ALMA CAPITAL

Alma Eikoh Equilibria Japan Long/Short Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

Eikoh

As of 30 November 2018

Fund features

- Actively managed Japanese long/short equity portfolio with a focus on large and mid cap companies
- Low net market exposure through a pair construction process
- Portfolio will generally comprise around 70-90 pairs
- The Fund aims to follow the investment objectives and process of the long standing Equilibria strategy[1] with circa 1.5x leverage

Investment manager: ERIM LLP (Eikoh Research Investment Management)

- ERIM LLP: firm founded by the Japanese equity fund management team at Deutsche Asset Management in London, as part of a supported spin-out from Deutsche Bank. Regulated by the FCA and the SEC
- Eikoh focuses on research and investment in Japanese listed companies
- The portfolio managers have worked together for over 15 years
- Eikoh has Institutional and professional clients. The firm manages circa US$ 1.2bn in long-short and long-only strategies (subscribed assets)

Cumulative performance (%)

	I JPY C shares	TOPIX Total Return[2]	LIBOR JPY 3 Month + 4%
1M	-4.96	1.30	0.32
3M	-9.13	-3.14	0.98
6M	-8.29	-3.59	2.00
YTD	-	-	-
1Y	-	-	-
Since inception*	-10.23	-6.42	2.16

* 16 May 2018

Portfolio characteristics

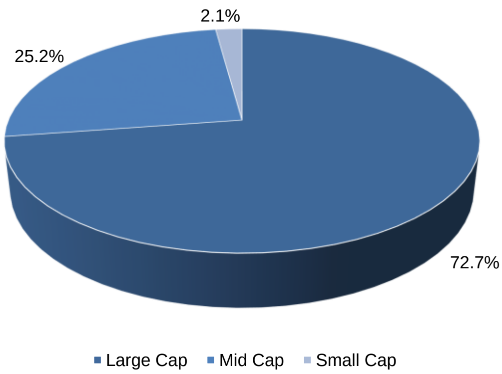
Number of securities - long book	81
Number of securities - short book	85
Weighted Average Market Cap (JPY bn)	2 236
Median Market Cap (JPY bn)	688
Long equity exposure (% of NAV)	122.5
Short equity exposure (% of NAV)	-121.6
Gross exposure (Long + Short) (% of NAV)	244.1
Net exposure (Long - Short) (% of NAV)	0.8
Beta adjusted net exposure[3] (% of NAV)	7.3

Main positions

Top 10 long positions

Issuer	Sector	% NAV
Seven & i Holdings Co Ltd	Consumer Staples	9.73
Mitsubishi UFJ Financial Group	Financials	6.89
Daiichi Sankyo Co Ltd	Health Care	3.82
Nippon Steel & Sumitomo Metal	Materials	3.62
Mitsubishi Estate Co Ltd	Real Estate	3.24
Toyota Motor Corp	Consumer Discretionary	3.02
Ajinomoto Co Inc	Consumer Staples	2.79
Fujitsu Ltd	Information Technology	2.59
Sumitomo Mitsui Financial Group	Financials	2.47
SanBio Co Ltd	Health Care	2.42
	Total:	**40.58**

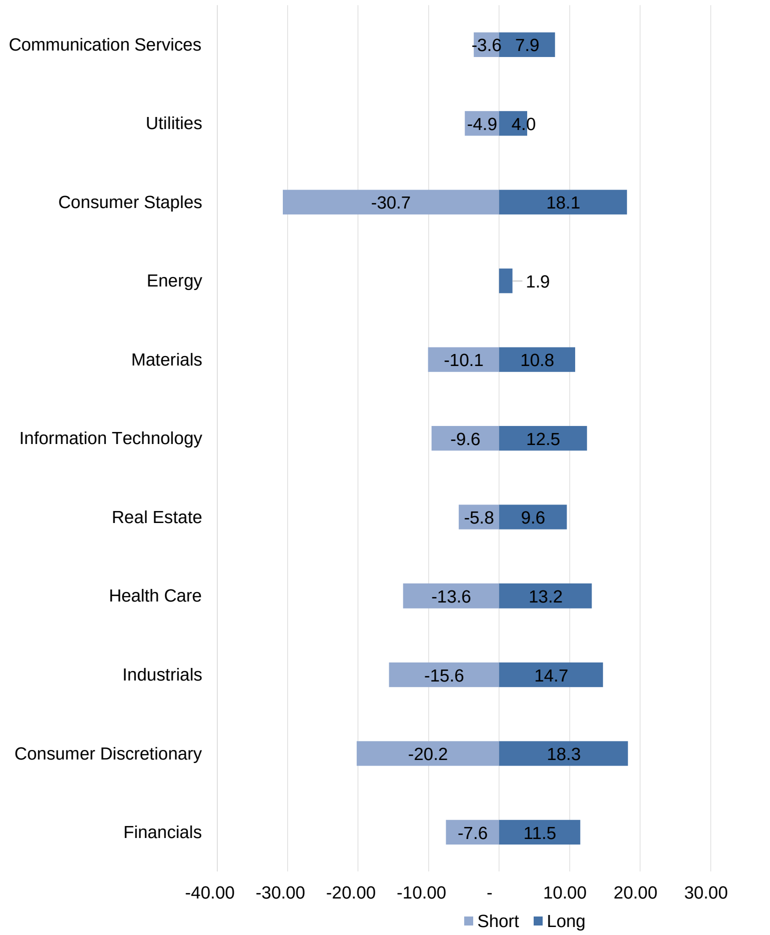
Market capitalisation by Gross Exposure



Market capitalisation[4] (% NAV)

	Long Value	Short Value	Net
Large Cap	86.0	-91.3	-5.3
Mid Cap	32.8	-28.8	4.0
Small Cap	3.7	-1.5	2.1

Sector exposure (% NAV)



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Investment manager's commentary

Market review

Topix made a weak recovery in November rising only 1.3% in reaction to the sharp fall in October. The market was initially firm on speculation of a rapprochement between the US and China but weakened as hopes of a speedy resolution to the trade war faded; the APEC summit ended without a joint communique for the first time due to trade tensions. The mood was not helped by concerns over the slowing Chinese economy, weak global demand in the technology sector and prospects for Europe with the Brexit deadline moving closer. While currency markets were relatively stable the oil price slumped, Brent falling from $75.5 to $58.7 over the month, hit by a combination of fears over global demand and US pressure on the Saudi's to guide prices lower. The loss of control of the House of Representatives by the Republicans in the mid-term elections was the major international event of note during the month while domestically the arrest of the Nissan Chairman, Carlos Ghosn, by Tokyo prosecutors shocked investors and stood out from other news. Foreign investors remained clear net sellers of the market during November.

Domestic economic statistics announced over the month were mixed. Preliminary Q3 GDP figures were very weak showing real GDP down -1.2% QoQ annualised however this was a period clearly impacted by the typhoon and earthquake that occurred in September and as such artificially depressed. Conversely Industrial production in October was very strong rising +2.9% in October, though part of this was in reaction to weak September figures. September core machinery orders underperformed expectations and fell by 18.3% MoM while the November manufacturing PMI fell by 1.1 to 51.8 also suggesting a slowing in activity.

Trade relations between the US and China and the underlying strength of the Chinese economy remain key determinants of stock market performance. The recent strength in global bond markets is indicative that investor fears have moved from inflation to concerns over slowing economic momentum. While domestic yields have also fallen we continue to believe that the picture here appears encouraging though clearly any change in global economic conditions has a significant impact on the industrial sector. In 2019 we expect the Abe administration to further enhance the pro-business and growth policies that have characterised it so far. Abe and his team are keen to ensure that domestic economic momentum is sufficiently robust in autumn 2019 to go ahead with the planned consumption tax increase from 8% to 10% and further stimulatory measures are likely to be enacted before then. The recent announcement that Japan will spend an additional Y3trn on infrastructure repair is part of this and should result in growth in public works spending of around 20% in fiscal 2019. Abe aims to restore the economy to sufficient health while he remains Prime Minister such that the BOJ can start to taper its stimulus from a position of strength.

As we look ahead into 2019 we are hoping to see a market that is more fundamentally driven after an unusually long period where other factors have played a major role in stock price movements. While it's always difficult to identify in advance what could catalyse such a change one possibility is a change in fund flows. Foreign selling in 2018 has been very heavy and we would expect the pace of this to abate given that the 2018 YTD figure now stands in excess of Y11trillion and with this the impact of BoJ buying should be less important in market price setting. We see the current market dislocation as providing an opportunity for bottom-up research and stock picking and expect to add value as the situation normalises. The market is trading at 1.22x book, on an estimated PER of 13.1x and a dividend yield of 2.24%.

Performance review

The Fund generated negative returns over the month primarily due to the short book which rose significantly more than the market, the long book rose slightly less than the market.

The main negative contributor over the month was the Fund's CVS & supermarket retail pairings; although the long Seven & I Holdings rose modestly over the month the shorts here rose to a greater degree. Both shorts did decline off highs mid-month but remain unsustainably high in our view and will decline over time based on company fundamentals. Value was also lost in the Fund's utilities pairs as long positions in Kansai Electric Power and Electric Power Development declined and the main short held against them posted gains. Within the banking sector the main longs in MUFG and SMFG fell while the shorts held against them were largely flat or declined only modestly. Amid this trend our net long positioning also detracted value. Value lost in the chemical sector resulted large from two shorts held in the area which gained during the month. Long positions were mixed with Shin-etsu Chemical and Hitachi Chemical making positive contributions but Nitto Denko declining.

The main positive contributor over the month was the Fund's auto & auto part pairings as major longs in Toyota Motor and Denso rose while shorts held against them mostly declined. Within industrials & machinery value was added as longs in Komatsu and MHI rose while shorts held against them largely fell. The Fund's basic material pairings added value as the steel company short held against Nippon Steel & Sumitomo Metal fell and a short position in a paper company also added value. Value was also added in insurance where longs in Tokio Marine and MS&AD Holdings rose ahead of the peer short held against them.

During the month we initiated a new long position in NTT as price cuts announced by its mobile subsidiary NTT DoCoMo sparked fears of a price war. We believe the effects of this plan are unlikely to be as bad as initially feared and see this as an opportunity to buy the highly cash flow generative and shareholder friendly NTT at a compelling valuation, pairing this against an industry peer. We added to the existing Fujitsu position following a management meeting that gave us confidence in ongoing restructuring efforts, pairing this against a competitor, and within shipping added to the long position in Mitsui OSK against an industry peer. We also initiated a new long position in JSR against another display related company reflecting wide valuation spreads and within banks initiated a new position in Fukuoka Financial Group following the finalisation of their merger agreement with Eighteenth Bank, pairing this against another bank. Within retail we initiated a new position in Ryohin Keikaku, looking through dull H1 earnings to focus on continued growth potential in China, and also managed down short positions in CVS & supermarkets given sharp moves here. Pairs in non-life insurance and heavy industrials were closed reflecting favourable relative performance that left limited spreads and within autos the long in Toyota Motor was reduced against the short held against it as the latter fell sharply during the month.

Fund Positioning

On a cash basis the net exposure declined modestly from 0.7% to 0.3% but rose on a beta (24m) adjusted basis from 3.9% to 4.8% over the month. Using 6 month betas the Fund's beta adjusted net exposure increased from 3.6% to 5.2%. Gross exposure rose from 156% to 166%. The number of long positions declined from 89 to 81 while the number of shorts declined from 91 to 86. Net beta adjusted industry exposures fall within a +/-4% range within which banks is the largest net long position at +3.8%, followed by internet at +3.3%, real estate at +2.0%, construction & mining machinery at +2.0% and oil & gas at +1.5%. The Fund is net short -3.1% pharmaceuticals, -1.9% food, -1.4% building materials, -1.2% leisure time and -1.2% miscellaneous manufacturing.

Fund facts

Fund total net assets:			¥2 726.66 M ($24.04 M)
Fund domicile:	Luxembourg	**Fund type:**	UCITS SICAV
Countries where the fund is registered:			
Luxembourg, United Kingdom			
Management fee:	1.25% p.a.	**Base currency:**	JPY
Performance fee:			17.5% of net profits, with high watermark
Custodian, 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)
Portfolio managers:			James Pulsford Sara Gardiner-Hill Karl Hammond

Identifiers:

Institutional JPY Capitalisation share class
Isin: LU1744752889 - Ticker: AJLSIJC LX
Fund launch: 16 May 2018

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1 The "Strategy" includes the Fund and the various investment vehicles managed by ERIM LLP that follow substantially the same investment strategy as the Fund.
2 The Topix Total Return (TR) Index reflects the Total Return of the Tokyo Price Index, and is an unmanaged capitilisation-weighted index of all the companies listed on the First Section of the Tokyo Stock Exchange.
3 Beta Adjusted Net Exposure: (Beta of long positions x long position weighting) - (beta of short positions x short position weighting). Calculated using 2 years of weekly data.
4 Market Cap is defined as: Large Cap >USD5bn; Mid Cap USD1-5bn; Small Cap <USD1bn.