



Alma Apis Global Long/Short Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



As of 31 December 2019

Fund description

- Global long/short equity strategy
- Geographic focus in North America, Asia, and Europe, with some emerging markets exposure
- Sector focus in Technology, Consumer, Healthcare, Industrials and Cyclical/Materials
- Emphasis on small to medium capitalisation securities
- Portfolio holdings typically around 80 to 100 names (40/50 longs + 40/50 shorts)

Investment manager: Apis Capital Advisors LLC (New York, US)

- Apis Capital Advisors, LLC ("Apis"), is an SEC registered, New York-based, fund management firm founded in 2004
- Borderless approach to stock selection: Apis seek investments wherever their research achieves the most leverage, inefficiencies are greatest, and analytical competition is weakest – across countries, sectors, and market capitalisations
- Management owned
- Team leverages on global relationships built over 25 years of global investing

Cumulative performance (%)

	I USD C	MSCI ACWI Index**
1M	0.33	3.52
3M	8.58	8.95
6M	5.30	8.92
YTD	14.54	26.60
1Y	14.54	26.60
Since inception*	-8.16	10.06
Since inception* (annualized)	-4.26	5.02

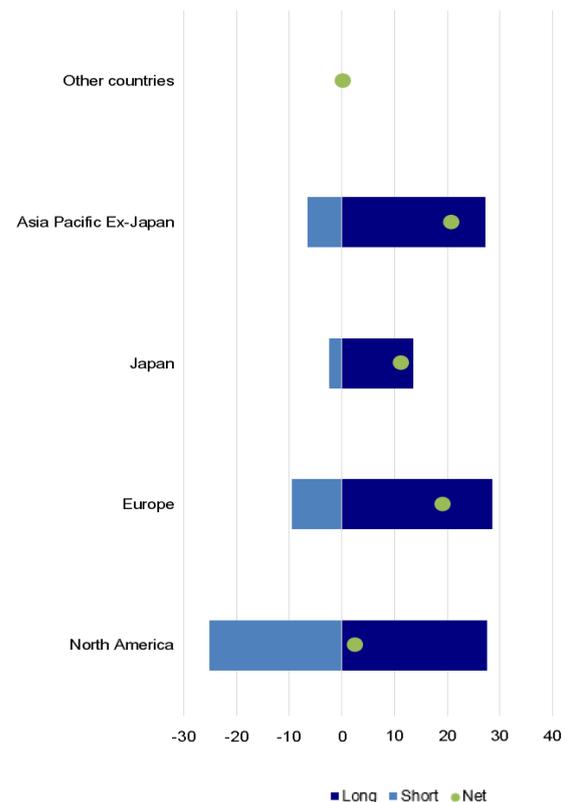
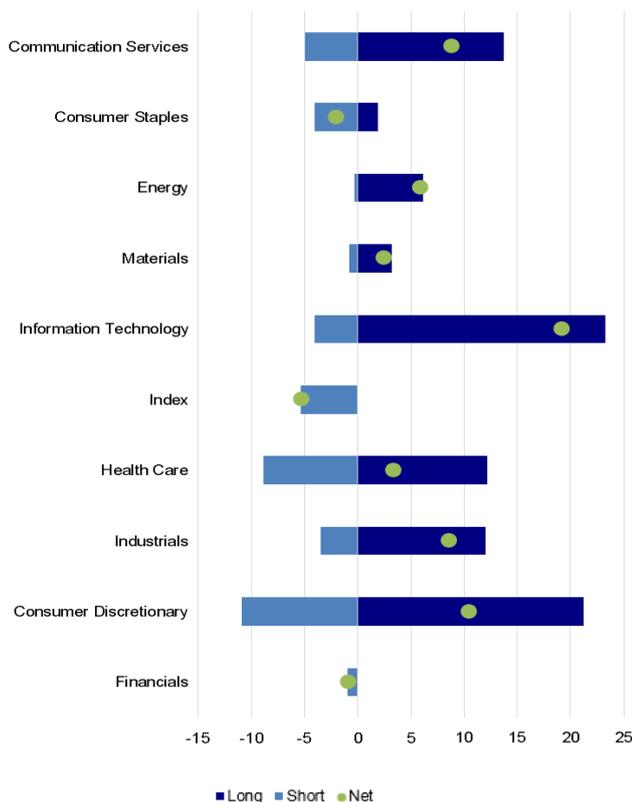
Portfolio characteristics

Number of securities - long book	40
Number of securities - short book	61
Weighted Average Market Cap (\$ bn)	6.6
Median Market Cap (\$ bn)	3.1
Long equity exposure (% of NAV)	96.9
Short equity exposure (% of NAV)	43.7
Gross exposure (Long + Short) (% of NAV)	140.6
Net exposure (Long - Short) (% of NAV)	53.2

* 17 January 2018 ** All Countries World Index (with dividends net of taxes). Ticker = NDUEACWF

Sector exposure (% NAV)

Geographical exposure (% NAV)



Main positions

Top 5 long positions	Country	% NAV
Information Technology	United States	7.26
Industrials	United States	6.05
Energy	Monaco	5.16
Consumer Discretionary	Sweden	4.47
Health Care	Ireland	4.44
TOTAL:		27.37

Top 5 short positions	Country	% NAV
Index	United States	-1.51
Index	United States	-1.48
Industrials	United Kingdom	-1.34
Consumer Discretionary	United States	-1.32
Consumer Discretionary	Japan	-1.25
TOTAL:		-6.89

Investment manager's commentary

2019 Review

For the fourth quarter, the fund posted a good result despite relative weakness in December. All regions and sectors were positive, with Industrials and Technology playing catch-up to Healthcare, where strength was seen primarily in 1Q19 and somewhat less in 4Q19. One notable detractor in the quarter and particularly during the month of December was Kambi Group of Sweden. Kambi fell when DraftKings, one of its largest customers, announced they were buying SB Tech, a Kambi competitor. The likely loss of this important customer sent the stock down over 30% in thin holiday trading. However, we have stuck with Kambi and bought a bit more on the weakness as it will remain the market leader in U.S. online sports betting, which we believe is just "kicking-off."

For 2019 as a whole, it could be characterized as 'solid,' but not exactly up to our own standards. While there are puts and takes that make up every year, results stem from a lack of spectacular gains in our "core" positions rather than any notable difficulties. The formula for success at Apis has generally been to find a few great ideas and make them core (5-10% position sizing), with the expectation they double or more. While Array BioPharma met that criteria, a great year for Apis is when we get a few similar successes in a year.

To be continued on the next page.

Fund facts

Fund total net assets: \$11.67 M

Fund domicile: Luxembourg

Fund type: UCITS SICAV

Base currency: USD

Management fee: 1.25% p.a.

Performance fee: 15% of net profits, with high watermark

Custodian, Administrator, Transfer Agent:
BNP Paribas Securities Services (LU)

Management company:
Alma Capital Investment Management (LU)

Investment manager: Apis Capital Advisors LLC (New York, US)

Portfolio manager: Daniel J. Barker

Dealing:

Each day with a 1-day notice. Cut-off time: 12 pm CET

Countries where the fund is registered:

Luxembourg, United Kingdom, Germany, Singapore

Identifiers:

Institutional USD Capitalisation share class

Isin: LU1321566892 - Ticker: ALCGIUC LX Launch: 17 January 2018

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Regionally, this is the first year where Europe added the largest contribution to the Fund, and it's heartening that ex-U.S. played catch-up over the year and almost kept pace with the seemingly unstoppable S&P 500.

Geographic Region	2019 Attribution ¹	Performance
Europe	7.9%	
North America	6.1%	
Asia Ex-Japan	3.5%	
Japan	1.0%	
Other	-0.6%	

¹ 2019 return attribution is gross of fees & expenses.

Sector results were also widely positive, led by excellent results particularly in Healthcare. For the year, two of the top 3 long contributors came from Healthcare, led by Array BioPharma (acquired) and Amarin which added roughly 5.0% and 3.0% to returns, respectively. Other winners included Evolution Gaming (+3.3%) and Scorpio Tankers (+2.0%). The biggest detractors in the year were Gravity and Green Dot, which both lost approximately 1.0% each. The short side (despite losing 6.1%) was commendable, considering the 20-30% move higher in most indices. We had a good batting average and several solid shorts, led by a Chinese polysilicon manufacturer (mentioned in the attached write-up) and several other secularly challenged companies that sell school textbooks, lighters, etc. Healthcare is also well represented among top shorts as hype & over optimism regularly present opportunities to short. The recurring formula in healthcare appears to be: Company needs capital → broker hypes prospects → stock climbs → capital is raised [short here] → stock collapses as hype meets reality.

Outlook and Portfolio Positioning for 2020

Despite the urge to forecast the year ahead, we know from experience these forecasts are of little value (especially from us!), but there are a couple observations we'll make. First, earnings growth is generally expected to be good in 2020, otherwise the market would be struggling now. While we are not saying it will be strong, the table below (source: Credit Suisse) provides some food for thought. You can see that over 80% of the market's 2019 return came from price expansion (i.e., re-rating of PE) as earnings grew less than 3% last year.



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Return Decomposition Summary

2019	EPS	+	P/E	=	Price Return	+	Dividends	=	Total return
S&P 500	2.8		25.4		28.9		2.0		31.5
Russell 1000 Value	-0.6		24.0		23.2		2.7		26.5
Russell 1000 Growth	9.0		23.6		34.7		1.3		36.4
Russell 2000	-5.5		31.0		23.7		1.5		25.5
2018-2019									
S&P 500	23.9		-2.4		20.8		4.0		25.7
Russell 1000 Value	18.2		-6.8		10.2		5.3		16.1
Russell 1000 Growth	33.3		-1.8		30.9		2.6		34.3
Russell 2000	6.8		1.8		8.7		2.8		11.7

If the market was a stock, you'd hope that 2020 growth would be strong since continued re-rating without the support of earnings growth would probably make this "stock" (the S&P) vulnerable. As we discuss in the attached paper on "compounders," stock returns follow earnings, so earnings have some catching-up to do.

Another interesting observation for active managers in the current environment is captured by the chart below (source: Client First Tax and Wealth Advisors – Adaptiv Investment Management System), which shows an equal-weighted S&P has gone almost nowhere over the past 10 years. This is in stark contrast to the index itself which rose over 13% per annum, driven by large growth compounders such as Apple, Amazon, Google, etc. As every active manager knows, if you didn't own Apple, et al., you have made it hard on yourself.



As a value-orientated, global fund focused on small- and mid-cap securities, you don't pay us to buy Apple, Amazon, etc., but that's okay. We feel "compounders" can also be found in global small-cap equities. In the accompanying [white paper](#), our Director of Research Eric Almeraz shares some work originally conceived for his class at Columbia Business School on the topic of investing in compounding businesses. Finding sustainable, high-growth and high-return companies in the small cap universe is inherently more difficult given the nascent nature of company development. However, we think this challenge is compensated by the re-rating which occurs when you are "early" to an emerging compounding business.