ALMA CAPITAL

Alma Eikoh Equilibria Japan Long/Short Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

Eikoh

As of 28 December 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$ 900m 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	-2.26	-10.21	0.30
3M	-8.35	-17.60	0.98
6M	-7.69	-12.78	1.98
YTD	-	-	-
1Y	-	-	-
Since inception*	-12.26	-15.98	2.47

* 16 May 2018

Portfolio characteristics

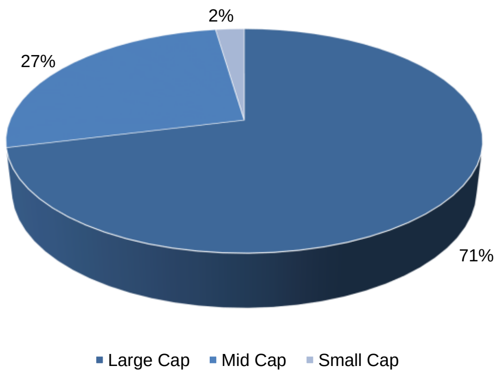
Number of securities - long book	80
Number of securities - short book	88
Weighted Average Market Cap (JPY bn)	2 015
Median Market Cap (JPY bn)	623
Long equity exposure (% of NAV)	113.2
Short equity exposure (% of NAV)	-114.0
Gross exposure (Long + Short) (% of NAV)	227.2
Net exposure (Long - Short) (% of NAV)	-0.8
Beta adjusted net exposure[3] (% of NAV)	6.1

Main positions

Top 10 long positions

Issuer	Sector	% NAV
Seven & i Holdings Co Ltd	Consumer Staples	8.99
Mitsubishi UFJ Financial Group	Financials	6.11
Fujitsu Ltd	Information Technology	3.75
Sumitomo Mitsui Financial Grou	Financials	3.32
Daiichi Sankyo Co Ltd	Health Care	3.29
Mitsubishi Estate Co Ltd	Real Estate	2.89
Ajinomoto Co Inc	Consumer Staples	2.84
Nippon Telegraph & Telephone C	Communication Services	2.70
SCREEN Holdings Co Ltd	Information Technology	2.61
SanBio Co Ltd	Health Care	2.50
	Total:	**39.00**

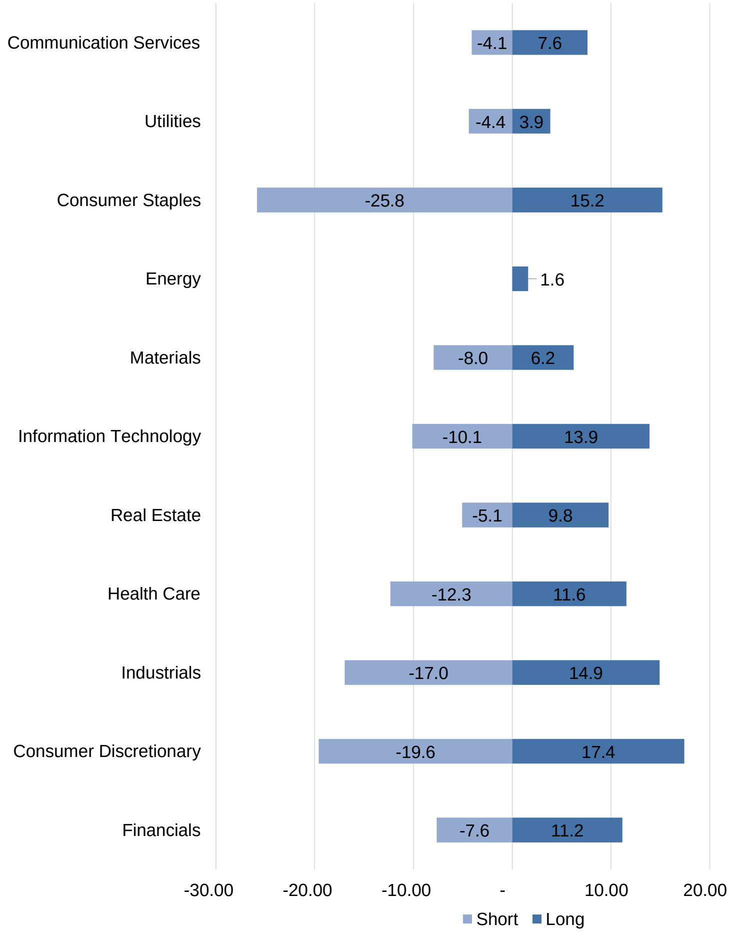
Market capitalisation by Gross Exposure



Market capitalisation[4] (% NAV)

	Long Value	Short Value	Net
Large Cap	78.8	-82.7	-3.9
Mid Cap	29.6	-30.9	-1.3
Small Cap	4.9	-0.4	4.5

Sector exposure (% NAV)



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Investment manager's commentary

Market review

Topix slumped by 10.4% during December, falling along with global markets led by the US. The arrest of Huawei's CFO in Canada following a US extradition request was one factor behind the weakness and sentiment was not helped by the partial Government shutdown in the US as a result of the stand-off between President Trump and the House of Representatives over funding of a border wall with Mexico. In Europe the apparent drift of the UK towards a "no deal" hard Brexit and violent mass demonstrations in France by the "Gilets Jaunes" did nothing to lighten the mood. Amid the market turbulence the Yen strengthened, closing the month up from Y/$ 113.6 to 109.7. A feature of the month was very heavy selling by overseas investors of Y2trn making a total of Y13.3trn for the year as a whole, a value coming close to matching the record inflows of Y15.7trn recorded in 2013.

Domestic economic statistics announced over the month were on balance a little disappointing. The second set of preliminary Q3 GDP figures were very weak showing real GDP down -2.5% QoQ annualised, a revision down of -1.2% from initial estimates with weaker capital spending the main element. The BOJ Tankan business conditions survey showed little change in current conditions however the outlook deteriorated with the large manufacturers' diffusion index slipping from +19 to +15. Industrial production fell by -1.1% MoM in November however the Economy Watchers Survey registered an improvement in current conditions from 47.7 to 49.0 in November and the Japanese manufacturing PMI was up by +0.2 to 52.4 in December.

While global growth was robust in 2018, recent market turmoil reflects investor concern over the sustainability of these positive conditions in the face of rising trade tension between the US and China, the withdrawal of central bank stimulus in the US, political disarray in Europe and signs of slowing growth in China. We continue to expect that trade relations between the US and China and the underlying strength of the Chinese economy will remain key determinants of stock market performance. Looking at Japan in isolation, 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 the autumn such that the planned consumption tax increase from 8% to 10% does not bring economic expansion to a halt. The announcement that Japan will spend an additional Y3trn on infrastructure repair is part of this strategy 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 to allow the BOJ to start to taper its stimulus from a position of strength.

Fund performance in 2018 was very disappointing and as we look into the year ahead we hope 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. It seems likely to us that the record levels of foreign investor disinvestment experienced in 2018 was a major factor behind the unusual market characteristics exhibited over the year, leaving the impact of BOJ buying and the activity of domestic investors the dominant influence in securities price setting. A cessation or reversal of negative foreign flows might thus presage a change in market characteristics. 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 1.09x book, on an estimated PER of 11.8x and a dividend yield of 2.48%.

Performance review

The Fund generated a negative return over the month as the long book fell ahead of the market while the short book fell by less than the market. The main negative contributors over the month were the Fund's bank and internet pairings. The value lost in banking was the result of the long positions in Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group falling ahead of the banks held against them which have a lower gearing to the global economy. The losses sustained in the Fund's internet pairings stemmed from sharp falls in the positions in M3 and Zozo, the latter on concerns about near term performance and strategy in the wake of their scaled back private brand initiatives. Performance was also lost in the Fund's real estate pairings in the absence of any company specific news. In components value was lost as the long positions in Murata, Taiyo Yuden and Rohm fell on concerns of a slowdown in smartphone related demand and semiconductor investment. Another contributing factor for all the above sectors was the net long sector positioning which hurt during a month when the market fell sharply.

By far the largest positive contributor over the month was the Fund's convenience, supermarket & drug store pairings where the short positions held against Seven & I Holdings, Izumi and Don Quijote fell sharply, giving up some of the substantial share price gains that had hurt the Fund's performance through most of 2018. Even after the recent falls we believe these stocks continue to look significantly overvalued and we are hopeful of further performance recovery from these pairs over coming months. Performance was also helped by the Fund's food pairings where the long position in Ajinomoto was flat over the month while the largest short held against it fell. In diversified chemicals value was added due to the fall in a paint maker held short as well as being net short this area.

During the month we initiated a new long position in NGK Spark Plug; recent underperformance has left the stock looking cheap given likely ongoing gains in their core spark plug market share as well as a strong growth outlook for emission sensors. This was paired against other auto related shorts and partially funded through the reduction in the position in Toyota Motor, which was also further reduced against an auto maker peer reflecting recent relative performance. The long position in TDK was increased, funded through the reduction in other component stocks, taking advantage of weak recent performance as we believe Company fundamentals remain robust driven by their core battery and passive component areas as well as development of their sensor business. A new position in Sumitomo Electric was initiated against a materials company and Sumitomo Corp initiated against a fellow trading company, both driven by relative performance and upside levels, while we also added to the long in SMFG against a peer bank. The long position in Nippon Steel was closed against a fellow steel company while the Yakult Honsha long was closed against a food peer, both driven by recent relative performance that left limited spread between the pairs. Fujitsu was partially reduced as the short in a fellow IT service company was closed, but new shorts were initiated in the office equipment area to offset part of this.

Fund Positioning

On a cash basis net exposure declined from 0.8% to -0.8% and fell on a beta (24m) adjusted basis from +7.3% to +6.1% over the month. Gross exposure fell from 244.2% to 227.2%. The number of long positions was little changed at 80 compared to 81 and likewise the number of short positions at 88 compared to 85. Net beta adjusted industry exposures fall within a approx. +/-5% range within which banks is the largest net long position at +5.1%, followed by computers at +4.9%, auto parts at +4.7%, real estate at +4.1% and internet at +3.6% . The Fund is net short -4.1% pharmaceuticals, -2.2% office equipment, -2.2% retail, -1.9% cosmetics and -1.8% transportation.

Fund facts

Fund total net assets:	JPY 2 207.93 M ($20 M)	**Fund type:**	UCITS SICAV
Fund domicile:	Luxembourg	**Base currency:**	JPY
Management fee:	1.25% p.a.		
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

Countries where the fund is registered:
Luxembourg, United Kingdom

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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.