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ALMA CAPITAL

30 June 2020

Alma Eikoh Japan Large Cap Equity Fund

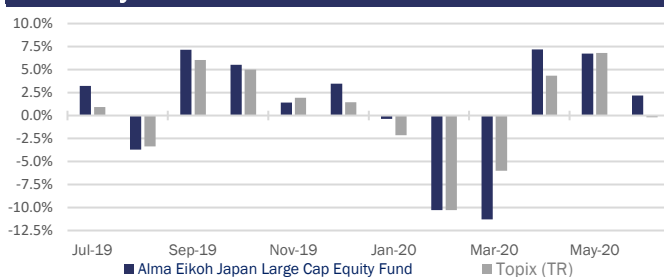
Fund description

- 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

Performance History⁽¹⁾⁽²⁾



Monthly Return Last 12 Months⁽¹⁾



Fund Performance Versus Index⁽¹⁾

| | Return (%) | | | Annualised Return (%) | | | Risk Profile | |
|--|------------|-------|-------|-----------------------|------|--------------|---------------------------------|--------------|
| | YTD | 1M | 6M | 1Y | 3Y | Since Launch | Annualised Vol since Launch (%) | Sharpe Ratio |
| Alma Eikoh Japan Large Cap Equity Fund | -7.28 | 2.17 | -7.28 | 9.35 | 3.46 | 9.50 | 20.75 | 0.46 |
| TOPIX TR Index | -8.17 | -0.19 | -8.17 | 3.10 | 1.24 | 6.18 | 19.37 | 0.27 |

Monthly Fund Performance⁽¹⁾⁽²⁾

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|--------|---------|---------|--------|--------|---------|--------|--------|--------|--------|--------|---------|---------|
| 2020 | -0.35% | -10.29% | -11.28% | 7.19% | 6.74% | 2.17% | | | | | | | -7.28% |
| 2019 | 6.25% | 0.58% | 0.46% | 5.65% | -4.77% | 4.70% | 3.22% | -3.70% | 7.17% | 5.53% | 1.39% | 3.46% | 33.39% |
| 2018 | 1.71% | -5.67% | -4.80% | 1.84% | -0.82% | -0.96% | 1.67% | -1.53% | 2.74% | -9.56% | -0.58% | -11.36% | -25.09% |
| 2017 | 0.35% | 0.20% | 0.20% | 0.81% | 2.01% | 2.95% | -0.27% | -1.12% | 5.31% | 6.36% | 4.52% | 3.53% | 27.48% |
| 2016 | -8.23% | -11.85% | 6.37% | -1.88% | 6.32% | -10.00% | 6.55% | 0.70% | 0.26% | 4.62% | 7.69% | 3.71% | 1.57% |
| 2015 | 1.43% | 8.75% | 3.74% | 2.50% | 6.52% | -1.38% | 2.38% | -6.87% | -8.14% | 11.95% | 3.42% | -4.86% | 18.86% |
| 2014 | | | | | | 2.56%* | 2.16% | 0.12% | 5.93% | 0.28% | 7.98% | 0.99% | 21.52%* |

*Performance has been calculated since the share class launch

Fund Performance Summary⁽¹⁾

| | Return (%) | | | Annualised Return (%) | | | Risk Profile | |
|----------------|------------|------|-------|-----------------------|------|--------------|---------------------------------|--------------|
| | YTD | 1M | 6M | 1Y | 3Y | Since Launch | Annualised Vol since Launch (%) | Sharpe Ratio |
| I USD Hedged C | -7.68 | 2.12 | -7.68 | 9.88 | 5.04 | 10.15 | 21.16 | 0.43 |
| I GBP Hedged C | -7.35 | 2.07 | -7.35 | 8.47 | 3.39 | 9.46 | 21.58 | 0.42 |
| I EUR Hedged C | -8.04 | 2.10 | -8.04 | 7.60 | 2.46 | 6.20 | 21.55 | 0.30 |
| I JPY C | -7.28 | 2.17 | -7.28 | 9.35 | 3.46 | 6.76 | 21.04 | 0.32 |
| I GBP C | 0.16 | 2.00 | 0.16 | 12.74 | 6.65 | 12.22 | 18.35 | 0.64 |
| I EUR C | -6.21 | 0.61 | -6.21 | 10.97 | - | 14.19 | 19.43 | 0.75 |
| I EUR D | -6.31 | 0.61 | -6.31 | 10.77 | - | 16.45 | 19.77 | 0.85 |

Fund NAV Per Share

| Share Class | Currency | NAV |
|----------------|----------|-----------|
| I USD Hedged C | USD | 179.51 |
| I GBP Hedged C | GBP | 172.86 |
| I EUR Hedged C | EUR | 139.72 |
| I JPY C | JPY | 14,384.00 |
| I GBP C | GBP | 185.71 |
| I EUR C | EUR | 120.46 |
| I EUR D | EUR | 122.17 |

Registered Countries

Austria, France, Germany, Italy, Luxembourg, Singapore, Switzerland, UK

(where at least one share class of the fund is registered)

Alma Capital Investment Management

- Alma Capital Investment Management is a CSSF regulated, Luxembourg based asset management company and holds a branch office in London.
- Alma Capital Investment Management is regulated by CSSF, the Luxembourg regulator.
- Assets under management and advisory of the Alma Capital group are \$4bn.
- The portfolio managers, led by James Pulsford who has managed Japanese equities for over 30 years, worked together at Eikoh Research Investment Management managing the portfolio before joining Alma Capital Investment Management in January 2020
- The team includes a dedicated full time senior research analyst based in Tokyo, Naohiko Saido. Naohiko and James have worked together for the last twenty years.

(1) Source: Alma Capital. The Fund's performance above is shown net of all fund fees. Past performance is not a reliable indicator of future returns. (2) The performance from 12 June 2014 to 10 December 2014, represents the class I USD Hedged C. From 10 December 2014 until the 30 June 2020, the performance represents the I JPY C class. Past performance is not a reliable indicator of future returns. All information as of 30 June 2020 unless otherwise specified. Please refer to the disclaimers at the end of this document.



30 June 2020

Key Facts

| | | | | | | | |
|--|---|----------------|----------------|--------------|--------------|--------------|--------------|
| Fund type and domicile | Sub fund of Alma Capital Investment Funds, an Open ended Luxembourg UCITS SICAV | | | | | | |
| Management Company | Alma Capital Investment Management | | | | | | |
| Investment Manager | Alma Capital Investment Management | | | | | | |
| Fund Administrator / Custodian / Transfer Agent | BNP Paribas Securities Services Lux | | | | | | |
| Share Classes | I USD Hedged C | I GBP Hedged C | I EUR Hedged C | I JPY C | I GBP C | I EUR C | I EUR D |
| ISIN-Code | LU1013117160 | LU1013116949 | LU1013116782 | LU1013116519 | LU1152097108 | LU1870374508 | LU1870374920 |
| BBG Ticker | AEJIUHA LX | AEJIGHA LX | AEJIEHA LX | AEJPIJA LX | AEKJEGC LX | AEJLIEC LX | AEJLIED LX |
| Currency | USD | GBP | EUR | JPY | GBP | EUR | EUR |
| Management Fee p.a. | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% |
| Tax d'abonnement p.a. | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |
| Initial Issue Price | 100 | 100 | 100 | 10,000 | 100 | 100 | 100 |
| Launch Date | 12.06.2014 | 12.06.2014 | 10.12.2014 | 10.12.2014 | 17.02.2015 | 04.02.2019 | 08.03.2019 |
| Settlement | T+3 | | | | | | |
| Subscription Cut-Off / Liquidity | 12:00 p.m. CET (T-1) | | | | | | |
| Transaction Day (T) | Daily | | | | | | |
| NAV Publication | Daily, published on a T basis | | | | | | |
| Fund Assets under Management | ¥26.52 B | | | | | | |

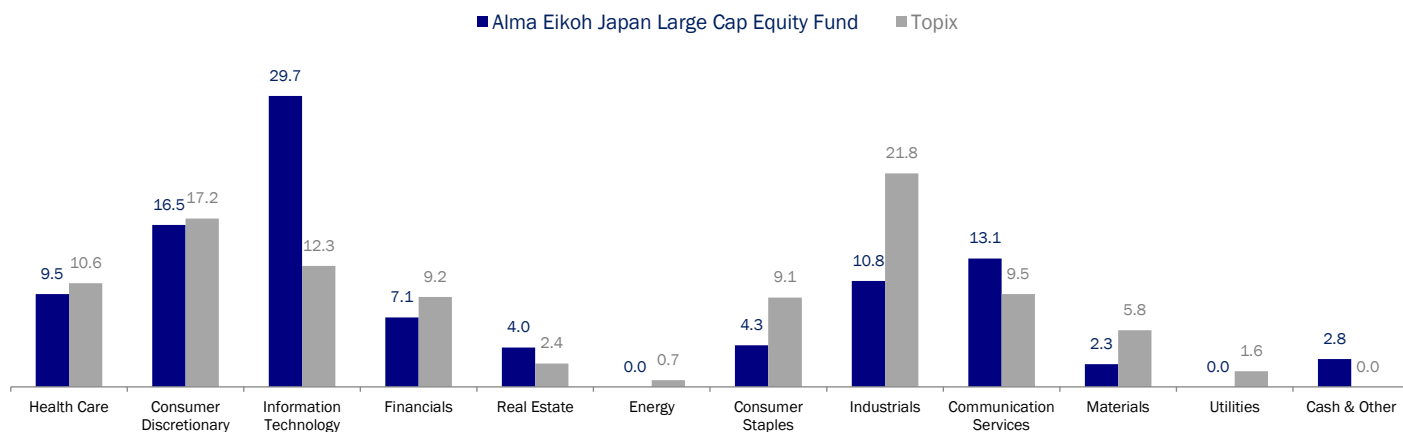
Portfolio characteristics

| Main indicators | Fund | Index |
|--|-------|-------|
| No. of securities | 30 | 2,164 |
| Weighted Average Market Cap (¥ bn) | 4,060 | 3,588 |
| Median Market Cap (¥ bn) | 1,808 | 41 |
| Dividend Yield (%) | 2.36 | 2.48 |
| Historical Price / Earnings (x) | 16.76 | 18.77 |
| Historical Price / Cashflow (x) | 7.01 | 7.56 |
| Historical Price / Book (x) | 1.32 | 1.14 |
| Volatility since inception (%) | 22.37 | 20.37 |
| Ann. Sharpe ratio since inception | 0.45 | 0.30 |
| Active share (%) | 81.29 | - |
| Beta since inception | 1.05 | - |
| Tracking error since inception (%) | 6.13 | - |
| Ann. Information ratio since inception | 0.65 | - |

Top 10 positions details

| Security name | Sector | % NAV |
|------------------------------|------------------------|--------------|
| TOKYO ELECTRON LTD | Information Technology | 7.78 |
| FUJITSU LTD | Information Technology | 7.19 |
| NIPPON TELEGRAPH & TELEPHONE | Communication Services | 7.11 |
| SUMITOMO MITSUI FINANCIAL GR | Financials | 4.82 |
| TAKEDA PHARMACEUTICAL CO LTD | Health Care | 4.76 |
| TOYOTA MOTOR CORP | Consumer Discretionary | 4.59 |
| YAMAHA MOTOR CO LTD | Consumer Discretionary | 3.82 |
| SONY CORP | Consumer Discretionary | 3.48 |
| NEXON CO LTD | Communication Services | 3.45 |
| TAIYO YUDEN CO LTD | Information Technology | 3.42 |
| Total : | | 50.42 |

Sector breakdown (% NAV)





30 June 2020

Commentary - Alma Capital Investment Management - June

Market overview:

The market continued to rise in early June led by cyclicals, peaking on the 8th up a further 4.3% and 31.9% from its low on the 16th March. For the rest of the month however sentiment softened; investors turned back to growth and defensive names while cyclical value stocks fell sharply. The principal driver of the change in sentiment was the steady deterioration in COVID-19 infection rates in the US and rising global infection figures. This caused investors to question the V-shaped recovery narrative that had taken sway. Over the month Topix Value underperformed Topix Growth by 2.7% and has now underperformed by 15.5% so far this year. Foreign investors were heavy buyers of the market for the first week of June but then turned sellers for the rest of the month. They have been very substantial sellers of Y8trn of equities so far in 2020.

Economic statistics announced during June were weak reflecting the impact of the measures taken globally to suppress the virus during the second quarter. Industrial Production fell by 8.4% MoM in May following the severe 9.8% decline seen in April. METI's Survey of Production suggests that May will mark the bottom in activity with rebounds of 5.7% MoM in June and 9.2% MoM in July. However, should these forecasts prove correct they would still represent a 15.7% fall in Q2 Industrial Production, the sharpest since the 20.5% fall following the Financial Crisis. The BOJ's June Tankan survey reports the current DI for large manufacturers fell to -34 from -8 and that for large non-manufacturers was -17 compared to +8. The forecast business conditions showed a marked deterioration from the March survey though with DI's of -27 and -14 respectively for manufacturers and non-manufacturers, they both indicate modest improvement in conditions. Revised IMF forecasts now call for a fall in global GDP of -4.9% in 2020 followed by a rebound of +5.4% in 2021 with advanced economies falling by -8.0% in 2020 and then rebounding by only +4.8% in 2021. Japan is expected to escape with a relatively modest decline of -5.8% in 2020 but then suffer a weaker rebound of +2.4% in 2021.

We have lived through a remarkable last six months in 2020 and this has been reflected in volatile and unique market conditions as participants have struggled to process the rapidly changing situation, policy responses, and rationalise economic outlook. The second half of the year is not going to be any easier; it is not simply a matter of forecasting the speed and strength of demand recovery and future government policy. Without a vaccine or effective treatment and with the winter flu season approaching it will be very hard to avoid re-imposing some level of restriction on movement and trade to avoid a further surge in deaths and the overloading of medical infrastructure. Should a vaccine or effective treatment emerge however, we can look through current disruption with more confidence. Sadly, we don't have a crystal ball and as a result we don't think it's wise to position the portfolio aggressively in favour of either a rapid return to normality or for a devastating second wave. Instead we are trying to focus on what we feel we do know and aim to ensure that fund constituents are in a good position to weather the economic shock of COVID-19 but offer the potential for growth and capital appreciation as the disruption caused by the virus eases.

We believe that the crisis will accelerate the secular shift of the economy to 'on-line' and that technology investment will follow this. We hold substantial exposure to SPE, software & services and technology geared to 5G and this represents the core of the portfolio. We have also invested in stocks in less economically sensitive areas, such as gaming and food & staples retailing, where valuations and prospects for growth look attractive. At the end of June the fund's significant sector bets in declining order of magnitude are overweight semiconductors, software, media & entertainment, food & staples retailing, and retailing including on-line retail, while the fund is underweight capital goods, materials, food & beverages, commercial services, and household & personal products. The valuation of the market remains modest on a PBR of 1.14x, prospective PER of 18.1x and dividend yield of 2.48%. Japanese companies start from a position of absolute and relative financial strength to help them weather this shock and Abe and Kuroda have taken the right choices so far to support the economy. We see no signs that COVID-19 will derail the very positive trends towards better corporate governance in Japan and in some cases management are responding to the challenges of COVID-19 by accelerating business reform, whether that be Olympus selling its camera operations or Fujitsu aiming to halve its office space; both announcements made within the last week or two.

The fund:

The Fund rose by 2.17% (I JPY C share class) in June, outperforming Topix which fell by -0.19% (dividends reinvested).

The fund's outperformance of Topix over the month was driven by sector allocation with stock selection a marginally negative factor. Value was added by the heavy overweight positions held in semiconductors and software & services with the overweight in media and underweights in transportation and consumer services also adding value. The underweight in healthcare equipment and overweight in real estate lost value for the fund. Stock selection was broadly balanced over the month with the underperformance of JMDC in healthcare equipment, Daiichi Sankyo and Takeda in pharmaceuticals, and Taiyo Nippon Sanso in materials the largest negative contributors. Yamaha Motor within auto's added value as did Taiyo Yuden in technology hardware, Daikin in capital goods and Sony in consumer durables.

Over the quarter the fund rose by 16.91%, significantly outperforming Topix which rose by 11.25%; both stock selection and sector allocation made strong positive contributions. Value added in sector allocation was driven by the heavy overweight positions held in semiconductors and software & services with the underweights in insurance and utilities and the overweight in media also adding value. The underweight in commercial and professional services lost value for the fund. Stock selection was strong in capital goods reflecting sharp rises in Ebara and Daikin, auto's driven by Yamaha Motor, transportation driven by Keisei Railway, Banks driven by SMFG and technology hardware on rises in TDK and Taiyo Yuden. Stock selection was poor in telecoms hurt by the underperformance of the holding in NTT and not holding Softbank, it was also poor in materials reflecting the underperformance of Taiyo Nippon Sanso.

During June we sold our holdings in medical equipment makers Olympus and Terumo reflecting a combination of concerns that demand for their products in 2020 may be more severely impacted than expected and that valuations appear very high for these two stocks following recent strong outperformance. Of the two companies we are more concerned about the possibility of persistently weak demand at Olympus whereas our issue with Terumo is the now high level of valuation. We also sold the position in TDK after its strong rally over the second quarter; the company has a high exposure to the auto sector where the demand outlook remains severe and while its core battery operations remain robust it is a less convincing beneficiary of 5G than our other component sector holding Taiyo Yuden. The last holding liquidated over the month was the software firm NS Solutions. The stock is cheaply rated but with a heavy gearing to manufacturing and a mix of legacy systems as well as newer digital projects we decided to switch the holding into the security software specialist Trend Micro. Trend is a well-run, profitable business offering endpoint, network level and hybrid-cloud solutions and we expect demand to accelerate over the next couple of years reflecting the recent sharp increase in on-line business activity. We bought a holding in the fast-growing AI software service company, AI Inside. While this is a young company, we like the fact that it has built relationships with industry stalwarts like NTT Data and they are successfully leveraging these to show dramatic growth in their core optical character recognition software service. They appear very well placed to reap the benefits of the application of AI to office and industrial processes in Japan and possibly beyond. Following its underperformance so far this year we bought a position in the industrial gas supplier Taiyo Nippon Sanso which strengthened its global position to no 4 with a 9% share through acquisitions in Europe and the US from Praxair and Linde following their merger in 2018. Strategically this was a good move and they are a serious player in an industry with attractive characteristics of modest growth, good profitability and stable cash flows. Lastly we bought back a position in 7&I Holdings following recent dull performance; its core CVS store business remains very profitable and we think it likely that they will shortly take action to lower costs and improve performance in the department store operations which should lead investors to focus on the strength of their CVS store operation. In addition to the above new positions we added further to our positions in Tokyo Electron and NTT.



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30 June 2020

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