



Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



As of 31 October 2018

Fund description

- Investment objective: seek long-term capital growth by investing generally in Japanese large cap stocks (with market capitalisation in excess of US\$ 1bn)
- Investment process: analyse long term company fundamentals through extensive in-house bottom up research with a strong risk management ethos
- Portfolio of around 25-30 companies which are well managed, profitable and with good prospects. Portfolio managers believe that Cash Flow Return on Investment and value creation are key
- Benchmark: Topix

Investment manager: ERIM LLP (Eikoh Research Investment Management)

- ERIM LLP: firm founded by the Japanese equity fund management team at Deutsche Asset Management in London, as part of a supported spin-out from Deutsche Bank. Regulated by the FCA and the SEC
- Eikoh focuses on research and investment in Japanese listed companies
- The portfolio managers have worked together for over 15 years
- Eikoh has Institutional and professional clients. The firm manages circa US\$ 1.2bn in long-short and long-only strategies (subscribed assets)

Cumulative performance (%)

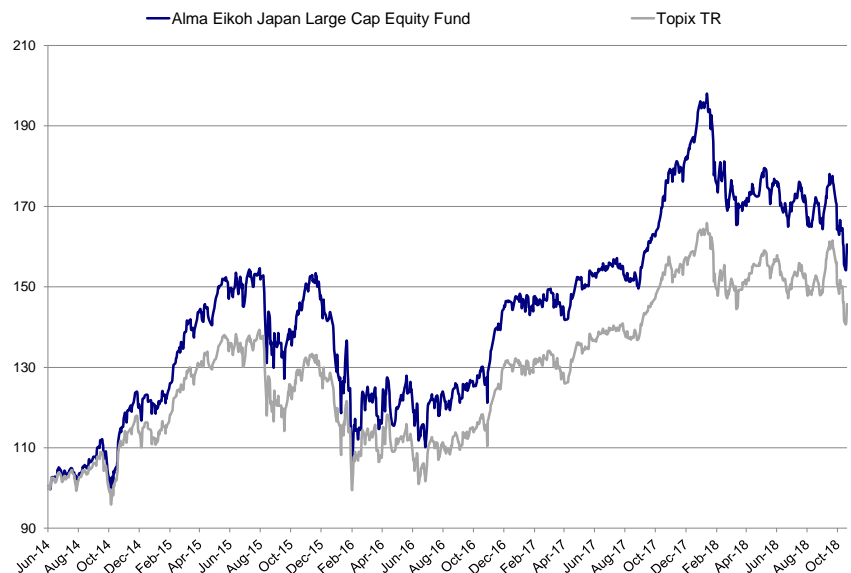
	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I GBP Hedged C shares	-9.23	-8.22	-8.33	-14.64	-7.57	8.03	59.06
I GBP Unhedged C shares	-7.06	-7.10	-3.78	-10.32	-4.58	39.08	-
I EUR Hedged C shares	-9.58	-8.70	-9.07	-15.57	-8.72	6.10	-
I CHF Hedged C Shares	-9.71	-8.83	-9.18	-	-	-	-
R JPY C shares	-9.65	-8.67	-8.92	-15.42	-8.55	-	-
RC JPY C shares	-9.56	-8.51	-8.64	-	-	-	-
I JPY C shares	-9.56	-8.50	-8.63	-15.00	-8.02	8.29	-
I USD Hedged C shares	-9.09	-7.65	-7.37	-13.69	-6.42	9.87	60.52
Topix (TR)	-9.41	-5.34	-6.42	-7.62	-4.78	12.66	45.71

Fund launched on 12 June 2014 (I USD Hedged C and I GBP Hedged C shares)

Portfolio characteristics

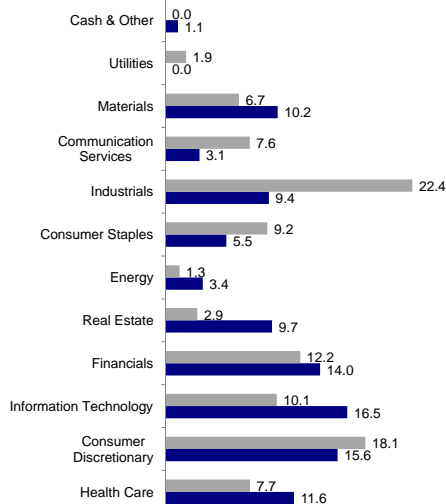
Main indicators	Fund	Index
No. of securities	27	2106
Weighted Average Market Cap (¥ bn)	4 525	3 258
Median Market Cap (¥ bn)	2 512	53
Dividend Yield (%)	2.3	2.3
Historical Price / Earnings	13.4x	13.1x
Historical Price / Cashflow	9.7x	8.3x
Historical Price / Book	1.2x	1.2x
Volatility since inception (%)	20.5	19.0
Sharpe ratio since inception	3.0	2.4
Active share (%)	83.6	-
Beta since inception	1.03	-
Tracking error since inception (%)	5.5	-
Information ratio since inception	2.7	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM*)

* AUM ex. unrealised p/l of share class hedging FX forwards



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

Top 10 positions details

Security name	Sector	% AUM*
MITSUBISHI UFJ FINANCIAL GRO	Financials	7.72
TOYOTA MOTOR CORP	Consumer Discretionary	7.60
SUMITOMO MITSUI FINANCIAL GR	Financials	6.29
MITSUBISHI ESTATE CO LTD	Real Estate	5.42
MURATA MANUFACTURING CO LTD	Information Technology	4.79
DAIICHI SANKYO CO LTD	Health Care	4.32
MITSUI FUDOSAN CO LTD	Real Estate	4.24
KOMATSU LTD	Industrials	3.92
ROHM CO LTD	Information Technology	3.72
SHIN-ETSU CHEMICAL CO LTD	Materials	3.71

* AUM ex. unrealised p/l of share class hedging FX forwards

TOTAL: 51.72

Investment manager's commentary

Market Review and Outlook

Along with other global markets Topix (TPX Index) slumped during October, declining by 9.42%. The main cause of the fall was a combination of fears of slowing global growth centred on China and rising inflationary pressures in the US. Tough Brexit negotiations, US trade policy, and the murder of the journalist Jamal Khashoggi were subsidiary factors. The decline was led by economic cyclical sectors such as shipping, chemicals and machinery with defensive sectors including utilities and food manufacturing proving resilient. A notable feature of the month was very heavy selling by foreign investors.

Economic announcements over the period provide some evidence of a softening in global economic conditions. Chinese GDP growth slowed from +6.7% to +6.5% in Q3 and industrial production slipped from +6.1% to +5.8% in September. Further evidence of slowing demand in China was also provided by weaker order and sales data by a number of Japanese companies operating in the region. Domestic economic statistics were also weak, however care needs to be taken in interpreting these as activity in September was clearly impacted by the combination of severe typhoon damage in Kansai and the earthquake in Hokkaido. Industrial production in September fell by -2.9% MoM and -1.1% YoY and machinery orders were also very weak falling by -18.3% MoM. The economy watchers survey current conditions index remains relatively depressed at 47.7 and the outlook dipped from 50.7 to 49.9 in October. The labour market paints a more encouraging picture however with the unemployment rate falling 0.1% to 2.3% in October and the job offer to applicant ratio hitting a new high at 1.64x. Q2 results for Japanese companies showed a mixed picture but overall pointed to a slowdown from Q1 with operating profits growth for non-financial companies slipping from +5.4% to +2.4%.

Trade relations between the US and China and the underlying strength of the Chinese economy remain key determinants of stock market performance. The rise in US bond yields to a recent high of 3.2% has unsettled investors and whether inflationary pressures build further will also have a major impact on likely valuation levels. Conversely the domestic picture appears both more stable and more encouraging though clearly any change in global economic conditions would have a significant impact on the industrial sector here. Going forward we expect the Abe administration to further enhance the pro-business and growth policies that have characterised it so far. Abe and his team are keen to ensure that domestic economic momentum is sufficiently robust in autumn 2019 to go ahead with the planned consumption tax increase from 8% to 10% and further stimulatory measures are likely to be enacted before then. There have already been announcements of measures to stimulate housing and accelerate the transition to cashless payments and in 2019 we expect a combination of both stimulatory spending, deregulation and tax changes designed to support economic growth. Abe potentially has another three years in power as Prime Minister and he aims to restore the economy to sufficient health such that the BOJ can start to taper its stimulus from a position of strength.

Foreign capital flows have been very volatile in 2018 and they turned very sharply negative in October with Y4.3trn being sold bringing year to date selling to Y11.0trn, a figure that comes close to matching the historically large inflows experienced in 2013. The major buyers so far this year have been business corporations conducting share buybacks, the BOJ with their ongoing ETF purchase programme as well as domestic pension funds who have been net buyers into the weak market. The market is trading at 1.22x book, on an estimated PER of 13.1x and a dividend yield of 2.22%.

Fund

The Fund fell 9.09% (USD hedged share class) in October, outperforming Topix which fell by 9.41% (dividends reinvested). The Fund's outperformance over the month was driven by sector allocation with stock selection detracting. The largest contributors to performance were stock selection in technology hardware and autos as well as stock selection and being overweight banks and semiconductors & semiconductor equipment. Detractors included stock selection within healthcare equipment & services, retailing, pharmaceuticals and commercial & professional services.

At the stock level the largest positive contributors included MUFG and SMFG as the banking sector outperformed against the backdrop of a declining market. Low valuations, improved shareholder returns and rising global yields are all proving supportive for the sector. Other positives included Murata Manufacturing as their core ceramic capacitor market continues to show tight supply/demand conditions leading to an improved pricing environment, Mitsui Mining & Smelting, and not holding any Softbank amid concerns on its links with Saudi Arabia who have funded a large portion of their Vision Fund. The main negative contributors included M3 which fell following the announcement of H1 results on signs that cost increase are holding back profit growth. Given the high returns and significant growth potential available to M3 we judge this forward investment to be the correct strategy for the company and have added to our position. Hitachi Chemical also detracted as profit improvements failed to match market expectations and the company announced that improper testing practices affected more products than initially thought. While much of these have subsequently been verified with customers we continue to monitor the situation for developments. Other negatives included Sosei, Persol Holdings and Zozo Inc (Start Today) which all underperformed amid the wider market sell-off.

During the month transactions centred on adding to existing positions where valuations are attractive and fundamentals remain favourable. We added to both Mitsui Fudosan and Mitsubishi Estate as we believe that they are significantly undervalued based on asset values. With the real estate market continuing to improve and the feared 2018 office supply issue almost behind us we believe that the sector is due a re-rating reflecting a favourable outlook for vacancies and rent levels. We also added to Toyota Motor reflecting their strong position in the sector and evidence of market share gains in Europe and China helped by their technological lead against many peers which will allow them to better manage tightening emission standards. M3, Persol Holdings and Fujitsu were all added after recent underperformance left them looking more attractive given stable fundamentals. These purchases were funded through the sale of three portfolio positions. Sumco was sold reflecting evidence of increased semiconductor wafer supply which may weigh on prices at a time when costs are rising for the company. Toray was also sold reflecting concerns that rising costs from raw material prices and the recent acquisition of TenCate would weigh on profitability. We also made the decision to sell Pola Orbis as recent news suggests a reigniting of issues concerning the late founder's shares and the risk that management get drawn into a legal battle concerning this.

Fund facts

Fund total net assets:	¥26298.44 M (\$232.49 M)	Base currency: JPY
Fund domicile: Luxembourg	Management fee:	0.90% p.a. for I shares
Fund type: UCITS SICAV		1.40% p.a. for R shares
Fund launch: 12 June 2014		0.90% p.a. for RC shares
Depository, Administrator, Transfer Agent: BNP Paribas Securities Services (LU)		
Dealing:	Each day with a 1-day notice. Cut-off time: 12 pm CET	
Management company:	Alma Capital Investment Management (LU)	
Investment manager:	ERIM LLP (London, UK)	
Fund managers:	James Pulsford Sara Gardiner-Hill Karl Hammond	

Countries where the fund is registered:

Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore

Identifiers:

Institutional USD Hedged Capitalisation share class		
Isin: LU1013117160	Ticker: AEJIUHA LX	Launch: 12 June 2014
Institutional GBP Hedged Capitalisation share class		
Isin: LU1013116949	Ticker: AEJIGHA LX	Launch: 12 June 2014
Institutional EUR Hedged Capitalisation share class		
Isin: LU1013116782	Ticker: AEJIEHA LX	Launch: 10 December 2014
Institutional JPY Capitalisation share class		
Isin: LU1013116519	Ticker: AEJPIJA LX	Launch: 10 December 2014
Institutional GBP Unhedged Capitalisation share class		
Isin: LU1152097108	Ticker: AEKJEGC LX	Launch: 17 February 2015
Retail JPY Capitalisation share class		
Isin: LU1013117327	Ticker: AEJPRJA LX	Launch: 04 July 2017
Institutional CHF Hedged Capitalisation share class		
Isin: LU1210049091	Ticker: AEJICHX LX	Launch: 14 February 2018
Retail Clean JPY Capitalisation share class		
Isin: LU1744752707	Ticker: AEJRCJC LX	Launch: 04 April 2018

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