

As of 31 August 2020

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

Investment manager: ACIM (Alma Capital Investment Management)

- Alma Capital Investment Management is a Luxembourg based asset management company and holds a branch office in London
- ACIM manages assets of \$4bn and is regulated by the Luxembourg regulator the CSSF
- The portfolio managers, led by James Pulsford, worked together at Eikoh Research Investment Management managing the portfolio before joining ACIM in January 2020
- Naohiko Saida based in Tokyo at Milestone Asset Management provides a dedicated research service to the team at ACIM, Naohiko and James have worked together for the last twenty years

Cumulative performance (%)

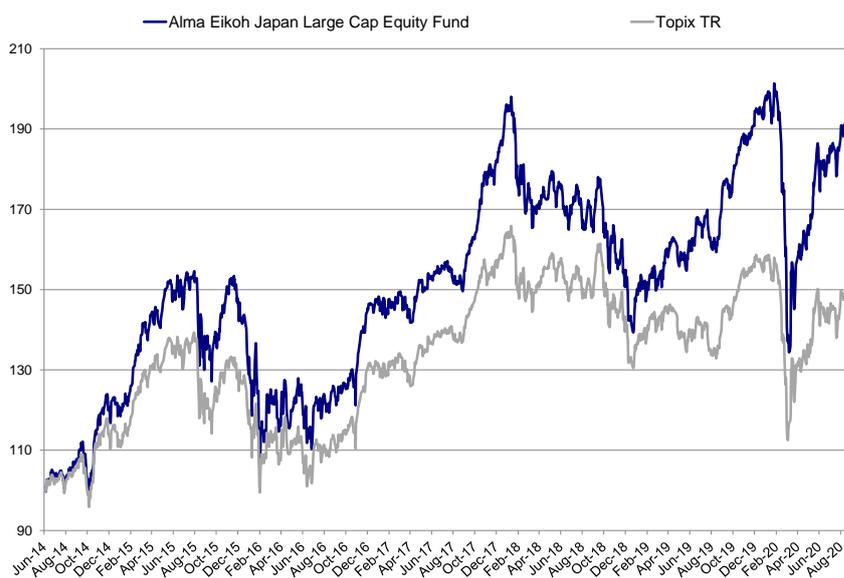
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	5.02	6.57	8.03	-3.27	13.91	16.93	80.47	9.95
I GBP C shares	2.58	0.20	7.79	-1.60	5.92	18.23	-	-
I EUR Hedged C shares	4.96	6.47	7.52	-4.11	13.01	13.81	-	-
I JPY C shares	5.29	6.85	8.47	-3.03	15.04	17.44	-	-
I EUR C shares	3.79	1.08	3.36	-5.78	7.54	-	-	-
I EUR D shares	3.80	1.09	3.28	-5.86	7.47	-	-	-
I USD Hedged C shares	5.31	6.76	7.61	-3.48	15.13	22.59	87.68	10.64
Topix (TR)	8.17	3.62	8.58	-4.66	9.78	7.32	49.26	6.65

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

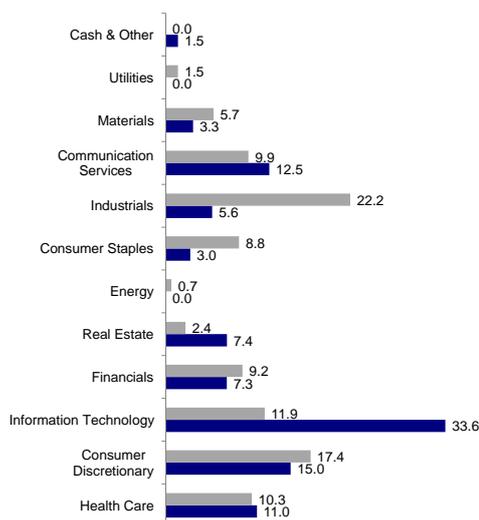
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	31	2170
Weighted Average Market Cap (¥ bn)	3 981	3 803
Median Market Cap (¥ bn)	1 853	41
Dividend Yield (%)	2.5	2.4
Historical Price / Earnings (x)	18.5	25.8
Historical Price / Cashflow (x)	6.6	8.0
Historical Price / Book (x)	1.3	1.2
Volatility since inception (%)	22.2	20.4
Annualized Sharpe ratio since inception	0.5	0.3
Active share (%)	81.2	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.2	-
Annualized Information ratio since incept	0.6	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

Top 10 positions details

Security name	Sector	% AUM
FUJITSU LTD	Information Technology	7.46
NIPPON TELEGRAPH & TELEPHONE	Communication Services	6.46
SUMITOMO MITSUI FINANCIAL GR	Financials	4.97
TAKEDA PHARMACEUTICAL CO LTD	Health Care	4.96
TOKYO ELECTRON LTD	Information Technology	4.85
TOYOTA MOTOR CORP	Consumer Discretionary	4.52
DAIWA HOUSE INDUSTRY CO LTD	Real Estate	3.98
RAKUTEN INC	Consumer Discretionary	3.96
TDK CORP	Information Technology	3.86
TREND MICRO INC	Information Technology	3.56
TOTAL:		48.58

Investment manager's commentary

Market Review and Outlook

The Fund rose by 5.29% (I JPY C share class) in August, underperforming Topix which rose by 8.17% (dividends reinvested). The fund's underperformance of the Topix over the month was driven primarily by sector allocation though stock selection was also a modest net detractor. Being overweight in both Semiconductors & Semiconductor Equipment and Software & Services lost significant value and to a lesser extent, value was lost due to underweights in Capital Goods and Transportation as well as being overweight Technology Hardware & Equipment. Some value was however added by the overweight positions in Real Estate and Media & Entertainment. At the stock level, the biggest positive contributors were the biotechnology stock Modalis Therapeutics, the AI business services firm AI Inside, real estate business Daiwa House and gaming company Nintendo. The biggest detractors to fund performance were the large position in Fujitsu which lagged the market after strong performance and positions in Taiyo Yuden and Tokyo Electron which both performed poorly in light of renewed trade tensions and restrictions imposed by the US on Chinese technology providers. The large position in the telecoms company NTT also lagged the market due to Abe's resignation and the likelihood that Cabinet Secretary Suga, who has expressed negative sentiment towards the domestic telecoms industry, succeeds him. During August we sold our position in Yamato holdings after strong share price performance left little upside and in light of the first quarter results not showing news that would lead us to re-evaluate our forecasts for operations. We also sold the position in industrial gas company Taiyo Nippon Sanso after having met the company and been surprised at the extent of the negative impact coronavirus related factors are expected to have on operations, considering also their weak balance sheet. We bought two new positions during the month. Asahi Kasei is a well-managed and diversified business covering chemicals, housing and healthcare which is proving very resilient in the current tough environment. We expect them to benefit strongly from the ongoing recovery in auto production and to further benefit from organic growth in their critical care business in 2021 as hospitals realign their spending priorities. The other new position we entered into in the month was a small investment in the medical technology and telemedicine business Medley. After having met with the company we were impressed with the management and the strong relationships they have developed with a large number of clinics domestically. They stand to benefit greatly from the acceleration of digital transformation in the healthcare sector due to the onset of coronavirus and recent changes to government policy regarding telemedicine. During the month we reduced our position sizes in Sony and Tokyo Electron after strong year to date performance considering also risks to their businesses surrounding ongoing US China trade friction. Conversely we added to our positions in Mitsui Fudosan, Orix and SMFG after sustained weak performance left the shares looking undervalued with our outlook for the businesses unchanged.

Fund

The Topix rose by 8.2% in August lifted by the strong rise in global equities. We believe the move was driven by the growing view that the global economy should be able to withstand the pandemic and continue to recover into 2021 when there are hopes that a reasonably effective vaccine may become available. Foreign investors fuelled the rise in Japan buying nearly Y1trn of Japanese equities, the first significant monthly inflow since Q4 2019. The moves came despite a further heightening in trade tensions between the US and China with additional restrictions imposed on global suppliers of semiconductors to Huawei by the US administration. These are far more stringent than before and seem likely to have a material impact on both Huawei and its key suppliers in the semiconductor and parts industries. The rise in the market was led by broadly economically sensitive stocks and led by airlines, steel, railways, shipping, real estate and trading houses; the latter aided by the news that Berkshire Hathaway had taken significant stakes in the leading companies. Communications, electronics, pharmaceuticals and food all lagged. Topix Value outperformed Topix Growth by 3.3%, trimming its year to date underperformance to -16.4%.

The major domestic news during the month was the announcement by Prime Minister Abe on the 28th August that he would resign his position due to ill health. His successor will be decided by the LDP leadership election scheduled on the 14th September. In this case ill health was the genuine reason for Abe's departure and not as a result of dissatisfaction with the job he was doing or the policies of his administration. These have broad support within the LDP and are also consistent with the policies of the other major developed countries. It seems highly unlikely that the election of a new leader of the LDP will presage a significant shift in the twin pillars of aggressive fiscal and monetary stimulus being used to support the economy and particularly so now that Chief Cabinet Secretary Suga has emerged as the front runner. Changes in policy are more likely to be ones of emphasis rather than direction with Suga likely to favour regional revitalisation, consolidation in regional banks and greater competition in mobile telecoms.

Economic data announced over the period confirmed both the weakness in activity in Q2 and the current strength of the subsequent rebound. Q2 GDP showed an annualised fall of 27.8% (-7.8% QoQ), the largest post war quarterly decline. Aggregate fiscal Q1 results covering the same period showed sales down -19% YoY and operating profits down 63%. However, the economy watchers survey showed a sharp recovery in August with current conditions improving from 41.3 to 43.3, the highest figure since September 2019, while the outlook improved from 35.4 to 41.0. The manufacturing PMI for August came in at 46.6, up 1.4 points for the third monthly rise in a row while industrial production showed a sharp +8% MoM increase. Overseas data also continues to point towards ongoing recovery with US non-farm payrolls again surpassing expectations in July up 1.76m. In short the global economy continues to send signals of ongoing recovery driven particularly by robust demand and production in China and consumption in the US. While COVID-19 case counts have risen in a number of places, hospital patient numbers remain well below previous levels and most countries policymakers have responded so far only with smaller targeted measures.

With uncertainty remaining over whether and when a vaccine/treatment will be developed we continue to aim to strike a balance in portfolio construction between the beneficiaries of a return to normality and the negative influence of measures to restrict infection. We have however modestly shifted the portfolio balance in favour of recovery through the addition of our investments in materials, real estate and financials while reducing positions in some of the technology and healthcare areas. We still hold the view that the crisis is accelerating the secular shift of the economy to 'on-line' and that technology investment will follow this and continue to hold substantial exposure in software & services, Semiconductors and technology geared to 5G. We also retain an overweight position in gaming where valuations and prospects for growth look attractive. The fund's significant sector bets in declining order of magnitude are overweight software, semiconductors, real estate, tech hardware, retailing including on-line retail, and media & entertainment, while the fund is underweight capital goods, transportation, food & beverages, commercial services, and household & personal products. The Topix trades on a PBR of 1.18x, prospective PER of 20.7x and dividend yield of 2.39%. Japanese companies are well capitalised and in a good position to weather the current economic disruption and uncertainty. We still believe that the very positive trend towards better the corporate governance among listed Japanese firms is in place.

Fund facts

Fund total net assets: ¥28 521.91 M (\$269.58 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: Alma Capital Investment Management (LU)

Fund managers: James Pulsford
Tom Grew

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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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