



Alma Hotchkis & Wiley US Large Cap Value Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



As of 30 June 2020

Fund description

- Investment objective: seek current income and long-term capital growth by investing in a concentrated portfolio of large US companies
- Investment process: analyse long term company fundamentals through in-house bottom-up research aiming to identify undervalued stocks
- The fund typically holds 40 to 60 securities and generally invests in companies with a market capitalization above \$3 billion
- Benchmark: Russell 1000 Value Index
- Investment strategy mirrors the Large Cap Fundamental Value strategy managed by the Investment manager since 1980

Investment manager: Hotchkis & Wiley Capital Management, LLC

- Hotchkis & Wiley is a SEC-regulated, Los Angeles-based investment adviser founded in 1980, specialised in value equity and high yield bond strategies
- Employee owned firm: 90% of the investment team and 67% of all employees own equity
- Investment team has over 23 years average investment experience and 15 years average tenure at Hotchkis & Wiley
- George Davis, the CEO of Hotchkis & Wiley and senior portfolio manager of the fund, has over 30 years of investment experience.
- Hotchkis & Wiley manages \$25 billion

Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I USD C shares	2.68	18.59	-23.56	-23.56	-18.26	-9.37	14.77	2.36
R USD C shares	2.72	18.64	-23.52	-23.52	-18.23			
Russell 1000 Value Index (TR)	-0.66	14.29	-16.26	-16.26	-8.84	5.57	33.72	5.05

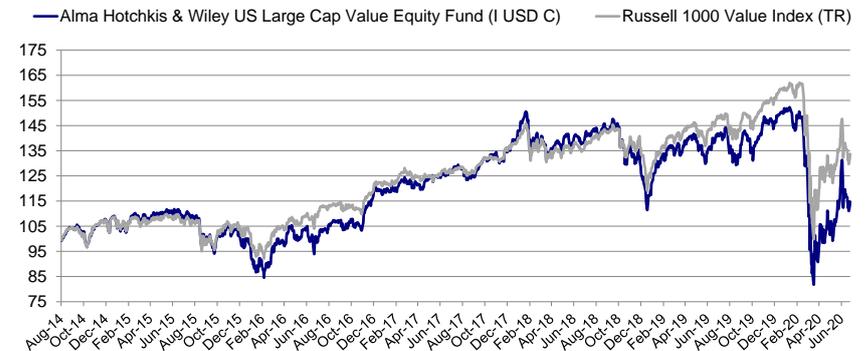
Fund launched on 6 August 2014

Portfolio characteristics

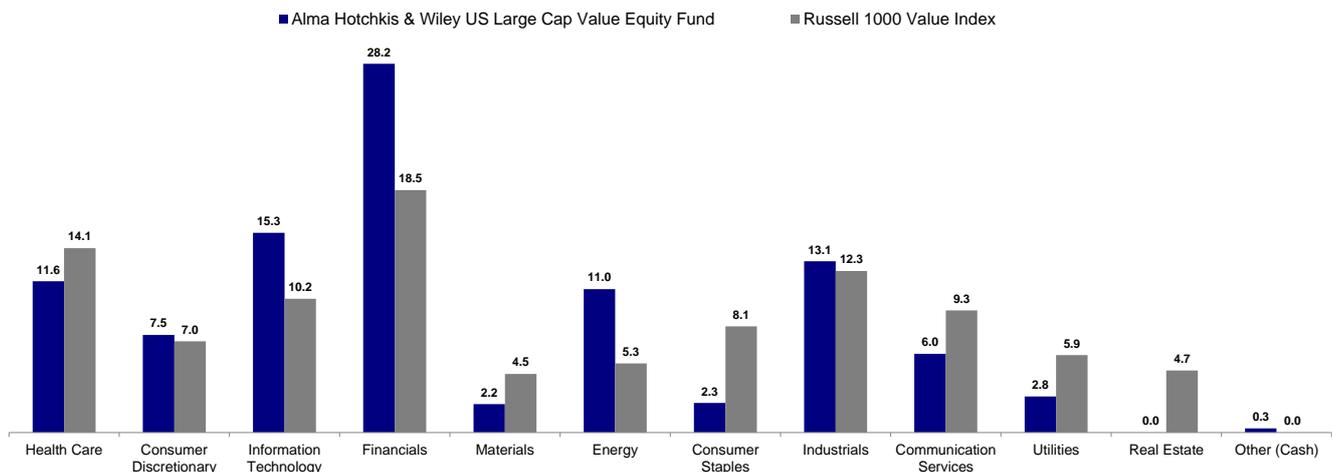
Main indicators

	Fund	Index
No. of securities	57	839
Weighted Average Market Cap (\$ bn)	121.2	109.6
Median Market Cap (\$ bn)	26.9	9.1
Projected P/E Ratio FY2 (x)	11.1	15.2
Price / Normal Earnings (x)	6.7	13.5
Price / Book (x)	1.2	1.9
Price / Sales (x)	0.8	1.5
Projected EPS Growth (%)	6.1	5.9
Active share (%)	78.6	-

Performance (Indexed - Base 100)



Sector breakdown (% NAV)



Top 10 positions details

Security name	Sector	% NAV
GENERAL ELECTRIC CO	Industrials	5.17
AMERICAN INTERNATIONAL GROUP	Financials	4.57
MICROSOFT CORP	Information Technology	4.04
WELLS FARGO & CO	Financials	3.96
CITIGROUP INC	Financials	3.36
ORACLE CORP	Information Technology	3.04
GOLDMAN SACHS GROUP INC	Financials	2.99
GENERAL MOTORS CO	Consumer Discretionary	2.86
CUMMINS INC	Industrials	2.77
ANTHEM INC	Health Care	2.61
TOTAL:		35.38

Investment manager's commentary

Market:

The S&P 500 Index returned +20.5% in the second quarter of 2020, recovering most of its first quarter decline; the index is -3.1% since the beginning of the year. Most US states took steps to reopen during the quarter, and the Federal Reserve announced additional actions to further stimulate the economy: continue large scale asset purchases, hold interest rates near zero through 2022 if needed, and initiate purchases of individual corporate bonds. Employment and consumer spending improved more quickly than the market anticipated, helping fuel the equity market rebound. Volatility remained elevated, however, as an increase in COVID-19 cases accompanied the reopening efforts, and turbulent US/China trade negotiations resurfaced.

The Russell 1000 Growth Index outperformed the Russell 1000 Value Index by more than 13 percentage points in the quarter (+27.8% vs. +14.3%). This extended growth's year-to-date advantage to more than 26 percentage points (+9.8% vs. -16.3%) and its three-year edge to 63 percentage points (+68.5% vs. +5.5%). The wide valuation gap between growth and value now resembles levels only observed during the late 1990's tech/growth bubble.

Our estimate of a company's intrinsic value is based on its earnings power over the long term, i.e. over a period of many years. If a company's earnings in any one year are impaired, due to a pandemic or otherwise, it will reduce our estimate of intrinsic value. However, unless the company lacks the financial wherewithal to survive challenging times—something we work hard to avoid in the first place—it is unlikely to result in a 50% reduction to our intrinsic value estimate. Yet in many cases recent market prices have declined by this amount or more, often despite little to no solvency/survival risk. Meanwhile, companies that are largely insulated from COVID-19's reach, and those that benefit from it in the short term, have seen their stock prices rise by similar amounts. Many of these companies traded at elevated valuations even before this period. We recognize the seriousness of the pandemic, including its extensive impact on the economy and capital markets; however, we view the market's response as myopic. While COVID-19 has taken a painful toll, both human and economic, we will get through it. When we do, we are confident that more rational economics will prevail, and valuations will revert toward more normal relationships—our clients are well positioned to benefit from such a scenario.

Attribution: 2Q 2020

The portfolio outperformed the Russell 1000 Value Index in the second quarter of 2020. Positive stock selection trumped the portfolio's value-biased headwind in the quarter. Stock selection was positive in all but two sectors, with financials, energy, and healthcare leading the way. The overweight exposure to energy and technology along with the underweight exposure to consumer staples and utilities also helped performance. Stock selection in industrials and materials were detractors, along with the underweight exposure to materials. The largest positive contributors to relative performance in the quarter were Apache, Hess, Microsoft, AIG, and Magna International; the largest detractors were General Electric, Wells Fargo, Royal Dutch Shell, Hewlett Packard Enterprise, and PPL.

Largest New Purchases: 2Q 2020

Booking Holdings is one of the largest online travel agents ("OTA") in the world, operating leading brands worldwide: Booking.com, Priceline.com, Agoda, Kayak, Rentalcars.com, and Opentable. Booking is the global leader in the OTA market, which enjoys a secular growth rate that is 2-3x faster than the overall travel industry. The company has greater exposure to the more profitable European lodging market because it is more fragmented than the US. The impact of COVID-19 will have a material impact on near term earnings and cash flows, but the company has ample liquidity to weather an extended lockdown.

PNC Financial Services is one of the nation's largest banks with leading deposit share in many of the geographies in which it operates. This advantage enables the company to earn margins and returns on capital at above-peer levels. It recently sold a large and long-standing stake in Blackrock, which should have a minimal impact on normal earnings power but increases its excess capital, further strengthening an already defensive bank franchise.

PPG Industries is one of the world's largest paint and coating companies. The current macro environment is leading to sharp declines in PPG's key end markets, most notably auto OEM and refinish, aerospace, and general industrial. While 2020 will be a weak year, PPG should weather this environment better than most chemicals companies given its flexible/variable cost structure. The company can grow over the long run with minimal capital reinvestment and has a strong history of return cash to shareholders.

Fund facts

Fund total net assets:	\$46.3 M	Base currency:	USD	Countries where the fund is registered:	France, Germany, Luxembourg, Switzerland, United Kingdom, Austria
Fund domicile:	Luxembourg	Fund type:	UCITS SICAV	Identifiers:	Institutional USD Capitalisation share class
Management fee:	0.75% p.a.			Isin: LU0963547111	Ticker: ALDCPBI LX
Depository, Administrator, Transfer Agent:	BNP Paribas Securities Services (LU)			Launch: 6 August 2014	
				Retail USD Capitalisation share class	
				Isin: LU0963547970	Ticker: ALDCBRU LX
				Launch: 21 November 2017	
Dealing:	Each day with a 1-day notice. Cut-off time : 5 pm CET			Contacts	
Management company:	Alma Capital Investment Management (LU)			Hervé Rietzler (FR / CH / LU / IT)	+352 28 84 54 19
Investment manager:	Hotchkis & Wiley Capital Management, LLC (US)			Baptiste Fabre (FR / IR / UK)	+33 1 56 88 36 55
Fund managers:	George Davis, Scott McBride, Judd Peters, Patty Mckenna, Patrick Meegan			Britt Lintner (UK / DE)	+44 207 009 9240
				Raluca Alda (CH / IT)	+41 78 864 19 07
				info.investors@almacapital.com	

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