards the end of the year, we did bring in a couple of names across cyclicals/value to balance the skew and manage the style risks.

COMMENTARY *The Numbers* [Continued…]

At the other end of the spectrum, we were hurt by our information technology (IT) names – mostly on selection factors [single stock, which we exited in April]. Subsequently, during the bounce, we maintained our equal weight in the sector and didn't participate in the sector rally. Stock specific concerns also led Real Estate-Tech to be a significant detractor: Real Matters, a Canadian Real Estate tech name, corrected sharply during the fourth quarter as margin guidance disappointed while management failed to articulate a clear narrative. We added the stock to the DM strategy during the second half of the year – chalk one for bad timings. At the same time, the stock did well in our DMXUS strategy – where we had entered at the start of the year. We exited the stock, on both strategies, as management communications, post the last results, was found wanting.

Regional mix is less relevant from a performance analysis/review point. Aztlan DM strategy is a more balanced and diversified portfolio from a geographical perspective, compared to US-centric Russell 2000 benchmark. We have alluded to this, multiple times, in our monthly newsletters. Some months we 'benefited', other time (particularly Q4), it hurt us. This is one of the primary reasons we also provide the alternate reference index – MSCI World SMID index. Towards the end of the year, we tweaked the portfolio weights to materially reduce the underweight position in USA. This will always be an underweight position, relative to USA, as we don't anticipate exiting the XUSA-DM markets completely. Thus, from a review point of view, we recommend looking at MSCI World SMID Index also. In 2021, we plan to continue both reference benchmarks, in line with conversations with our investors. Despite this skew, all three regions (North America, AsiaPac and Europe) were net contributors to the strategy's relative outperformance, the wagon driven by strong stock selection factors.

Source: Refinitiv, Russell, MSCI

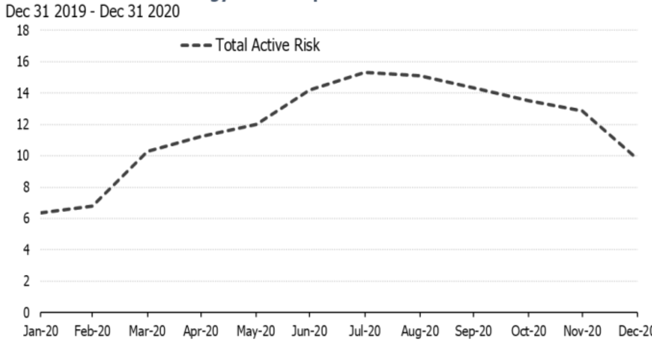
COMMENTARY *Risk*

In most cases, our ongoing conversations and oversight with our management teams provided adequate levels of comfort during the year. We exited 'at-risk' names early on and most of the trading decisions, since April, came predominately as we strived to manage our risk quotients. By mid-year we continued to rationalize, to a good extent, both DM and DMXUS strategies – which consequently led to benchmark divergence in DM. Most trading decisions, made during the year, were a consequence of our risk profile optimization process. Style changes, concentration risks (sector, stock) and strategy rationalization were the main drivers of portfolio churn during the course of the year.

	Portfolio	Benchmark
Standard Deviation	36.77	42.84
Downside Capture Ratio	0.73	1.00
Upside Capture Ratio	0.67	1.00
Realized Tracking Error	0.16	0.00
Realized Alpha	0.18	0.00
Realized Beta	0.80	1.00
Correlation Coefficient	0.93	1.00
R-Squared	0.86	1.00
Sharpe Ratio	0.94	0.44
Treynor Ratio	0.00	0.00
Information Ratio	0.97	
Sterling Ratio	0.76	0.39
Calmar Ratio	0.97	0.49

Source: Refinitiv, Aztlan
Notes: Benchmark is comparable ETF of Primary Benchmark |

AZTLAN DM SMID Strategy: Risk Snaphot
Dec 31 2019 - Dec 31 2020



Source: Refinitiv; Measured versus comparable benchmark ETF

AZTLAN DM SMID Strategy: Risk Contributors
End- 2020

Source: Refinitiv, Aztlan | **Note:** This data is presented for illustrative purpose using indepdent third party model (using Global Risk Model/Refinitiv)| As on End 2020

For the purpose of transparency, we also present an Ex-Ante Risk factor contributor at the end of the year using a standard third party risk model [Refinitiv/Eikon]. This is purely for illustrative purposes. We believe the portfolio primary source of risk is still specific, or to a large extent, determined by company-specific fundamental/event risks.

Individual factors might still impact monthly performance and frankly, we expect the coming year to be equally, if not more, volatile in terms of market preferences, in short bursts. As it stands, we currently believe that the portfolio is not specifically tilted (other than those for by design, like World) towards any specific factors.

COMMENTARY *ESG*

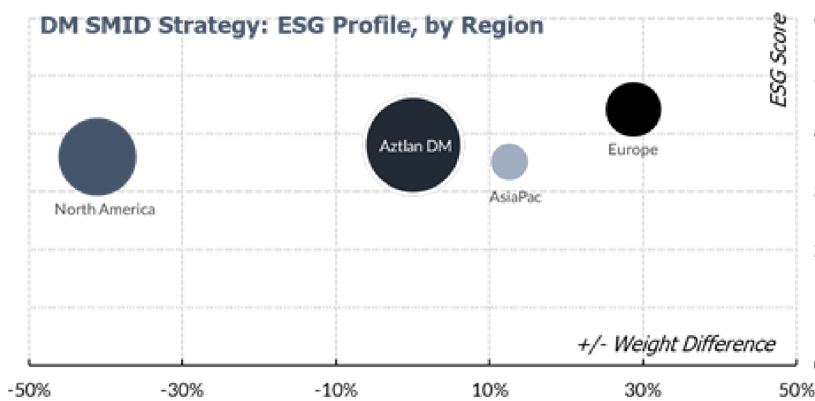
Aztlan strategies don't have an ESG mandate, as it stands. However, it forms an integral part of our investment philosophy and is articulated and made public through our ESG manual (a copy of which is available in our website). For the purpose of transparency, we also endeavour to present independent third party data regarding the portfolio's ESG scores (along with the comparable Benchmark ETF scores).

	Aztlan DM SMID	Benchmark	+/-	Yoy Change - Aztlan DM
ESG Combined Score	37.99	34.49	3.50	5.5%
ESG Score	37.99	34.92	3.07	2.4%
ESG Controversies Score	100.00	94.01	5.99	5.8%
Emissions Score	26.78	14.96	11.82	25.1%
Environmental Innovation Score	10.98	12.49	-1.51	100.6%
Resource Use Score	27.45	16.65	10.80	20.1%
Community Score	52.72	55.81	-3.09	-3.7%
Human Rights Score	26.77	17.34	9.43	39.5%
Product Responsibility Score	49.00	37.67	11.33	
Workforce Score	47.46	33.82	13.64	7.4%
CSR Strategy Score	32.00	11.46	20.54	90.4%
Management Score	47.72	51.33	-3.61	-8.6%
Shareholders Score	45.71	48.95	-3.23	14.1%

Source: Refinitiv, Aztlan
Notes: Benchmark is comparable ETF of Primary Benchmark | Scores from 0-100 with Higher the Better

Aztlan DM Portfolio ESG Scores, in general, showed an improvement over the previous year – in part, reflecting the changes in the portfolio as we continue to move our focus towards what we believe will be the new normal and sustainability.

For disclosure purposes, we have used third-party data as reference. In this regard, we find that data regarding AsiaPac companies are slightly weaker compared to North America and Europe and this partly reflects in the regional profile.



Source: Aztlan, Refinitiv | **Notes:** Weight Difference relative compared to benchmark ETF | Size of bubble represents overall Weightage

Aztlan DM: Overall ESG Rank, Active Weights & Contribution

Issue Name	Avg Active Wt	% of Total Return	% of Relative performance
DM		100%	100%
A-	3.9%	0.4%	0.3%
B	1.0%	4.3%	4.6%
B+	-2.1%	1.3%	3.1%
B-	-7.2%	-9.2%	-27.8%
C	3.5%	46.0%	87.2%
C+	2.1%	-6.8%	-28.2%
C-	-7.5%	24.8%	17.7%
Cash & Equivalents	0.9%	0.0%	0.0%
D	-2.0%	11.3%	14.3%
D+	-6.6%	12.7%	-2.0%
N/A	14.5%	15.2%	31.0%

Source: Refinitiv, Aztlan

Our largest DM ESG segment allocations were A, B and N/A (mostly AsiaPac in non-polluting industries) with a relatively small contribution to total returns. On the other hand our overweight allocation in the C-ranked category contributed the most- perhaps as these less well ranked businesses work to step up their ESG standards.

COMMENTARY *Movers and Shakers*

The top 4 contributors for the DM all came from the healthcare space, with price action stemming from company fundamental improvements and re-rating arising out of market sentiment.

The US-based healthcare tech name **Veeva Systems** (up ~72%) was top contributor of the strategy. The stock has always been a part of the strategy since inception though this year's performance meant we had to trim more than once over the course of the year. The company has well-established relationships and a strong brand, among life sciences company, gaining both market share and wallet share with client. Strong growth in client base and number of apps/products placed with each client provides a strong base of recurring revenues source. The asset-light model and leveraging of strong relationships with vendors Salesforce and AWS allows the company to get to market quickly with scalable apps which addresses key industry pain-points. Over the period, the company significantly expanded wallet share from clients, especially the early adopters. The horizontal expansion (Cosmetics, Chemicals and Consumer) is still in nascent stages — company has got some good logos and we see upside optionality across the board. Valuations have moved out of our comfort levels and active risk management (concentration, style and stock factors) determined our trading decisions during the year.

The Japanese healthcare tech name - **M3** (up ~125%) was one of the standout performers for the strategy during the year. This stock was added to the DM strategy during mid-year as part of our strategy rationalization (stock is part of our DMXUS strategy since inception). As we increased the global weights, we expanded our allocation within DM as we increased our Japan exposures. Its existing primary business verticals got a significant boost during the pandemic as it suited its business model. While some of its business segments did get affected, the overall business did a leg up during the year. Additional monetization options down the "Line" and creating a strong B2C vertical have got continued traction. Currently, consensus is expecting modest topline growth (mid-teens) over the coming three years – we believe significant monetization potential of its channels/regions and changes in macro environment (c19) has not been considered yet; Strong balance sheet and cash flow generation is also a strong positive for the company. Our fundamental view remained strong during the year but valuations kept significantly stretching.

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COMMENTARY *Movers and Shakers*

Medpace (up ~66%), a US based CRO, rounded off the top three. Heading into the year, the stock was already our top weight (the stock was the top performance contributor in CY19 also). Although we had some initial concerns about the company, particularly as the bulk of its revenues, close to 3/4, come from small biopharma's, we remained confident in the company managing its cash flows while further diversifying and de-risking its revenue base during the pandemic. Results alleviated concerns and price action remained strong, despite higher volatility this year. We did trim the position on concentration in response to the strong price action.

US based managed care name **Amedisys** (up ~75%) was a strong contributor, in part from re-rating and to a large part, a strong top-line recovery, high referral rates and increase in prices in their main segments. Structural changes in the industry including proposals for permanent telehealth service for Home Health segment , payments for telehealth service visits all bode well for the future. Demographics are in the company's favour, with the increase in >65 years old in the coming years. We also note the good regulatory outlook in terms of CMS regulations. COVID-19 has accelerated the necessity of care at home while the reimbursement outlook for Home Health and Hospice segments and Medicare 2021 are also expected to remain at peak levels.

Rounding off the Top 5 was US based electrical supplier **Atkore International** (Up ~1.6%); despite the lower yearly numbers, the strategy benefited from the position increase undertaken late Q3/20 as we increased our positioning in response to the steep price decline in March, taking our FCF yield metric to exceedingly attractive levels as the strategy benefited from the change in sentiment on the back of C-19 vaccine optimism during the second half.

Detracting performance for the strategy was **Real Matters**, the Canadian Real Estate tech play. The stock saw close to 25% correction since its addition to the strategy just after mid-year. While strong results amidst favourable operating/business conditions saw the stock significantly rallying during the first half of the year, the market was concerned with the coming fiscal year guidance, particularly on the margin front.

Price movements, mentioned in this section, are portfolio absolute total returns in USD i.e. during the periods the stock was in the portfolio. Actual yearly price returns may differ unless the stock has remained in the portfolio, without changes, for the whole year.

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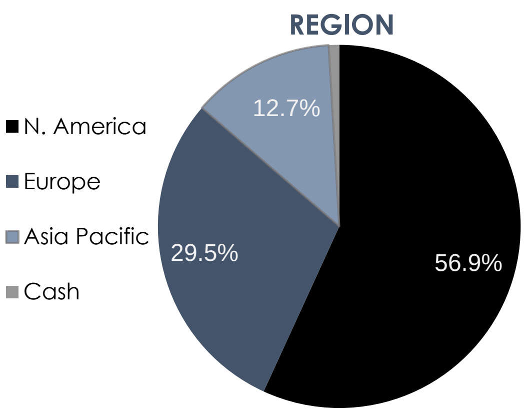
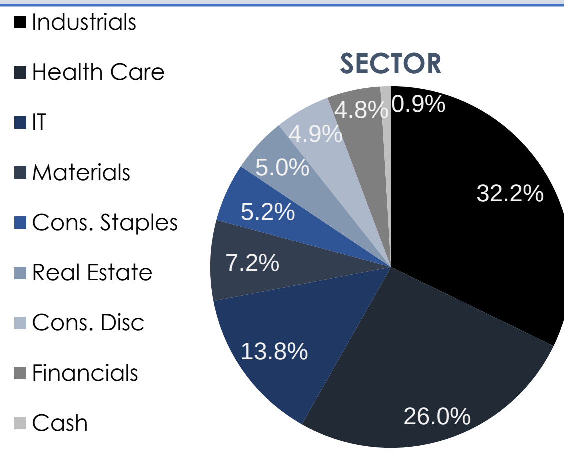
Returns, end Dec'20	1 M	3M	QTD	YTD	1 Y	SI^
Aztlan DM, Gross	**7.2%**	**23.1%**	**23.1%**	**35.9%**	**35.9%**	**152.1%**
Aztlan DM, Net	**6.9%**	**22.3%**	**22.3%**	**32.8%**	**32.8%**	**135.9%**
Benchmark*, Gross	8.7%	31.4%	31.4%	20.0%	20.0%	34.0%
+/-, Gross	**-1.4%**	**-8.3%**	**-8.3%**	**16.0%**	**16.0%**	**118.1%**

Returns	CY-18	Q1-19	Q2-19	Q3-19	Q4-19	CY-19	Q1-20	Q2-20	Q3-20	CY-20
Aztlan DM, Gross	**29.1%**	18.1%	8.1%	2.9%	9.4%	**43.7%**	-24.8%	28.5%	14.4%	**35.9%**
Aztlan DM, Net	**26.2%**	17.4%	7.6%	2.4%	8.8%	**40.7%**	-25.2%	27.9%	13.6%	**32.8%**
Benchmark*, Gross	**-11.0%**	14.6%	2.1%	-2.4%	9.9%	**25.5%**	-30.6%	25.4%	4.9%	**20.0%**
+/-	**40.1%**	3.5%	6.0%	5.3%	-0.6%	**18.1%**	5.8%	3.1%	9.4%	**16.0%**

Metrics#, 1 Yr. Rolling	Information Ratio	Realized Tracking Error	Realized Alpha	Downside Capture Ratio	Upside Capture Ratio	Sharpe Ratio
Aztlan DM, Gross	**0.97**	**16.1%**	**18.1%**	**0.73**	**0.67**	**0.94**





Top Holdings**	DM
Marel	8.7%
Broadleaf	7.9%
Atkore	7.7%
Methanex	7.2%
Evertec	5.9%
Kennametal	5.8%
Amedisys	5.6%
Compugroup	5.5%

	DM	B/Mark*
No of Holdings	17	2,042
Avg. Market Cap (USD Bn.)	8.1	3.3
Trading Liquidity (30D ADTV) (USD Mn.)	29.7	Na
Std. Dev (Annualized)	36.8%	34.8%
P/E	27.2x	23.2x
EPS Growth – 5 Years (%)	13.6	8.2
P/B	3.5x	2.6x
Div. Yield %	1.4%	1.2%

*Russell 2000 Index (USD) | ^- Aggregate Returns since Inception date of 31 Dec 2017 | **- End of Period | # - Relative to Benchmark|

AZTLAN EQUITY MANAGEMENT LLC
Telephone: 703-473-8020
Email: investors@aztlanequities.com
1751 Pinnacle Drive, Suite 600 McLean, VA 22102
Aztlanem.com

Aztlan Developed Markets EX USA SMID Strategy [DMXUS]

Review

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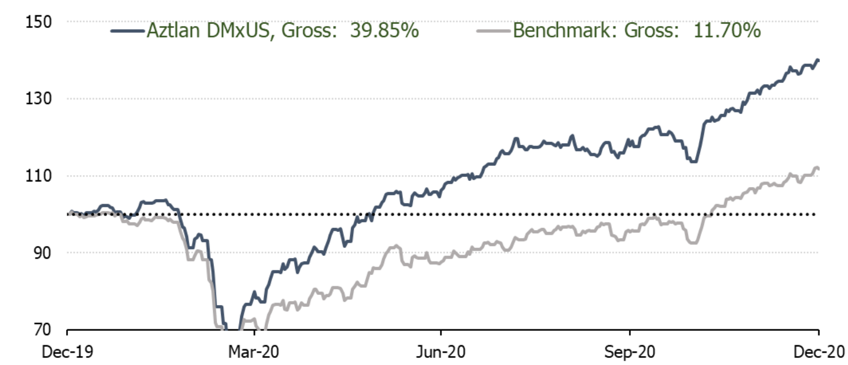
COMMENTARY *The Numbers*

Aztlan Developed Markets Ex USA Strategy [DMXUS] completed a solid second year of performance in 2020, following its strong performance in 2019. For the year, the strategy ended up 39.9%, outperforming the benchmark MSCI World Ex USA SMID Index's 11.7% by 28.2%. During the final quarter of the year, the strategy ended up 18.7%, again outperforming the index's 17%. The outperformance of ~164 basis points in the quarter was the lowest of all quarters in the year but which, nonetheless, extended the relative outperformance. Since inception of the strategy (towards end-2018), the strategy is now up 97%, compared to benchmark's 41% during the same time frame, a cumulative outperformance of 56%.

The strategy was fairly consistent, relative to the benchmark – outperforming the index in each of the 4 quarters and in 10 of the 12 months. August marked the only major period with material underperformance, as the strategy took a breather from the previous month's sharp uptick (results driven) and in part not benefiting from the style shift rally that ensued across global DMs during the month. From the lows of March correction, the strategy bounced up ~113%, ~33.5% higher than the index in the same time frame.

AZTLAN DMXUS SMID Strategy : CY 2020

Dec 31 2019 - Dec 31 2020

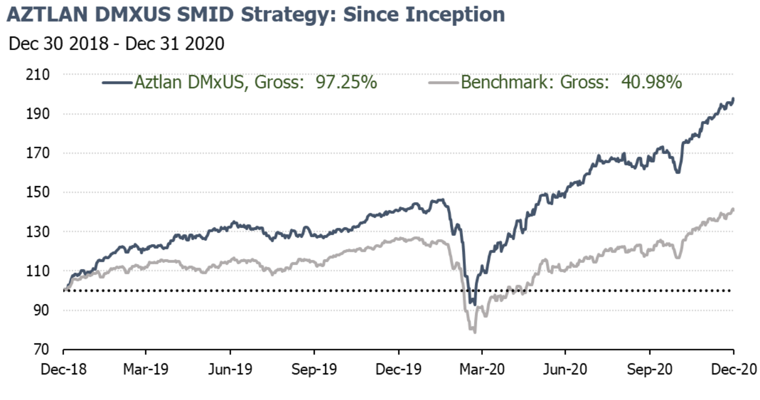


Benchmark: MSCI Developed World Ex USA SMID Cap Index **Note:** | Rebased to 100 at start of year

The strong relative performance, in the initial months, was led by both new additions and existing names. We had initially entered the year reducing our overweight positions in Japan and particularly in Japanese healthcare tech name M3, in response to the strong upward stock price action.

Our 'prudence' cost us ~10% of absolute performance as M3 continued on its strong rally through the year, ending the year ~211% up in USD total returns. We started the year, with three new additions, to increase our ex-Japan exposure – Canadian real estate tech Real Matters, Canadian Video conferencing/tech name Enghouse Systems and renewables play Atlantica Sustainable Infrastructure. All three names served the strategy well for the first half of the year; towards the fourth quarter, we had concerns in Real Matters and exited the position completely. Paypoint, UK-based legacy payment player, was another laggard for the strategy, as the company struggled in the C19 world and with a couple of regulatory/client challenges. We exited this position during the third quarter.

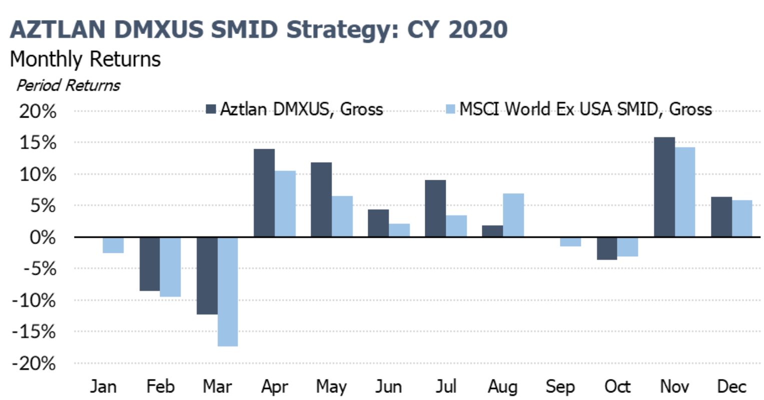
COMMENTARY *The Numbers* [Continued…]



Benchmark: MSCI Developed World Ex USA SMID Cap Index **Note:** | Rebased to 100 at DMXUS Inception

From a regional perspective all three regions (AsiaPac, North America and Europe) contributed almost equally to relative outperformance driven by stock selection factors in a challenging environment. Our stock picks were well suited for accelerated business model disruptions in their respective industries, particularly in a post-C19 world. On an absolute return basis, our Canadian portfolio returned~14% for the year, followed by AsiaPac's 12.5% and Europe's 10%. Sector wise, our healthcare names were the main driver of relative performance. M3 and German telehealth name Compugroup were standout performers for most of the year while Japanese diagnostics company BML – a laggard for the majority, staged a late rally in December and helped reduce some of the relative underperformance attributable to the stock. Despite being underweight in Consumer Discretionary, our sole position in the sector- Swedish education company AcadeMedia saw strong price action, driven by resilience and growth in its core segments and acceleration in its adult education segment. Industrials rounded off our top three. At the other end, our second highest sectoral allocation (after Industrials) information Technology underperformed the market.

Communication services (essentially two Japanese mobile gaming companies) was the main drag on relative performance, though the names, on an absolute basis, ended the year up 20.5%. Materials was the third sector to be a laggard for the strategy, though this was driven by our significant underweight allocation to the same.



Source: Refinitiv, MSCI

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COMMENTARY *Risk*

Our ongoing conversations and oversight with our management teams provided adequate levels of comfort during the year. There are some sectors (mostly cyclicals) where we are not comfortable with, especially in times of high volatility. Our strategy remains as always geared towards solid business fundamentals and sustainable models with strong free cash flow generation. We take active decisions in reducing correlation and concentration risks – in CY2020, these decisions hurt absolute performance (let alone relative) materially. Select decisions were illustrated earlier in the report. Despite this, we remain committed to maintaining the same philosophy going forward. Most trading decisions, made during the year, were forced upon us to optimise the risk profile. Style changes, Concentration risks (sector, stock) and strategy rationalization were the main drivers of portfolio churn during the course of the year.

For all the three strategies, DMXUS compares most favourably with its IR of 2.1, while maintaining a R-squared of 0.8. We have not changed risk profile materially as we look into the coming year. From a stock perspective, M3, Marel and TIS are the top 3 contributors to active risk.

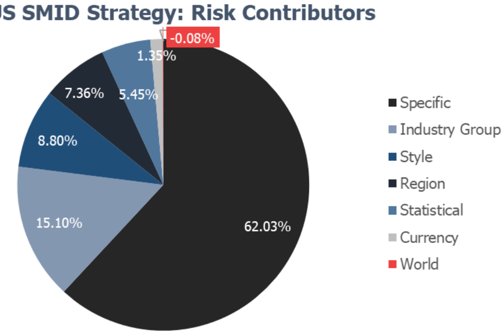
	Portfolio	Benchmark
Standard Deviation	34.09	33.03
Downside Capture Ratio	0.78	1.00
Upside Capture Ratio	1.03	1.00
Realized Tracking Error	13.68%	
Realized Alpha	28.36%	
Realized Beta	0.95	1.00
Correlation Coefficient	0.92	1.00
R-Squared	0.84	1.00
Sharpe Ratio	1.13	0.32
Treynor Ratio	0.40%	0.10%
Information Ratio	2.05	
Sterling Ratio	0.87	0.24
Calmar Ratio	1.13	0.31

Source: Refinitiv, Aztlan
Notes: Benchmark is comparable ETF of Primary Benchmark |

AZTLAN DMXUS SMID Strategy: Risk Snaphot
Dec 31 2019 - Dec 31 2020

Source: Refinitiv; Measured versus comparable benchmark ETF

AZTLAN DMXUS SMID Strategy: Risk Contributors
End- 2020



Source: Refinitiv, Aztlan | **Note:** This data is presented for illustrative purpose using indepdent third party model (using Global Risk Model/Refinitiv)| As on End 2020

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COMMENTARY *ESG*

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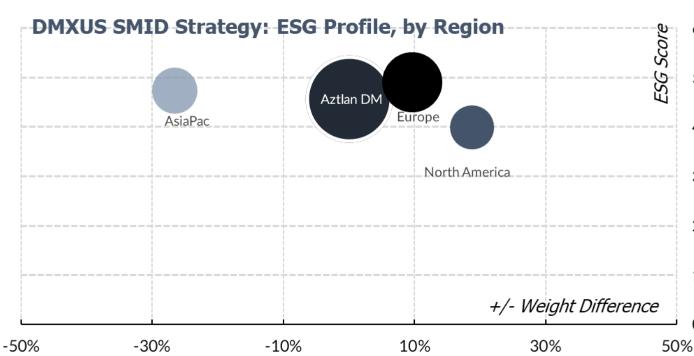
	Aztlan DMXUS SMID	Benchmark	+/-	Yoy Change - Aztlan DMXUS
ESG Combined Score	45.71	48.76	-3.05	7.98
ESG Score	45.71	49.66	-3.95	7.98
ESG Controversies Score	100.00	93.42	6.58	0.00
Emissions Score	41.57	51.33	-9.77	20.41
Environmental Innovation Score	23.25	30.20	-6.95	40.38
Resource Use Score	44.20	48.14	-3.95	27.83
Community Score	51.76	48.08	3.69	17.96
Human Rights Score	41.63	40.90	0.73	48.94
Product Responsibility Score	57.59	51.22	6.37	15.84
Workforce Score	53.69	61.31	-7.62	
CSR Strategy Score	48.20	43.60	4.60	35.80
Management Score	45.02	52.14	-7.12	-12.21
Shareholders Score	50.05	50.22	-0.17	-14.27

Source: Refinitiv, Aztlan
Notes: Benchmark is comparable ETF of Primary Benchmark | Scores from 0-100 with Higher the Better

Portfolio ESG Scores, in general, showed an improvement over the previous year. On an objective basis, select buckets (region-sector) has positioned the strategy slightly below the index scores.



Source: Aztlan, Refinitiv | **Notes:** Weight Difference relative compared to benchmark ETF | Size of bubble represents overall Weightage

Internal ESG ratings, based on our scoring models, are significantly higher and this has a much needed subjective element incorporated, factoring in what we believe is the market conditions. Of which 2020 presented more than a handful.

DMXUS: Overall ESG Rank, Active Weights & Contribution

Issue Name	Avg Active Wt	% of Total Return	% of Relative performance
DM		100%	100%
A-	0.0%	0.0%	0.0%
B	4.5%	12.3%	11.3%
B+	-5.4%	1.1%	-5.8%
B-	-7.3%	1.8%	-0.7%
C	13.7%	40.0%	52.8%
C+	-7.3%	8.1%	6.9%
C-	9.0%	31.1%	39.8%
Cash & Equivalents	0.4%	0.0%	0.0%
D	0.0%	0.0%	0.0%
D+	-4.1%	0.5%	-0.9%
N/A	6.3%	5.1%	-3.3%

Our DMXUS segment allocations where in line with our DM strategy: B and N/A both overweight (N/A again mostly Japan in non-polluting industries) with a relatively small contribution to total returns. On the other hand our overweight allocation in the C and C minus ranked categories contributed the most, perhaps as these less well ranked businesses work to step up their ESG standards.

AZTLAN Equity Management, LLC

COMMENTARY *Movers and Shakers*

The Japanese healthcare tech name - **M3** (up ~211%) was one of the standout performers for the strategy during the year. This stock was close to 10% of the DMXUS strategy as we exited 2020. A top down call (reduce Japan weights), stock specific risks (valuations), and portfolio/technical risks (concentration) saw us more than halve the weight in the name as we entered CY2020. This decision alone costs us ~10% of absolute performance. In hindsight, a bad timing decision. We trimmed a couple of times more during the year but the stock is still the top contributor towards relative performance during the year. Our regular calls with the management gave us the confidence on the fundamental story being intact and sustainable long term value the stock presents – despite valuations. Our policy remains to tweak weights as necessary and control the risks. Its existing primary business verticals got a significant boost during the pandemic as it suited its business model. While some of its business segments did get affected, the overall business did a leg up during the year. Additional monetization options down the "Line" and creating a strong B2C vertical have got continued traction. Currently, consensus is expecting modest Topline growth (mid-teens) over the coming three years – we believe significant monetization potential of its channels /regions and changes in macro environment (c19) has not been considered; Strong balance sheet and cash flow generation is also a strong positive for the company.

Swedish education play **AcadeMedia** (up ~79%) and Canadian real estate tech company **Real Matters** (Up ~52%) complete the top three in terms of contribution, albeit in different conditions and current views.

AcadeMedia is an interesting case – despite the obvious brick & mortar school model being susceptible to the pandemic impact –education doesn't stop. In fact, the company saw new avenues for growth and at the same time, also drew caution relative to its expansion plans, thus helping better than expected growth all round. The strong operating performance and near term growth will be driven by market share gains in school segments and accelerated growth in adult education segment. The company has a resilient 'mostly brick and mortar' business, with strong presence in Sweden. c19 impact was mostly limited and covered by government for disruptions. Strong countercyclical growth prospects in adult education is an additional positive especially during high unemployment period [Swedish welfare model]. Combined with the fact that it trades at a discount to educational services, primarily on the account of the nature of its asset heavy business model (and despite higher ROAs), we like the name and increased the weight in the first half of the year.

COMMENTARY *Movers and Shakers*

Real Matters initially benefited in the first half year as baseline macro continues to provide significant tailwinds for the company for the medium term (2-3 years). The Fed committing to a prolonged low interest rate environment bodes well for the company's organic growth trajectory. However, a weak final quarter and a befuddling guidance for the coming year saw us decide to drop the name. A timely decision, as it stands today. Canadian logistics name TFI International and Renewables play Atlantica Sustainable Infra also posted ~50%+ returns for the year. We continue to like and hold these names.

UK based payment services company **Paypoint** was a big laggard for the strategy. A business model that got particularly hit by the pandemic as its primary clients, convenience stores, got impacted by the closure, restrictions and lockdowns imposed by the British government. Despite the initial stress tests (an exercise we ran as c19 started) on the company numbers indicating deterioration, we remained invested as we liked the balance sheet, continued to see positive FCF generation and an acceleration in efforts towards their other channel growth. Regulatory anti-trust challenges combined with re-introduction of lockdown in UK put additional stress on the company, especially as its main client base (convenience stores) were already reeling and shuttering as the days went by. We also decided to exit the position till we get better clarity regarding the stability on the macro-environment and/or see strong growth prospects for its new ventures, particularly in fintech side of the business.

Japanese mobile gaming name **Akatsuki** was initially a big disappointment despite 'favourable' conditions. Stay at home worked well for gaming companies. However, the company had also put its foot in various offline entertainment ventures, which had not yet scaled up and in VC investments, at best a smorgasbord of discrete start-ups with no obvious synergies. With valuations remaining cheap and a strong free cash flow generation (courtesy gaming), we continued to prod the management on the direction of the latter business. Towards the end of the year, we saw clear communication and management changes indicative of a shifting focus backs towards gaming (and related IP creation). So we remained invested while at the same time cautious.

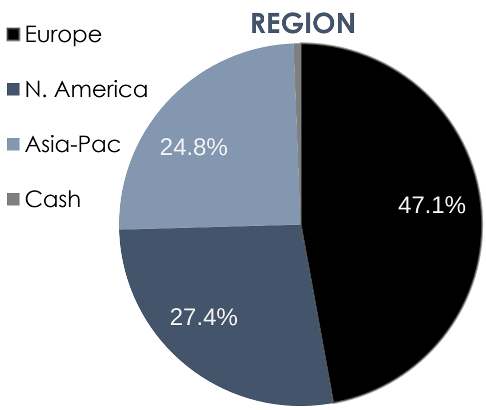
Price movements, mentioned in this section, are portfolio absolute total returns in USD i.e. during the periods the stock was in the portfolio. Actual yearly price returns may differ unless the stock has remained in the portfolio, without changes, for the whole year.

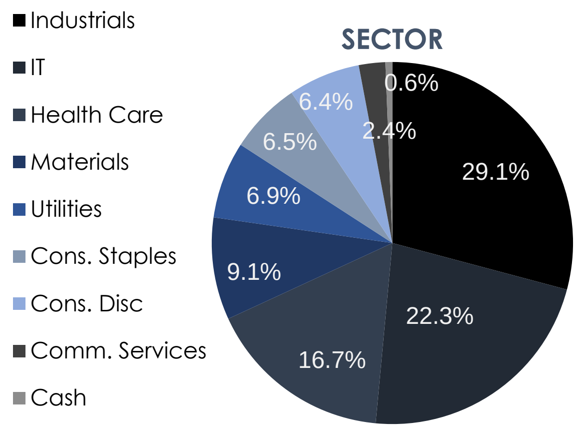
YEAR IN REVIEW
2020
Jan '21

Returns, end Dec'20	1 M	3M	QTD	YTD	1 Y	SI^
Aztlan DMXUS, Gross	**6.4%**	**18.7%**	**18.7%**	**39.9%**	**39.9%**	**97.2%**
Aztlan DMXUS, Net	**6.2%**	**18.0%**	**18.0%**	**37.0%**	**37.0%**	**88.8%**
Benchmark, Gross	5.8%	17.0%	17.0%	11.7%	11.7%	41.0%
+/-, Gross	**0.6%**	**1.6%**	**1.6%**	**28.2%**	**28.2%**	**56.3%**

Returns	Q1-19	Q2-19	Q3-19	Q4-19	CY-19	Q1-20	Q2-20	Q3-20	Q4-20	CY-20
Aztlan DMXUS, Gross	19.9%	9.2%	-2.6%	9.8%	**39.8%**	-19.6%	32.3%	10.9%	18.7%	**39.9%**
Aztlan DMXUS, Net	19.3%	8.6%	-3.2%	9.2%	**36.8%**	-20.0%	31.6%	10.3%	18.0%	**37.0%**
Benchmark*, Gross	11.1%	2.8%	-0.5%	10.3%	**25.4%**	-27.1%	20.2%	8.9%	17.0%	**11.7%**
+/-, Gross	8.8%	6.4%	-2.1%	-0.6%	**14.5%**	7.5%	12.1%	2.0%	1.6%	**28.2%**

Metrics#, 1 Yr. Rolling	Information Ratio	Realized Tracking Error	Realized Alpha	Downside Capture Ratio	Upside Capture Ratio	Sharpe Ratio
Aztlan DMXUS, Gross	**2.05**	**13.7%**	**28.4%**	**0.78**	**1.03**	**1.13**





Top Holdings**	DMXUS
M3	9.5%
Marel	9.1%
TIS	8.4%
Atlantica Sust. Infra	6.9%
Nobina	6.8%
TFI International	6.6%
Royal Unibrew	6.5%
AcadeMedia	6.4%

	DMXUS	B/Mark*
No of Holdings	16	3, 121
Avg. Market Cap (USD Bn.)	7.5	2.1
Trading Liquidity (30D ADTV) (USD Mn.)	33.5	Na
Std. Dev (Annualized)	34.1%	20.4%
P/E, TTM	25.8x	29.7x
P/E, Fwd.	20.3x	19.6x
P/B	3.2x	1.6x
Div. Yield %	1.5%	1.9%

*MSCI Developed Markets Ex USA (USD) | ^- Aggregate Returns since Inception date of 30 Dec 2018 | **- End of Period | # - Relative to Benchmark |

AZTLAN EQUITY MANAGEMENT LLC
Telephone: 703-473-8020
Email: investors@aztlanequities.com
1751 Pinnacle Drive, Suite 600 McLean, VA 22102
Aztlanem.com

AZTLAN
Equity Management, LLC

Aztlan Emerging Markets SMID Strategy [EMF]

Review

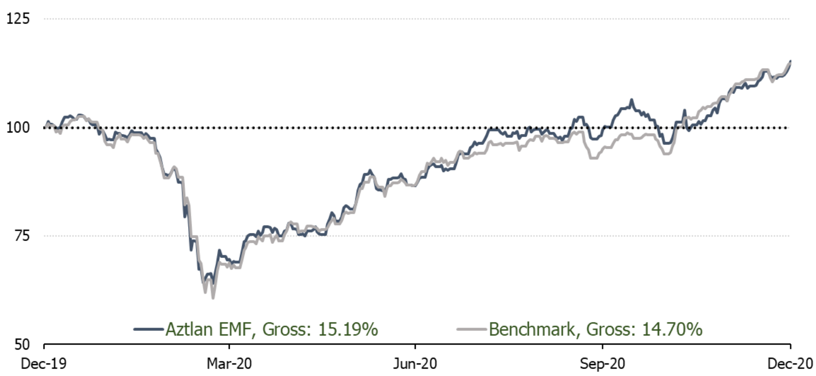
January · 31 · 2021

AZTLAN Equity Management, LLC

COMMENTARY *The Numbers*

Aztlan Emerging Markets Strategy [EMF] had a mixed year – while gross returns of 15.2% outperformed the benchmark index MSCI EM SMID index (up 14.7%) modestly; on a net basis, the strategy underperformed the index by 1.7%. We do note that for reference purposes we consider the highest management fees chargeable for our net calculation. In addition, the strategy also saw a significant revamp mid-year, as we got a better sense of the happenings in EM. The strategy's underperformance can be completely attributed to a weak Q4, when the strategy underperformed the index by 4.8%. Also currency was a significant detractor of performance during the year, chopping away ~3% of absolute returns. To a large extent, many of the names we entered had already posted strong rallies till then and started to retract as the value shift occurred in markets. In addition, China was a specifically strong market – one where we are typically underweight. We had exited out of Chinese online entertainment company JOYY and Xingyi Glass during the portfolio shuffle – trading decisions which hurt performance materially. Our portfolio had become less diversified from our mid-year exercise, exposing us to country, style, size and sector risks - which came to fore in the final quarter of the year.

AZTLAN EMF SMID Strategy : CY 2020
Dec 31 2019 - Dec 31 2020

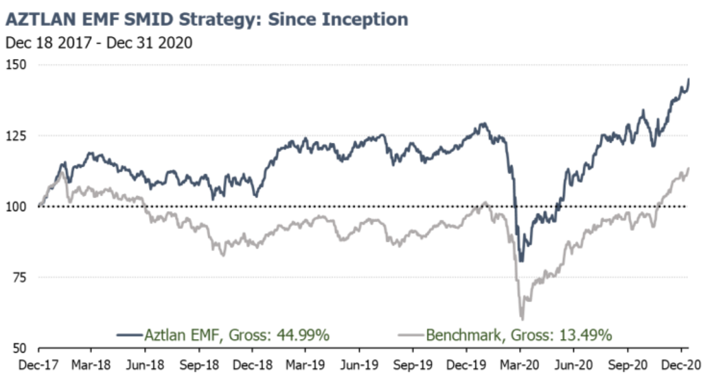


Benchmark: MSCI EM SMID Index **Note:** Rebased to 100 at start of year

We made the necessary corrections as we headed deep into the final quarter, ensuring a better sector, style and regional spread. This helped claw back some of the underperformance during the final part of the year. On the whole, the strategy performance was concentrated in a few names.

As the pandemic swept through the world, we saw EMs adopt varied approaches to combating the crisis. China was largely through with its stringency while India, South Africa adopted extremely strict measures. At the other end, we also saw very relaxed approaches in Brazil and Mexico. With each country being exposed to a different form of economic sub-segment risks (trade slippages for many Asian and commodity heavy economies, tourism, domestic consumption, commodity price declines (particularly Oil)) hurt our portfolio in the first half of the year as we were more heavy on traditional sectors. We have been monitoring new names in technology, healthcare, fintech and staples where we remain convinced of a better recovery curve or limited impact. But we waited till we got a firm grip.

COMMENTARY *The Numbers* [Continued…]

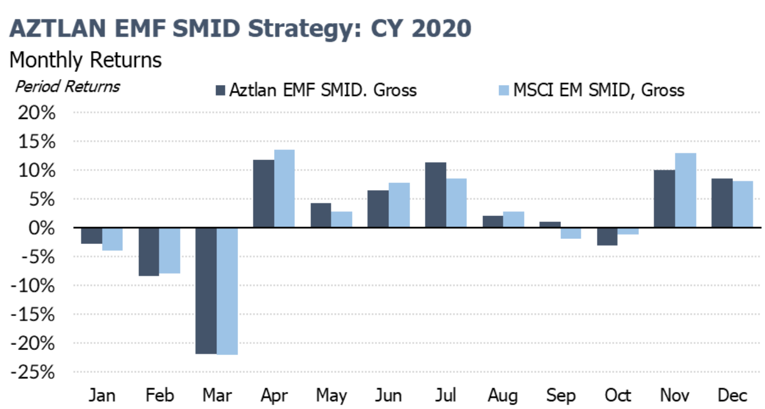


Benchmark: MSCI EM SMID Index **Note:** Rebased to 100 at EMF Inception

The strength of the post-March correction rally caught us by surprise, especially in EM. We were ready for the same in our DM portfolios but for EM, we lagged. Our decision to hold back cost us a net ~20% in absolute performance (i.e. had we taken the trades equally spread across Q2/20)

On a regional perspective, LatAm was the biggest detractor of performance. Among the new stocks, Brazilian Ecommerce name B2W was a notable laggard, as we mistimed our entry into the stock. Camil Alimentos (Brazil based Agri name) also hurt us as prices started to increase in the second half of the year. Another instance of poor timing from our end. The first half of the year saw significant detractions from Brazilian Education play YDUQS (a stock that did very well for us the previous year). Evertec, a name we have held for a long time, was the top contributor from the region. Europe was the other detractor of performance, as Russian Fintech Qiwi and Icelandic prosthetics name Ossur hurt relative performance. Icelandic food industry equipment company Marel (another long-term position) and Polish tech services name Livechat software (new mid-year addition) did very well for the strategy.
AsiaPac (stock selection) and Africa/ME (underweight) were net contributors.

We had some strong selection from AsiaPac, particularly Yadea - a Chinese 2W/ebike manufacturer – which was trading at significant discount to the sector. The stock was, by a good mile, the strongest contributor to the fund performance during the year. JOYY, which we exited mid-year and new addition Tech Mahindra also contributed significantly.



Source: Refinitiv, MSCI

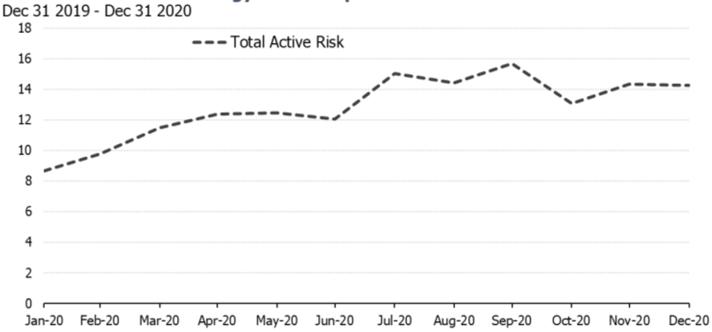
COMMENTARY *Risk*

We continue to assess our fundamental risk exposures across our Emerging and Frontier strategy. We believe certain risks, in terms of exposure and concentration, are the main sources of risk for the strategy as we exited the year. We have our names and ideas to further optimise the portfolio and will be implementing this before the end of first quarter.

	Portfolio	Benchmark
Standard Deviation	34.09	33.03
Downside Capture Ratio	0.78	1.00
Upside Capture Ratio	1.03	1.00
Realized Tracking Error	13.68%	
Realized Alpha	28.36%	
Realized Beta	0.95	1.00
Correlation Coefficient	0.92	1.00
R-Squared	0.84	1.00
Sharpe Ratio	1.13	0.32
Treynor Ratio	0.40%	0.10%
Information Ratio	2.05	
Sterling Ratio	0.87	0.24
Calmar Ratio	1.13	0.31

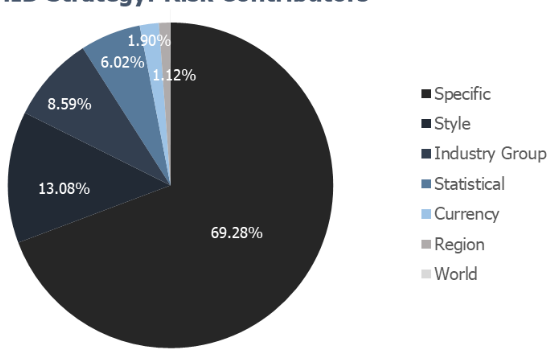
Source: Refinitiv, Aztlan
Notes: Benchmark is comparable ETF of Primary Benchmark |

AZTLAN EMF SMID Strategy: Risk Snaphot
Dec 31 2019 - Dec 31 2020



Source: Refinitiv; Measured versus comparable benchmark ETF

AZTLAN EMF SMID Strategy: Risk Contributors
End- 2020



Source: Refinitiv, Aztlan | **Note:** This data is presented for illustrative purpose using indepdent third party model (using Global Risk Model/Refinitiv)| As on End 2020

We expect the risk profile to come back to the levels pre-2020 portfolio post these changes.

In 2020 the main trading decisions in EMF came as a result of our new additions and changes at the start of the year, to adjust for the C-19 pandemic world. Having made these initial changes, our risk exposures slightly elevated. This was largely on account of sector concentration increase
In the final quarter, as vaccine optimisation and bottom/value hunting sentiments took over the markets, our total active risk remained in a holding pattern. Through the year, currency remained a significant source of risk, one which can never be completely mitigated away in EMs.

For the purpose of transparency, we also present an Ex-Ante Risk factor contributor at the end of the year using a standard third party risk model [Refinitiv/Eikon]. This is purely for illustrative purpose. We believe the portfolio primary source of risk is still specific, or to a large extent, determined by Fundamental risks.

AZTLAN Equity Management, LLC

COMMENTARY *ESG*

Aztlan strategies don't have an ESG mandate, as it stands. However, it forms an integral part of our investment philosophy and is articulated and made public through our ESG manual (a copy of which is available in our website). For the purpose of transparency, we also endeavour to present independent third party data regarding the portfolio's ESG scores (along with the comparable Benchmark ETF scores)

In contrast to our developed markets, we don't track ESG rank metrics for our EM as consistency and standardization still remains a significant challenge. Even though we provide the third party data for the strategy and benchmark, we emphasize that it is not comparable, due to the paucity of data, across various regions.

	Aztlan EMF SMID	Benchmark	+/-	Yoy Change - Aztlan EMF
ESG Combined Score	28.96	45.55	-16.60	-16.57
ESG Score	28.96	46.46	-17.50	-18.33
ESG Controversies Score	94.06	94.11	-0.05	-1.22
Emissions Score	29.95	44.75	-14.80	2.92
Environmental Innovation Score	10.92	27.51	-16.59	-23.63
Resource Use Score	26.69	43.95	-17.27	-9.82
Community Score	46.69	49.61	-2.92	3.98
Human Rights Score	25.04	35.92	-10.88	74.06
Product Responsibility Score	38.86	49.92	-11.06	-20.44
Workforce Score	39.53	56.06	-16.53	
CSR Strategy Score	23.05	40.84	-17.80	-9.19
Management Score	30.52	50.67	-20.15	-21.48
Shareholders Score	43.57	52.17	-8.60	-26.50

	Portfolio Weight	Benchmark Weight	=/-	ESG Score (Portfolio)	ESG Score (Benchmark)
EMF	100%	100%	**0%**	28.96	46.46
Africa & Middle East		10%	**-10%**		49.13
Asia & Pacific Basin	68%	75%	**-7%**	31.80	45.67
Europe	18%	4%	**14%**		51.77
Latin America	13%	10%	**3%**	23.34	46.50
North America	0%	1%	**-1%**		15.26
N/A		0%	**0%**		

Source: Refinitiv, Aztlan

Notes: Benchmark is comparable ETF of Primary Benchmark | Scores from 0-100 with Higher the Better

Portfolio ESG Scores	Asia & Pacific Basin	Europe	Latin America	Total
Consumer Non-Cyclicals	8.34		21.45	14.90
Healthcare				
Basic Materials	18.90			18.90
Industrials			26.05	26.05
Consumer Cyclicals				
Technology	53.74			53.74

Source: Refinitiv

AZTLAN Equity Management, LLC

COMMENTARY *Movers and Shakers*

Chinese E-bike maker **- Yadea** (up ~201%) was the standout performer for the strategy during the year. Despite a strong price performance prior to us adding to our strategy, the stock continued to re-rate upwards as strong growth and sector sentiment dominated. The stock has a compelling Investment case, propelled by strong volume growth, industry dynamics and macro-headwinds. It is already the market leader in China. While overseas presence is there, it is not as strong as some China-domiciled competitors. It traded at a steep discount to other China peers and global players. It has a strong brand recognition and focus only on the electric 2W segment. Replacement of old e-2W (pre-2019) due to new govt regulations provides a replacement cycle business opportunities. The company generates strong free cash flow and has high efficiency ratios. Graphene battery production feasibility would be a significant milestone to watch – it could significantly reduce raw material pressures while also providing a radical disruptive technological shift.

JOYY ADR (Up ~69%) – the Chinese livestream and online entertainment company, was also a top contributor, despite being in the strategy for only the first half of the year. We exited the stock as we expected the company to be in the US-China tech cross hairs in addition to some headline negatives.

Tech Mahindra (Up 94%) , a mid year addition, also did very well for the strategy, We expected the Indian IT Services to do well, as capex budgets gets reinstated, especially as remote working and support became a necessity. In the case of TechM, we expect the company to be a beneficiary of a telco capex jump in coming year(s), on 5G roll-out/virtualisation initiatives; we saw some strong margin expansion, helped by telecom. Management also sounded positive on expectations of a strong recovery in telecom and 5G opportunities from the coming fiscal year. Enterprise segments are also expected to see strong growth in the coming years, as stabilisation occurs post c19. The company also had attractive valuations amongst Indian IT Services firms.

Livechat Software (Up 66%) was another unique name that we introduced during mid-year and which did well for the strategy. The company makes online customer service tools for live support and website messaging facilities. It has also ventured into providing additional solutions and services in the communications software and services space. The pandemic has helped the company move on to the next phase of their growth trajectory.

AZTLAN Equity Management, LLC

COMMENTARY *Movers and Shakers*

Sam Yang (down ~10%) was a South Korean staples names, which detracted performance for the strategy. The stock detracted, in part, as market sentiment switched away in the final quarter. While the company is predominately a ‘one-product’ company, it has steadily been notching up impressive growth in China and Americas through increased retail presence and beefing product line-ups and extensions. We also liked the company free cash flow generation – a key metric for our strategy.

Genius Electronic (**Down 18%)** was another new addition, which lagged in the final quarter. Post the initial euphoria surrounding Apple’s supply chain, the stock retraced, hurting the strategy. This is a position under review especially in light of recent events surrounding Apple suppliers and opaque forecast from Apple.

B2W (**Down 37%)** complete our top 3 detractors. Like the other two, this was a name we entered mid-year – while we like the long term, we entered the stock post a strong price action and subsequent corrections, from the value shift, caused the stock to be a big detractor.

Price movements, mentioned in this section, are portfolio absolute total returns in USD i.e. during the periods the stock was in the portfolio. Actual yearly price returns may differ unless the stock has remained in the portfolio for the whole year.

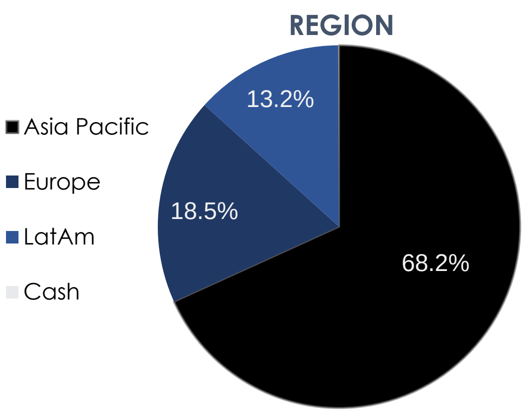
YEAR IN REVIEW
2020
Jan '21

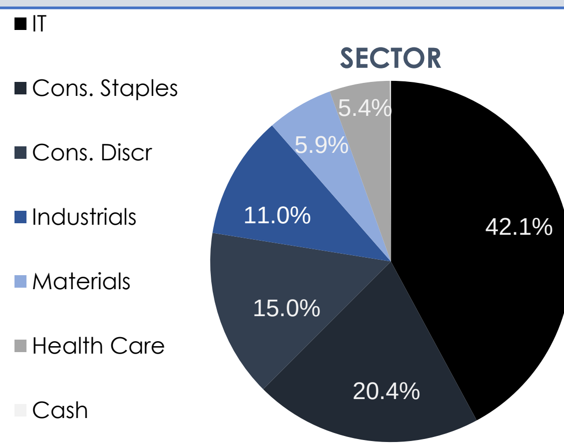
AZTLAN Equity Management, LLC

Returns, end Dec'20	1 M	3M	QTD	YTD	1 Y	SI^
Aztlan EMF, Gross	**8.6%**	**15.9%**	**15.9%**	**15.2%**	**15.2%**	**45.0%**
Aztlan EMF, Net	**8.4%**	**15.3%**	**15.3%**	**12.7%**	**12.7%**	**13.5%**
Benchmark, Gross	8.1%	20.7%	20.7%	14.7%	14.7%	13.5%
+/-, Gross	**0.5%**	**-4.8%**	**-4.8%**	**0.5%**	**0.5%**	**31.5%**

Returns	CY-18	Q1-19	Q2-19	Q3-19	Q4-19	CY-19	Q1-20	Q2-20	Q3-20	CY-20
Aztlan EMF, Gross	**3.8%**	11.9%	2.3%	-2.9%	5.4%	**17.2%**	-30.4%	24.2%	14.8%	**15.2%**
Aztlan EMF, Net	**1.8%**	11.3%	1.8%	-3.4%	4.9%	**14.8%**	-30.7%	23.6%	14.0%	**12.7%**
Benchmark*, Gross	**-15.5%**	7.5%	0.3%	-5.0%	10.2%	**12.8%**	-31.1%	25.9%	9.6%	**14.7%**
+/-	**19.4%**	4.5%	2.0%	2.1%	-4.8%	**4.4%**	0.8%	-1.7%	5.3%	**0.5%**

Metrics#, 1 Yr. Rolling	Information Ratio	Realized Tracking Error	Realized Alpha	Downside Capture Ratio	Upside Capture Ratio	Sharpe Ratio
Aztlan EMF, Gross	**-0.4**	**11.0%**	**-4.1%**	**1.04**	**0.99**	**0.46**





Top Holdings**	EMF
Yadea	15.0%
Tech Mahindra	8.5%
Livechat	8.4%
FPT	6.8%
Sany Heavy	6.3%
Hoa Phat Group	5.9%
Evertec	5.4%
Ossur	5.4%

	EMF	B/Mark*
No of Holdings	17	2,348
Avg. Market Cap (USD Bn.)	4.0	2.4
Trading Liquidity (30D ADTV) (USD Mn.)	23.2	Na
Std. Dev (Annualized)	31.2%	23.1%
P/E, TTM	20.5x	25.8x
P/E, Fwd.	16.1x	13.9x
P/B	3.9x	1.5x
Div. Yield %	1.7%	2.1%

*MSCI Emerging Markets SMID Cap Index (USD) | ^- Aggregate Returns since Inception date of 18 Dec 2017 | **- End of Period | # - Relative to Benchmark |

AZTLAN EQUITY MANAGEMENT LLC
Telephone: 703-473-8020
Email: investors@aztlanequities.com
1751 Pinnacle Drive, Suite 600 McLean, VA 22102
Aztlanem.com

AZTLAN
Equity Management, LLC

Outlook CY2021

Synopsis

January · 31 · 2021

AZTLAN Equity Management, LLC

OUTLOOK 2021 – What we expect, at First Glance

From a bottom-up perspective, our preliminary view in terms of outlook for 2021 remains cautiously optimistic: our conversations with our management teams by and large indicate strong business fundamentals, a top line recovery that is underway, in many cases more efficient cost and expense structures, and persistently low cost of capital. We continue to work on the sidelines with some reason for circumspection from the fact that we still have a lot of moving parts at this stage – with multiple risks piling up across all spectrums – geopolitical, socio-cultural, trade, financial and alternate assets – all masked by either the pandemic focus, excess liquidity conditions brought forth by monetary systems and 'helicopter' money in select DMs.

When we presented our detailed outlook for 2020, we alluded to the liquidity conditions and how March correction could well be an aberration. The average cost of capital, measured by us, has seen a significantly sharper fall than policy rates. We have seen the markets swing wildly from new economy/new normal stocks to value names, across markets, during the fourth quarter. We expect markets to remain sideways but volatile – again to a large extent, a factor of how indices specific sector weightages. We see estimates already stretching – with 2.5 standard deviation over long term mean becoming the new normal. What will lead to a sustained retraction/mean-trend reversion? We expect a random event collapse to trigger such a scenario but timing of such is best left to soothsayers. At this moment, we would think one remains invested but manage the risks at a portfolio level. Themes are the new cyclicals or currently the new seasonal.

2021 KEY SMID CAP THEMES
'Revenge' Consumption
Mobile/Internet Services [Gaming, SaaS]
O/W Nordic, USA, Select EMs
Healthcare Tech and Services
EV/Auto Tech incl. Components and Mats
EMs Construction/Industrials
Risk-On trades [Micro/Small Caps]

Amid all this hubris, we continue to believe that certain core trends will continue to have a longer shelf life – we remain invested in such trends. C19 just accelerated business models/activities, that everyone knew, was the future and that future/new normal is unlikely to change. We continue to like healthcare tech but at current valuations – we will trim down our exposures. EV (4W/2W] will continue to occupy mindshare and growth but we also expect legacy automakers to make steeper inroads in the coming years than pure-play names. Auto-Tech [by extension – even hardware components] looks promising, even as we head into next round of nm shifts, allowing for greater miniaturizations. The next phase of Mobile/Internet Services should take off with more widespread roll-out of 5G – we think of it, as the start of game-changing tech.

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We expect 5G to usher in the differentiated products that is needed to meet specific requirements of the terminal points – be it latency-centric, bandwidth-centric, built-in redundancy requirements. C19 has shown that streaming big-ticket content is financially feasible, with major content houses now operating and prioritizing this side of the business. This opens a whole gamut of services/data needs at the terminal points. Gaming will also have an interesting year, as the next gen consoles hit the market at the end of the year. We continue to remain bullish on Nordics – primarily a factor of the WACCs and resilient demand models from an existing well trenched governance model.

2021 KEY RISK THEMES
Big Tech Break-up/anti-trust
Slower than expected Roll-out of Vaccines
Monetary Tightening; Asset Inflation/Overheating
US-CHINA Trade/Tech/Tariff Wars Escalation: Bipolar Rifts
EM/DM Protectionism
Select Financial Assets Mispricing Burst Contagion (BTC Etc.)
Brexit Transitions Failure

Last year, as the first wave of pandemic hit globally – we saw many EMs adopt exceptionally stringent and draconian lockdowns to curb in the spread and to mask the inadequacies of their healthcare system. We saw more stringent measures have a typical harsh impact on economic growth and social parameters. We are seeing this in many of the developed markets. We closely watch UK, among others, specifically for the near-medium risks. The extended lockdown, Brexit-induced supply chain constraints, a tottering industrial segments and uncertain financial hub future for London – all make for a heady cocktail. Overall, for both DMs and EMs we continue to monitor currency risk.

One of the interesting observations that we saw was that the pandemic set, in motion, a set of organization/structural changes. Many of the companies we track called in their revolvers to keep spare cash (practically no cost of this anyways!). They undertook P&L changes –all in all, we have seen most companies shown limited topline declines but have, for the most part, managed to exceed analyst expectations. Even more pronounced was the bottomline surprises. What we are saying is that a lot of companies have become more efficient over the course of last year (a lot of excess cleared) and incremental growth and operating leverage in the coming years can now be better monitored relative to cost adds.

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YEAR IN REVIEW 2020

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