ALMA CAPITAL

Alma Recurrent Global Natural Resources Fund

RECURRENT INVESTMENT ADVISORS

A sub-fund of Alma Capital Investment Funds SICAV

As of 31 January 2019

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	10.72	-4.49	-11.17	10.72	-	-	-10.63
I USD C shares	11.12	-3.16	-12.55	11.12	-	-	-12.03
Index*	9.62	0.22	-8.78	9.62	-	-	-7.84

Fund launched on 29 June 2018

*S&P Global Natural Resources Net Total Return Index

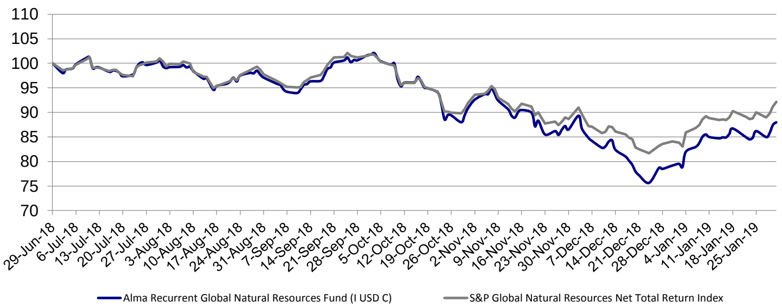
Portfolio characteristics

Main indicators	Fund	Index*
No. of securities	40	89
Estimated Price/Earnings	14.2x	12.3x
Estimated Long Term Growth	9.0x	10.1x
Price to Book Ratio	1.9x	1.4x
Price to Sales Ratio	1.2x	0.8x
Weighted Average Market Cap ($ bn)	53.8	66.7
Median Market Cap ($ bn)	19.7	18.2
Active Share (%)	52.3	-

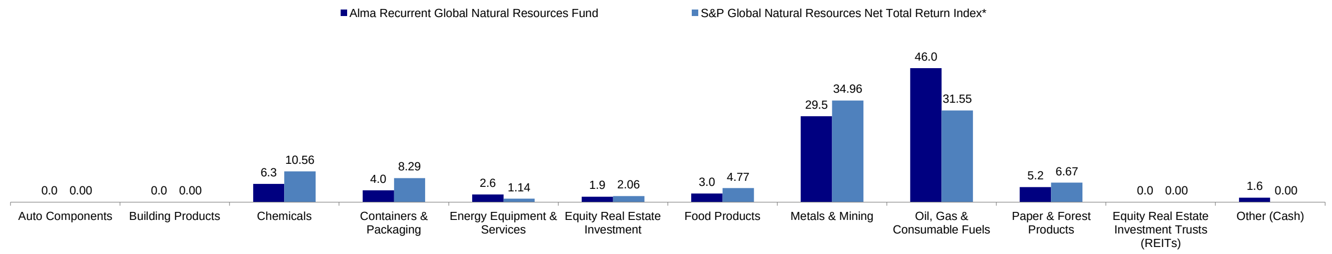
*S&P Global Natural Resources Net Total Return Index

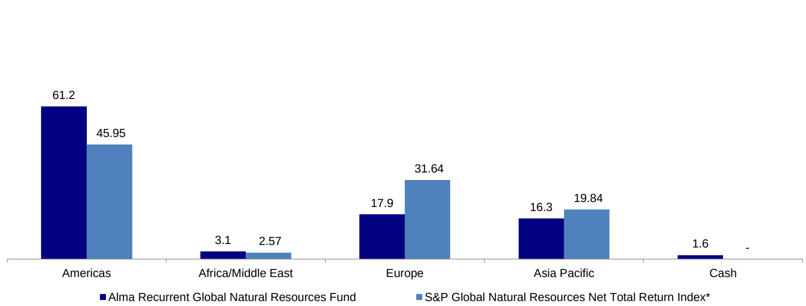
Except number of securities, using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

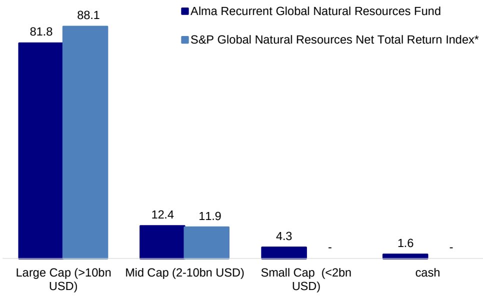
Performance (Base 100)



Industry, region and market cap breakdown (% NAV)







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

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Top 10 positions details

Security name	Industry	Country	% NAV
FORTESCUE METALS GROUP LTD	Metals & Mining	Australia	5.21
BHP GROUP LTD-SPON ADR	Metals & Mining	Australia	5.08
NUTRIEN LTD	Chemicals	Canada	4.11
RIO TINTO PLC-SPON ADR	Metals & Mining	Australia	3.97
GLENCORE PLC	Metals & Mining	Switzerland	3.96
UPM-KYMMENE OYJ	Paper & Forest Products	Finland	3.87
ENERGY TRANSFER LP	Oil, Gas & Consumable Fuels	United States	3.73
KINDER MORGAN INC	Oil, Gas & Consumable Fuels	United States	3.62
TOTAL SA-SPON ADR	Oil, Gas & Consumable Fuels	France	3.62
EXXON MOBIL CORP	Oil, Gas & Consumable Fuels	United States	3.28
		TOTAL:	**40.45**

Investment manager's commentary

Performance Review

Crude oil prices rose more than 18% in January, the strongest single month since April 2016, more than offsetting the 11% fall in December. As outlined in last month's commentary, the combination of short-cycle US Shale production, OPEC and Canadian production cuts should return the global oil market to a healthy supply/demand balance in a matter of months. With the strong January recovery of global oil prices, the market seemed to reverse December's exceptionally bearish perception of oil oversupply.

During January, the Alma Recurrent Global Natural Resources strategy rose by 11.12%, outperforming the S&P Global Natural Resources Index's 9.62% return. Rising oil prices supported the energy sector broadly, including Exploration and Production (E&P) and oil services companies, which are traditionally considered to be among the strongest beneficiaries of rising oil prices. Interestingly, one of the strongest performing energy sub-sectors in January was midstream infrastructure. While midstream is an indirect beneficiary of rising oil prices, the combination of improving company fundamentals and inexpensive valuations accelerated the sector's strong performance.

In Brazil, the tragic dam collapse which killed more than 150 people and left hundreds more missing was owned by portfolio holding Vale. Immediately following the incident, the weighting was reduced, using the lessons of a similar dam collapse incident in 2015 and the 2010 British Petroleum Deepwater Horizon incident as points of reference. The impacts of such a disaster can be long lasting and costly, impairing not only a company's finances, but its ability to successfully execute its core strategy. As such, the portfolio's weighting in Vale is underweight that of the Index.

Several portfolio holdings rose more than 20% during January, with oil services companies ProPetro Holdings (PUMP) and US Silica (SLCA) each rising by more than 30%. Additionally, as a result of the Vale dam collapse, iron ore production in Brazil will be reduced as a safety precaution. Portfolio holding Fortescue Metals (ticker FMG AU) is one of the largest beneficiaries of a tighter global supply/demand balance for iron ore, and rose nearly 35% in January as a result. The strong 6.5% December gain for Barrick Gold became a relative underperformer in January.

Natural Resources Discussion – Global oil supply/demand fundamentals last seen in 2016 - low oil prices early in the year causing falling US production to coincide with seasonal demand peaks in summer – led to a tighter global oil market and rising prices throughout 1H 2016. The similarities to the current environment provide insight into the progression of oil prices through the course of 1H 2019

Last month in the monthly commentary, we compared the recent downturn to the short-lived downturn of 4Q 2015/1Q 2016 from an oil price and energy stock perspective. After reaching lows in January/February 2016, the oil price rose through the first half of the year, and stocks rose 40% over the course of the year. At Recurrent, we look to see if there are historical cycles are likely to recur, and as a result, we want to understand the underlying oil supply/demand fundamentals from that time, in order to confirm that the learnings are applicable to the current situation.

Over time, we have identified the quick to turn on/off capability of US shale oil production as critical to maintaining global oil prices broadly between $40-70/bbl, with cycles of shorter duration. Starting in March 2015 as a point of reference, the oil price fell, and just a few months later, the rig count fell, since drilling economics depend on the oil price.

The idea that the rig count follows the oil price is not particularly surprising or unique. And it similarly follows that if the 2015/2016 fall in rig count caused oil production to fall with a few month lag.

Putting this all together, we can expect that US shale oil production growth will taper off and fall within ~6 months of the price correction.

So with oil price falling so steeply in 4Q 2018, the cycle is showing signs of repeating. On a 3 month lag, the rig count has fallen by roughly 5% in a matter of weeks.

And if the same pattern holds, oil production growth can be expected to stall and likely fall later in 2019, albeit temporarily.

This look at the similarities between 2016 and 2019 has both longer term and immediate implications. As a longer term consequence, when the WTI oil price moved towards (and at times went beyond) the bookends of the $40-$70 range, it triggered a rapid response in US shale oil production. Accordingly, we believe US well economics will anchor global oil prices within this range. In the middle of 2018, oil prices approached the high end of this range, and over six months, US shale oil production grew by approximately 1 million barrels/day. As oil then fell to $40/barrel, we expected production to fall. Therefore, as prices approach these critical prices, we find ourselves looking for the unique attributes of shale production to balance the global oil market, driving prices toward mean reversion.

More imminently, the direct learning from 1H 2016 is that the low prices of early 2016 caused US oil production to fall as global oil demand seasonally rises towards the summer. In 2016, this "supply falling as demand is rising" environment caused oil prices to rise throughout 1H 2016. We expect 1H 2019 to unfold in a similar fashion, and, the portfolio reflects this, with overweights in Exploration and Production (E&P) and energy infrastructure sectors, which typically benefit from increasing oil prices.

Fund facts

Fund total net assets:	$17.64 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

Contacts

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