

# Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



As of 30 December 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 (%)

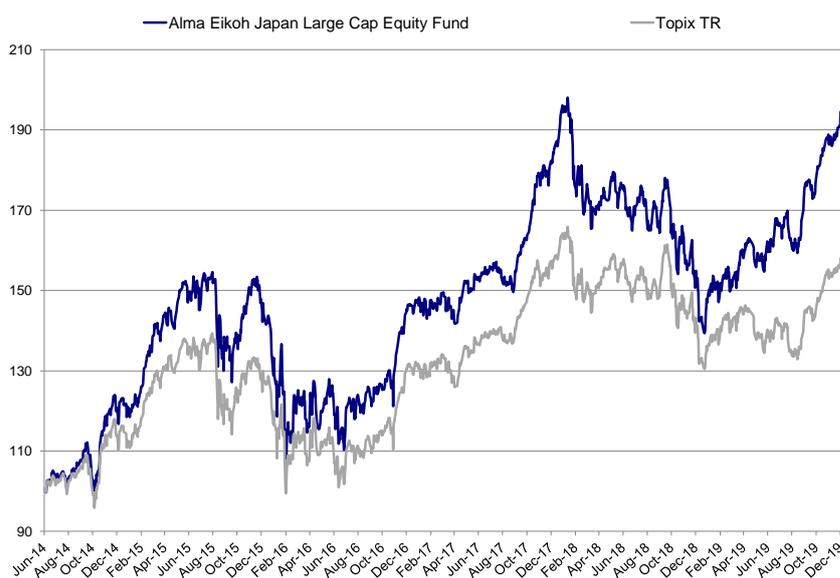
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	3.39	10.08	17.07	33.19	33.19	27.30	86.57	11.88
I GBP C shares	2.36	2.77	12.56	29.52	29.52	27.46	-	-
I EUR Hedged C shares	3.37	10.25	17.01	32.18	32.18	24.40	-	-
I JPY C shares	3.46	10.70	17.93	33.39	33.39	27.37	-	-
I EUR C shares	2.08	6.84	18.32	-	-	-	-	-
I EUR D shares	2.08	6.85	18.23	-	-	-	-	-
I USD Hedged C shares	3.68	11.13	19.02	36.79	36.79	34.76	94.44	12.72
Topix (TR)	1.45	8.59	12.27	18.12	18.12	21.31	56.55	8.41

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

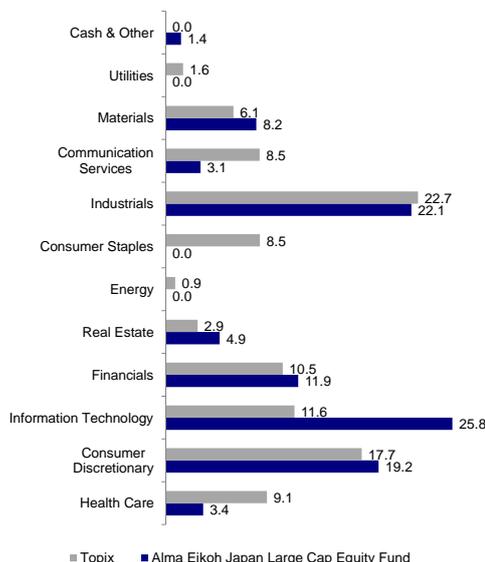
## Portfolio characteristics

Main indicators	Fund	Index
No. of securities	30	2154
Weighted Average Market Cap (¥ bn)	4 365	3 721
Median Market Cap (¥ bn)	1 507	49
Dividend Yield (%)	2.4	2.3
Historical Price / Earnings (x)	13.5	15.7
Historical Price / Cashflow (x)	7.3	8.8
Historical Price / Book (x)	1.2	1.2
Volatility since inception (%)	19.7	18.1
Annualized Sharpe ratio since inception	0.6	0.5
Active share (%)	82.8	-
Beta since inception	1.04	-
Tracking error since inception (%)	5.5	-
Annualized Information ratio since incept	0.8	-

## Performance (Indexed - Base 100)



## Sector breakdown (% AUM)



## Top 10 positions details

Security name	Sector	% AUM
MITSUBISHI UFJ FINANCIAL GRO	Financials	7.47
FUJITSU LTD	Information Technology	5.84
TOYOTA MOTOR CORP	Consumer Discretionary	5.41
SONY CORP	Consumer Discretionary	5.19
MITSUI FUDOSAN CO LTD	Real Estate	4.86
ORIX CORP	Financials	4.46
TDK CORP	Information Technology	3.99
MITSUBISHI CORP	Industrials	3.90
KEISEI ELECTRIC RAILWAY CO	Industrials	3.45
TOKYO ELECTRON LTD	Information Technology	3.45
<b>TOTAL:</b>		<b>48.02</b>

## Investment manager's commentary

### Market Review and Outlook

The market rose again in December, up by 1.29%, marking the fourth successive monthly gain, with foreign flows and Japanese corporates buying back stock once again the main driver of the move. Markets were firm globally as investors digested several items of positive news; progress made on easing trade tensions, an apparent end to the deadlock over Brexit and better economic data. Reflecting the positive implications of these on growth prospects, the market was led by economic sensitive sectors such as mining, shipping, precision equipment and non-ferrous metals while more defensive areas such as land transport, food and utilities underperformed. Topix Value marginally underperformed Topix Growth over the month and for the year overall underperformed by 11.5%.

Two major political developments dominated news flow during December. The UK election result handing Boris Johnson a strong majority in parliament and mandate to deliver Brexit clears the way for progress to be made on this front. The signing of a "phase-one" trade deal between the US and China, averting the imposition of new tariffs and reducing some existing ones, is clearly good news even though it remains some way away from a longer term comprehensive agreement. This was followed later in the month by the news that the Chinese Government plans a reduction of import tariffs on a range of US goods. Global economic data in December was broadly encouraging. China's manufacturing PMI improved ahead on consensus from 49.3 to 50.2 in November and US nonfarm payroll data was also firm with the economy adding jobs at the quickest rate in ten months. The news from Japan was more mixed with the second estimate of Q3 GDP revised up from QoQ growth of +0.2% to +1.8% and the unemployment rate for November falling back to 2.2% from 2.4%, but the BOJ Tankan survey showed a fall in current business conditions for manufacturers from 5 to 0 and for outlook from 2 to 0. It remains the case that economic conditions are depressed in Japan and this is most clearly shown by industrial production data which recorded a further modest -0.9% MoM decline in November, falling by -8.1% YoY.

We make no change to our view that with President Trump facing re-election in 2020, a deal with China coupled with further fiscal stimulus seems likely as he seeks to boost his chance of success at the polls. That said we accept that this is now a consensus view and markets would not react well if he deviates from this script. Domestically, while economic conditions are weak we are very encouraged that the Abe administration is taking action to lift demand and support growth. The recently announced government stimulus package has a nominal value of ¥26trn, or 5% of GDP of which some ¥13.2trn consists of fiscal spending. Although the "real water" impact of the package will be smaller than the stated figures it is still expected to boost GDP by around 1.4% with spending focused on disaster prevention and reconstruction, infrastructure projects, IT investment, and a range of subsidies designed to lift both capex and consumption. Foreign buying of the Japanese market over the last four months is at least in part a reflection of greater confidence in prospects for global growth and the stimulatory package will accelerate Japan's recovery in 2020 and should enhance the fundamental attraction of the market. Valuations of Japanese stocks remain cheap, corporate balance sheets healthy and there are clear moves towards unlocking the nascent value in the corporate sector. The growing presence of shareholder activists is having a profound impact on the behaviour of Japanese managements and this can be clearly seen in the explosion in corporate M&A activity witnessed during 2019. The news on shareholder returns is also strongly positive, after buybacks of ¥5.1trn in the first half of the year it seems likely that the total for the full year will exceed ¥9trn, well ahead of the previous record of ¥7trn in 3'19. The Topix is trading at 1.23x book, on an estimated PER of 14.5x and a dividend yield of 2.31%.

### Fund

The Fund rose 3.46% (1 JPY C share class) in December, outperforming Topix which rose by 1.45% (dividends reinvested).

The Fund outperformed the Topix during the month driven primarily by stock selection with sector allocation making only a minor contribution. Stock selection was positive in technology hardware & equipment, healthcare equipment & services, software & services, capital goods, consumer durables and retailing while value was lost in transportation and real estate. Sector allocation made a modest contribution to returns with the overweight position held in semiconductors & semiconductor equipment the principal component of this.

At the stock level the largest contributor was the position in the components maker Taiyo Yuden and this was part of a broad rise in the shares of a number of producers in this sector. The second and third largest contributors to performance over the month, Shinko Electric and TDK, also fall within this area. Investors are becoming increasingly optimistic about the business opportunity that 5G affords these companies as it is rolled out over the next couple of years. Staying within the broad technology theme Sony also added value for the portfolio over the period. Other strong performers include JMDC a new listing, J Front Retailing and the construction major, Taisei. The largest negative contributors to fund performance were the railway conglomerates, Seibu Holdings and Keisei Electric Railway, together with the holding in Mitsui Real Estate. There was no specific news on these companies but they are not expected to benefit from any trade rapprochement between the US and China and were shunned by investors failing to participate in the market rally. Not holding Softbank was also a negative contributor over the period as it made a partial recovery from recent stock price weakness.

During the month we bought two positions for the portfolio and sold one. We purchased a position in the newly listed medical services company JMDC. The core business model here is to take data from health insurance unions, clean and restructure the data and sell it on to insurance companies, pharmaceutical companies and medical instrument companies. This business offers strong growth both through widening their data set for sale and through its more comprehensive marketing. The company also operates a profitable tele-medicine business centred on radiology and this offers the prospect of good organic growth as the service becomes more popular reflecting the greater efficiency that it offers hospitals and clinics. We sold the position held in the oil refiner JX Holdings and bought a holding in Mitsubishi Chemical. It is becoming increasingly clear that the ongoing decline in domestic gasoline demand will be more severe than previously assumed and we are concerned that this may offset the positive impact of the program of capacity reductions put in place by industry participants. This may threaten to erode JX Holdings margins, hence our decision to sell the shares. Part of the proceeds of the sale of JX were used to purchase a position in Mitsubishi Chemical. The stock has underperformed the market over the last couple of years as chemical spreads have narrowed and trades cheaply. We think that there is scope for the market to reassess their growing pharmaceutical operations over time and the rating of the stock to increase.

### Fund facts

**Fund total net assets:** ¥25 072.68 M (\$230.87 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

This document is issued by Alma Capital Investment Management ("ACIM"). It contains opinions and statistical data that ACIM considers lawful and correct on the day of their publication according to the economic and financial environment at the time. This document does not constitute investment advice or form part of an offer or invitation to subscribe for or to purchase any financial instrument(s) nor shall it or any part of it form the basis of any contract or commitment whatsoever. ACIM provides this document without knowledge of investors' situation. Prior to any subscription, investors should verify in which countries the fund(s) this document refers to is registered, and, in those countries, which compartments and which classes of shares are authorized for public sale. In particular the fund cannot be offered or sold publicly in the United States. Investors considering subscribing for shares should read carefully the most recent Prospectus and KIID agreed by the regulatory authority, available from ACIM (5 rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg). The investors should consult the fund's most recent financial reports, which are available from ACIM. Investors should consult their own legal and tax advisors prior to investing in the fund. Given the economic and market risks, there can be no assurance that the fund will achieve its investment objectives. The value of the shares can decrease as well as increase. Past performance is not a guarantee of future results.

### 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

### Contacts

Hervé Rietzler (FR / CH / LU / IT)	+352 28 84 54 19
Baptiste Fabre (FR / IR)	+33 1 56 88 36 55
<a href="mailto:info.investors@almacapital.com">info.investors@almacapital.com</a>	