Alma Recurrent Global Natural Resources Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 31 December 2018

Fund description

- Investment objective: the fund seeks total return by investing in global natural resource-related companies.
- Typical industries in which the fund invests: energy, basic materials, infrastructure, transportation and logistics
- The fund may invest in companies of any market size capitalization, including IPOs
- The investment process incorporates macroeconomic and commodity supply/demand factors with fundamental company analysis

Investment manager: Recurrent Investment Advisors, LLC (US)

- Recurrent Investment Advisors is focused on understanding and profiting from commodity cycles to make differentiated natural resource investments
- Formed in April 2017. Registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC)
- Primarily owned by its co-founders Mark Laskin and Bradley Olsen, who both have extensive experience in finance and energy
- Based in Houston, Texas (US)

Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I EUR C shares	-9.39	-20.24	-19.28	-	-	-	-19.28
I USD C shares	-8.47	-21.30	-20.83	-	-	-	-20.83
Index*	-5.14	-16.90	-15.93	-	-	-	-15.93

Fund launched on 29 June 2018

*S&P Global Natural Resources Net Total Return Index

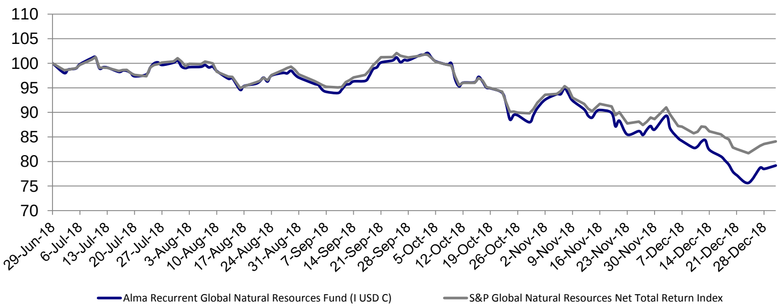
Portfolio characteristics

Main indicators	Fund	Index*
No. of securities	40	90
Estimated Price/Earnings	13.8x	11.7x
Estimated Long Term Growth	9.8x	10.6x
Price to Book Ratio	1.6x	1.3x
Price to Sales Ratio	1.6x	0.8x
Weighted Average Market Cap ($ bn)	43.9	61.8
Median Market Cap ($ bn)	14.7	16.0
Active Share (%)	56.9	-

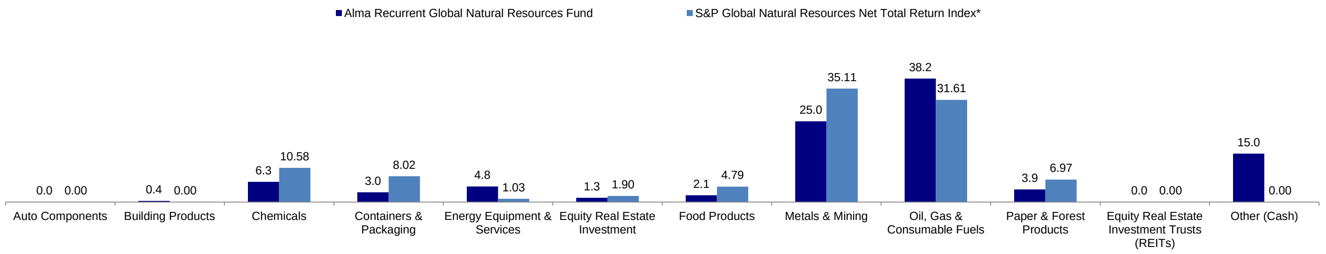
*S&P Global Natural Resources Net Total Return Index

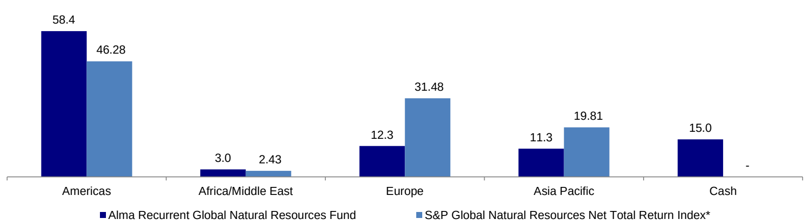
Except number of securities, using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

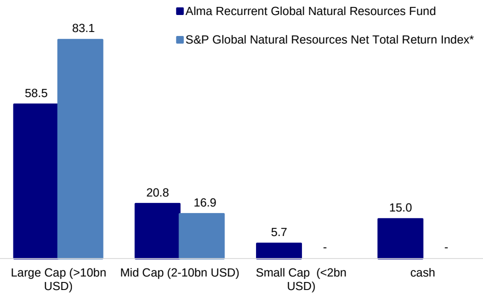
Performance (Base 100)



Industry, region and market cap breakdown (% NAV)







*Using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

Top 10 positions details

Security name	Industry	Country	% NAV
FORTESCUE METALS GROUP LTD	Metals & Mining	Australia	4.15
GLENCORE PLC	Metals & Mining	Switzerland	3.84
TOTAL SA-SPON ADR	Oil, Gas & Consumable Fuels	France	3.80
NUTRIEN LTD	Chemicals	Canada	3.79
ENERGY TRANSFER LP	Oil, Gas & Consumable Fuels	United States	3.72
BARRICK GOLD CORP	Metals & Mining	Canada	3.65
VALE SA-SP ADR	Metals & Mining	Brazil	3.42
EXXON MOBIL CORP	Oil, Gas & Consumable Fuels	United States	3.39
BHP GROUP LTD-SPON ADR	Metals & Mining	Australia	3.23
UPM-KYMMENE OYJ	Paper & Forest Products	Finland	3.13
		TOTAL:	**36.13**

Investment manager's commentary

Natural Resources Discussion – clear parallels between today's market and the "V-shaped" market of late 2015-early 2016
As 2018 came to a close, weakness in natural resources sectors mirrored the weakness in broader markets. While the brief yet powerful downturn was noteworthy, as we analyze the market, we look for recurring cycles to help answer the question of how the markets are likely to evolve.

In this case, as we specifically think about energy and natural resources markets, the most relevant time period for analysis is 2H 2015/1Q 2016. While it is a fairly recent example and therefore likely to be considered by the market, idiosyncratic dynamics in the oil market make not only the price changes, but the timing, relevant.

Important to the discussion is the concept of the dispatch curve framework for the global oil market, which we outlined in our white paper "The Changing Shape of Energy Markets" (linked above). The relevant issues in the market today are two factors:
1.the lead time for oil production, particularly onshore in the US, is getting shorter, meaning that changes in global demand (and prices) can lead to an increase or decrease in US production, with only a few month lag, and
2. oil prices determine whether new production will "turn on" or "turn off"

The combination of these two factors mean that, more than ever before, at any given time, the oil price is a function of the real time global supply and demand. Higher oil demand will cause oil prices to rise, which will incentivize more oil to be produced, most specifically in US Shale.

In the case of the last few months, the inverse is also true. The calendar 4th quarter is known as the "shoulder months" because global oil demand is significantly lower than in the "peak driving season" of the summer months. With high prices in the summer incentivizing US producers to grow production by 1 million barrels per day from May to October, seasonally lower 4th quarter demand caused oil prices to fall.

Interestingly, a very similar dynamic occurred late in 2015. With lower seasonal demand in 4Q 2015, the oil price fell by 43% after Labor Day. As the oil price fell below $30/barrel - a price too low to incentivize new oil production – the steep decline rates of already-producing wells caused US oil production to fall by 700,000 barrels per day from January to October 2016, thereby helping to balance the global oil market. The dynamic of seasonally weak demand, and the surge of production from wells drilled the previous summer, are largely similar to the fundamental dynamics observed in 2015-16.

So while oil prices fell dramatically in 4Q 2015, and now 4Q 2018, the more relevant conversation for this communication is "what happened to the stocks?"
The combination of two factors helped energy markets to improve early in 2016. Firstly, as seen in the chart below, oil production peaked and started to fall in response to lower oil prices. Then, as summer neared, seasonal demand increased and the global oil market returned to better balance, and oil prices rose dramatically from the $26/barrel price reached in February.

Energy stocks, as measured by the S&P 500 Energy Index, reached their bottom on January 20, 2016, and closed 2016 nearly 43% higher than the January 2016 low.

In summary, today there appear to be many similarities to the energy markets 4Q 2015/1Q 2016. The low demand shoulder months caused oil prices and energy stocks to sharply fall, followed by a multi-quarter recovery. The combination of an improving oil commodity environment and inexpensive valuations made for a unique environment to invest in energy markets. In our view, many similar attributes exist in the markets today.

Fund facts

Fund total net assets:	$15.87 M
Fund domicile:	Luxembourg
Fund type:	UCITS SICAV
Base currency:	USD
Management fee:	0.95% p.a.
Depositary, Administrator, Transfer Agent:	BNP Paribas Securities Services (LU)
Management company:	Alma Capital Investment Management (LU)
Investment manager:	Recurrent Investment Advisors (US)
Fund managers:	Mark Laskin Bradley Olsen

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

Identifiers:

Institutional USD Capitalisation share class		
Isin: LU1823602369	Ticker: ARGNIUC LX	Launch: 29 June 2018
Institutional EUR Capitalisation share class		
Isin: LU1845388146	Ticker: ARGNIEC LX	Launch: 29 June 2018

Countries where the fund is registered:
Luxembourg, France

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