

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



As of 31 July 2019

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 from Deutsche Asset Management in London, as part of a supported spin-out from Deutsche Bank. ERIM LLP is authorised and regulated by the FCA
- The portfolio managers, led by James Pulsford, have worked together for over 15 years
- Eikoh focuses on research and investment in Japanese listed companies

Cumulative performance (%)

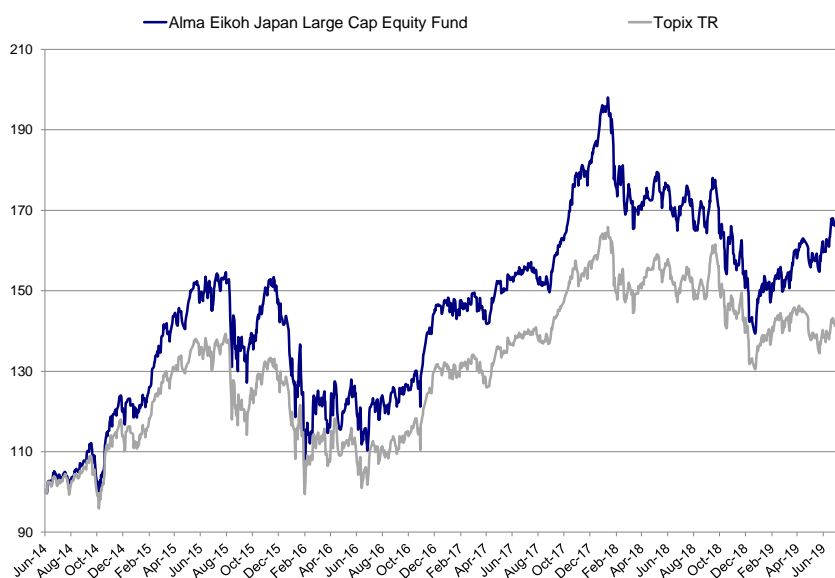
	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I GBP Hedged C shares	3.36	3.09	10.28	17.59	-4.95	33.39	64.72
I GBP C shares	6.63	12.32	17.96	22.70	3.68	35.17	-
I EUR Hedged C shares	3.17	2.71	9.52	16.54	-6.48	29.28	-
I JPY C shares	3.22	2.93	9.88	16.75	-5.86	31.53	-
I EUR C shares	4.53	5.82	-	-	-	-	-
I EUR D shares	4.51	5.78	-	-	-	-	-
I USD Hedged C shares	3.46	3.71	11.35	18.91	-2.76	37.84	69.02
Topix (TR)	0.91	-3.07	1.19	6.17	-8.59	26.46	40.71

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

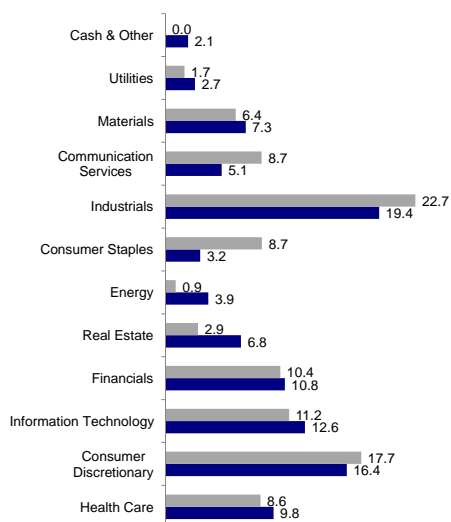
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	30	2145
Weighted Average Market Cap (¥ bn)	4 146	3 416
Median Market Cap (¥ bn)	1 609	46
Dividend Yield (%)	2.5	2.5
Historical Price / Earnings (x)	11.9	13.8
Historical Price / Cashflow (x)	7.9	8.4
Historical Price / Book (x)	1.0	1.1
Volatility since inception (%)	20.2	18.5
Annualized Sharpe ratio since inception	0.5	0.4
Active share (%)	82.8	-
Beta since inception	1.04	-
Tracking error since inception (%)	5.6	-
Annualized Information ratio since incept	0.7	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

Top 10 positions details

Security name	Sector	% AUM
MITSUBISHI UFJ FINANCIAL GRO	Financials	6.12
TOYOTA MOTOR CORP	Consumer Discretionary	5.99
DAIICHI SANKYO CO LTD	Health Care	5.92
SUMITOMO MITSUI FINANCIAL GR	Financials	4.70
MITSUBISHI CORP	Industrials	4.32
MITSUI FUDOSAN CO LTD	Real Estate	4.14
SHIN-ETSU CHEMICAL CO LTD	Materials	3.94
JXTG HOLDINGS INC	Energy	3.88
M3 INC	Health Care	3.87
SONY CORP	Consumer Discretionary	3.86
TOTAL:		46.74

Investment manager's commentary

Market Review and Outlook

The market rose by 0.9% during July following the US higher which continued to rally ahead of the widely expected 25bp cut by the Fed on the 1st August. The market was led by more defensive names as investors reacted to dull economic statistics and the worrying geopolitical situation. Insurance, utilities, pharmaceuticals and IT/Telco's all outperformed while steel, oil, paper and non-ferrous metals fell. Investors were initially encouraged by the end June G20 meeting suggesting that progress in US-China trade negotiations might be made, however these hopes faded later in the month following further comments made by President Trump. The geopolitical situation became more complicated for domestic investors in early July when, in a surprising development, the Japanese moved to tighten restrictions on exports of some key semiconductor materials to South Korea in retaliation for recent rulings on war-time forced labour. The major domestic event during the period, the Upper House election, presented no surprises; the ruling coalition won a combined 71 of the 124 seats in contention, retaining overall control but not delivering the 2/3rds majority required to push through constitutional reform.

Domestic economic statistics announced over the month were again disappointing. The BOJ Tankan survey for large manufacturers showed a fall from +12 to +5 for current business conditions, representing the lowest reading for three years. The outlook also slipped further from +8 to +7 for manufacturers and from +20 to +17 for non-manufacturers. Industrial production in June showed a sharp -3.6% MoM fall and was down -4.1% YoY and the Economy Watchers Survey current conditions DI weakened again falling from 44.3 to 43.3 though the outlook remained steady at 46.3. Ahead of the impending consumption tax hike in October consumer confidence continues to weaken, falling further from 38.8 to 37.7 in July despite no easing in the very tight labour market.

Hopes of amelioration in trade war tensions following the meeting between Trump and Xi at the G20 have now been dashed with Trump now threatening additional tariffs and little prospect of any deal appearing likely. The deterioration in political and trade relations between Japan and South Korea is also a worrying development. Coupled with the increasingly likely prospect of a hard Brexit in Europe and civil unrest in Hong Kong, the global order that has underpinned the steady economic expansion over recent decades appears under threat and this comes at a time when there are already signs of weakness in demand. Chinese GDP statistics for Q2 showed growth of +6.2% YoY, still robust compared to developed economies but the lowest figure recorded since the series started in 1992. We continue to believe that the development of trade relations between the US and China will be a key determinant of future growth prospects for the global economy and there is unfortunately little sign of progress in this regard. Concerns over global growth continue to weigh on the Japanese market which has underperformed global markets significantly over the last year. While a recovery in global growth is the obvious trigger that should precipitate a recovery in performance, even in its absence we think that Japan looks attractive for longer term investors. Valuations of Japanese stocks look cheap, corporate balance sheets healthy and there are clear moves towards improving shareholder returns. We expect the Abe administration to continue to enact a pro-growth economic strategy which should help mitigate some of the negative impact of slowing global demand. These factors should help support the market even if current very uncertain conditions continue. The Topix is trading at 1.14x book, on an estimated PER of 12.6x and a dividend yield of 2.50%.

Fund

The Fund rose by 3.2% (I JPY C share class) in July, outperforming Topix which rose by 0.9% (dividends reinvested).

The Fund outperformed Topix during the month driven almost entirely by stock selection. Stock selection in the pharmaceuticals and materials sectors were the most significant elements with selection within technology hardware, autos, healthcare services and transportation also making a strong contribution. Negative contributions were smaller in scale and shown in stock selection in semiconductors, real estate and telecommunication services.

At the stock level the largest contributor was Daiichi Sankyo, buoyed by strong Q1 results at the end of the month. Shin-Etsu Chemical was also a major contributor for the second month running lifted by excellent Q1 results showing the value of the long term silicon wafer contracts made during 2017 and 2018 when supply demand was very tight. M3 performed well reflecting solid Q1 results and a business model widely perceived as offering strong secular growth with little economic sensitivity. Sony and JSR also both contributed positively, buoyed by strong Q1 results. The scale of negative contributors was modest and included Mitsui Real Estate, JXTG Holdings and Topcon, and value was also lost by not holding Softbank which performed well over the month.

During the month we initiated a new position in Kansai Electric Power; having successfully brought a number of nuclear reactors back on-line they are increasingly cost competitive in their local market and this should allow them to raise the dividend back to Y60 once further strengthening of facilities is complete. We also bought a position in the leading general contractor, Taisei, which has strong and profitable operations in both building construction and civil engineering. The Company has a cash rich balance sheet, excellent cash generation and an active shareholder return policy. Under-performance over the last year has left the company looking cheaply valued relative to its strong levels of profitability. We sold the position in Sosei after strong gains this year appear to discount much of the growth that we can foresee and used some of the funds generated to add to our position in Daiichi Sankyo following further work on their developing anti-cancer franchise. We sold our position in Murata following further work on the stock; we are concerned about prospects for its commodity type MLCC's and non-MLCC component businesses and consider the purer MLCC maker Taiyo Yuden more appropriate to hold at the current time. We reduced our holding in Shin-Etsu following recent strong performance and that in Yahoo Japan on concerns over long term recovery prospects. We added to holdings in Keisei Railway, JXTG and Mitsui Real Estate all of which had recently underperformed.

Fund facts

Fund total net assets: ¥27 185.58 M (\$250.43 M) **Base currency:** JPY

Fund domicile: Luxembourg

Management fee: 0.90% p.a.

Fund type: UCITS SICAV

Fund launch: 12 June 2014

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

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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
Institutional EUR Unhedged Capitalisation share class		
Isin: LU1870374508	Ticker: AEJLIEC LX	Launch: 04 February 2019
Institutional EUR Unhedged Distribution share class		
Isin: LU1870374920	Ticker: AEJLIED LX	Launch: 08 March 2019

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