ALMA CAPITAL

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

英光 Eikoh

As of 30 November 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	-0.47	-7.26	-7.95	-15.04	-11.93	3.96	58.31
I GBP Unhedged C shares	-1.28	-8.23	-8.53	-11.47	-8.82	32.52	-
I EUR Hedged C shares	-0.64	-7.79	-8.76	-16.11	-13.18	1.86	-
I CHF Hedged C Shares	-0.68	-7.94	-8.91	-	-	-	-
I JPY C shares	-0.58	-7.63	-8.41	-15.50	-12.51	4.09	-
I USD Hedged C shares	-0.34	-6.76	-7.08	-13.98	-10.87	5.91	59.97
Topix (TR)	1.30	-3.14	-3.59	-6.42	-4.95	12.53	47.61

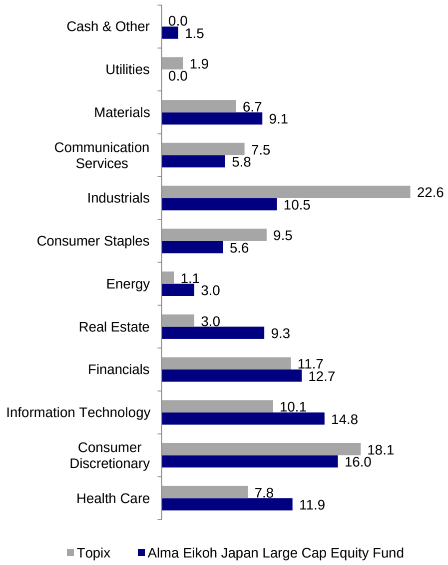
Fund launched on 12 June 2014 (I USD Hedged C and I GBP Hedged C shares)

Portfolio characteristics

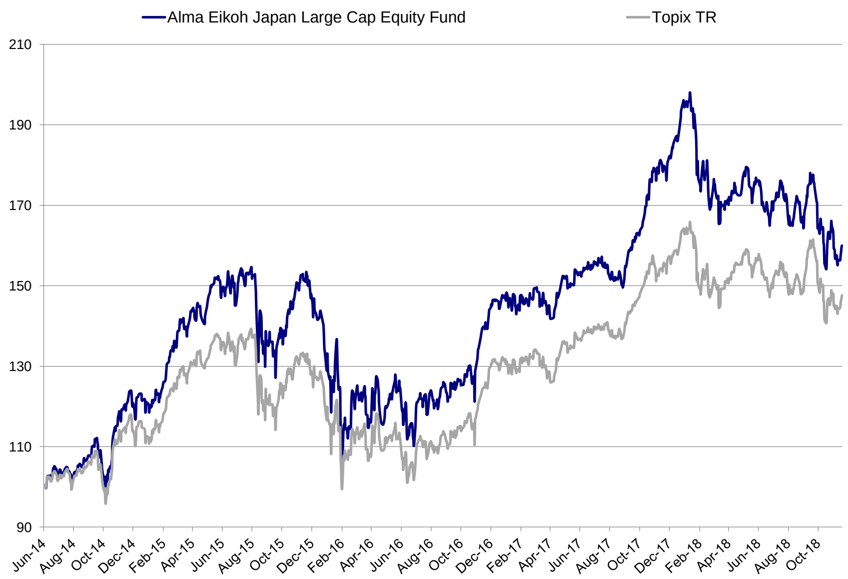
Main indicators	Fund	Index
No. of securities	27	2109
Weighted Average Market Cap (¥ bn)	4 621	3 255
Median Market Cap (¥ bn)	2 434	52
Dividend Yield (%)	2.3	2.2
Historical Price / Earnings	12.8x	13.2x
Historical Price / Cashflow	9.3x	8.4x
Historical Price / Book	1.2x	1.2x
Volatility since inception (%)	20.6	19.0
Sharpe ratio since inception	2.9	2.5
Active share (%)	83.7	-
Beta since inception	1.04	-
Tracking error since inception (%)	5.6	-
Information ratio since inception	2.2	-

Sector breakdown (% AUM*)

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



Performance (Indexed - Base 100)



Top 10 positions details

Security name	Sector	% AUM*
TOYOTA MOTOR CORP	Consumer Discretionary	7.71
MITSUBISHI UFJ FINANCIAL GRO	Financials	6.87
MITSUBISHI ESTATE CO LTD	Real Estate	6.09
SUMITOMO MITSUI FINANCIAL GR	Financials	5.83
FUJITSU LTD	Information Technology	4.64
DAIICHI SANKYO CO LTD	Health Care	4.11
M3 INC	Health Care	3.97
KOMATSU LTD	Industrials	3.95
SHIN-ETSU CHEMICAL CO LTD	Materials	3.92
MURATA MANUFACTURING CO LTD	Information Technology	3.88
	TOTAL:	**50.97**

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

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Investment manager's commentary

Market Review and Outlook

Topix made a weak recovery in November rising only 1.3% in reaction to the sharp fall in October. The market was initially firm on speculation of a rapprochement between the US and China but weakened as hopes of a speedy resolution to the trade war faded; the APEC summit ended without a joint communique for the first time due to trade tensions. The mood was not helped by concerns over the slowing Chinese economy, weak global demand in the technology sector and prospects for Europe with the Brexit deadline moving closer. While currency markets were relatively stable the oil price slumped, Brent falling from $75.5 to $58.7 over the month, hit by a combination of fears over global demand and US pressure on the Saudi's to guide prices lower. The loss of control of the House of Representatives by the Republicans in the mid-term elections was the major international event of note during the month while domestically the arrest of the Nissan Chairman, Carlos Ghosn, by Tokyo prosecutors shocked investors and stood out from other news. Foreign investors remained clear net sellers of the market during November.

Domestic economic statistics announced over the month were mixed. Preliminary Q3 GDP figures were very weak showing real GDP down -1.2% QoQ annualised however this was a period clearly impacted by the typhoon and earthquake that occurred in September and as such artificially depressed. Conversely Industrial production in October was very strong rising +2.9% in October, though part of this was in reaction to weak September figures. September core machinery orders underperformed expectations and fell by 18.3% MoM while the November manufacturing PMI fell by 1.1 to 51.8 also suggesting a slowing in activity.

Trade relations between the US and China and the underlying strength of the Chinese economy remain key determinants of stock market performance. The recent strength in global bond markets is indicative that investor fears have moved from inflation to concerns over slowing economic momentum. While domestic yields have also fallen we continue to believe that the picture here appears encouraging though clearly any change in global economic conditions has a significant impact on the industrial sector. In 2019 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. The recent announcement that Japan will spend an additional Y3trn on infrastructure repair is part of this and should result in growth in public works spending of around 20% in fiscal 2019. Abe aims to restore the economy to sufficient health while he remains Prime Minister such that the BOJ can start to taper its stimulus from a position of strength.

As we look ahead into 2019 we are hoping to see a market that is more fundamentally driven after an unusually long period where other factors have played a major role in stock price movements. While it's always difficult to identify in advance what could catalyse such a change one possibility is a change in fund flows. Foreign selling in 2018 has been very heavy and we would expect the pace of this to abate given that the 2018 YTD figure now stands in excess of Y11trillion and with this the impact of BoJ buying should be less important in market price setting. We see the current market dislocation as providing an opportunity for bottom-up research and stock picking and expect to add value as the situation normalises. The market is trading at 1.22x book, on an estimated PER of 13.1x and a dividend yield of 2.24%.

Fund

The Fund fell 0.58% (I JPY C share class) in November, underperforming Topix which rose by 1.30% (dividends reinvested).

The fund's underperformance over the month was driven by stock selection with sector allocation neutral overall. The largest detractors to performance were stock selection in banks, materials and semiconductors & semiconductor equipment, while being overweight banks also detracted. Positive contributors included being underweight telecoms, being overweight real estate and stock selection within automobiles & components and consumer durables & apparel.

At the stock level the largest negative contributors included MUFG and SMFG, reversing the outperformance of the prior month as global yields fell, and Mitsui Mining & Smelting which fell sharply in response to a large cut to full year forecasts at their first half results. While we had reduced the position ahead of this due to peer company results giving us concerns about the performance of its core smelting business the size of the downward revision was greater than we had expected given weakness elsewhere in the business. Other negatives included JXTG Holdings and Screen Holdings. The largest positive contributor was Sosei Group as the company announced that it was looking to initiate new drug partnerships in 2019 and Mitsui Fudosan also contributed positively as the market responded to their upward revision to profits as well as management initiatives to improve ROE. Shin-etsu Chemical, Ajinomoto and J Front Retailing also added value.

During the month we added a new position in Screen Holdings; after significant recent underperformance the stock is left looking excessively cheap given its strong market position in the wafer cleaning market and scope for efficiency gains in the coming years. The purchase was funded by the sale of Disco which has outperformed Screen and where upside levels were considerably less attractive. We also added NTT as the stock fell in response to comments from its mobile subsidiary NTT DoCoMo that they planned to make considerable price cuts. While clearly raising the risk of heightened competition in the market we believe the effects of this plan are unlikely to be as bad as initially feared and see this as an opportunity to buy the highly cash flow generative and shareholder friendly NTT at a compelling valuation. We also added to Fujitsu which had underperformed after Q2 results but where we see management continuing to restructure the business with the result being a more focused IT services business that deserves to trade at higher valuations. These purchases were funded by the sale of Fujifilm and reductions in Murata and Shionogi where recent outperformance had left these stocks looking less undervalued than previously as well as the reduction in the Mitsui Mining & Smelting position detailed above.

Fund facts

Fund total net assets: ¥25 121.13 M ($221.48 M) **Base currency:** JPY

Fund domicile: Luxembourg

Management fee: 0.90% p.a. for I shares; 1.40% p.a. for R shares; 0.90% p.a. for RC shares

Fund type: UCITS SICAV

Fund launch: 12 June 2014

Depositary, 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:

Share class	Isin	Ticker	Launch
Institutional USD Hedged Capitalisation share class	LU1013117160	AEJIUHA LX	12 June 2014
Institutional GBP Hedged Capitalisation share class	LU1013116949	AEJIGHA LX	12 June 2014
Institutional EUR Hedged Capitalisation share class	LU1013116782	AEJIEHA LX	10 December 2014
Institutional JPY Capitalisation share class	LU1013116519	AEJPIJA LX	10 December 2014
Institutional GBP Unhedged Capitalisation share class	LU1152097108	AEKJEGC LX	17 February 2015
Institutional CHF Hedged Capitalisation share class	LU1210049091	AEJICHC LX	14 February 2018

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