



# Alma Recurrent Global Natural Resources Fund

A sub-fund of Alma Capital Investment Funds SICAV

**RECURRENT**  
INVESTMENT ADVISORS

As of 31 July 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 energy investing
- Based in Houston, Texas (US)

## Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I EUR C shares	0.35	-1.72	6.51	17.93	-5.39	-	-4.81
I USD C shares	-1.89	-2.37	3.42	14.92	-9.56	-	-9.02
Index*	-2.48	-1.40	0.92	10.63	-7.94	-	-6.99

Fund launched on 29 June 2018

\*S&P Global Natural Resources Net Total Return Index USD

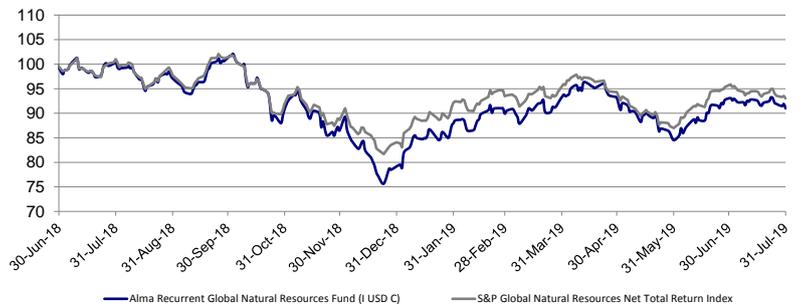
## Portfolio characteristics

Main indicators	Fund	Index*
No. of securities	43	88
Estimated Price/Earnings (X)	12.6	13.6
Estimated Long Term Growth (%)	6.7	4.8
Price/Book (X)	1.4	1.4
Price/Sales (X)	0.6	0.8
Weighted Average Market Cap (\$ bn)	55.6	67.7
Median Market Cap (\$ bn)	18.9	17.6
Active Share (%)	60.7	-

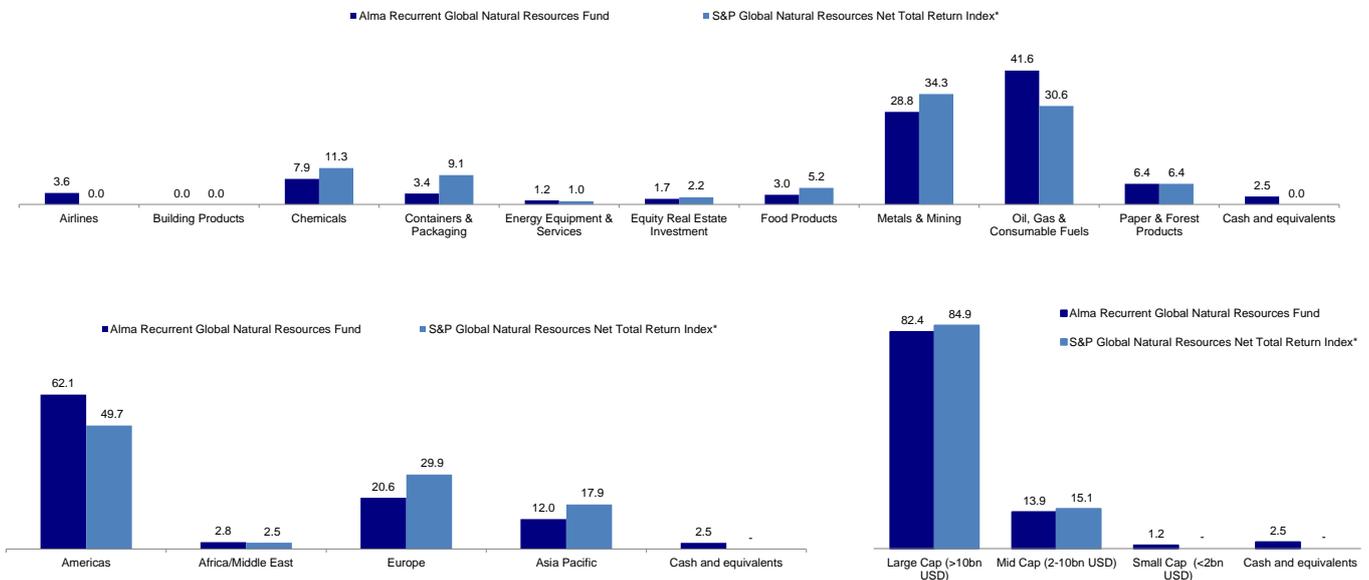
\*S&P Global Natural Resources Net Total Return Index

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

## Performance (Indexed - 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
BHP GROUP LTD-SPON ADR	Metals & Mining	Australia	5.07
TOTAL SA-SPON ADR	Oil, Gas & Consumable Fuels	France	4.56
NUTRIEN LTD	Chemicals	Canada	4.07
FREEMPORT-MCMORAN INC	Metals & Mining	United States	3.85
RIO TINTO PLC-SPON ADR	Metals & Mining	Australia	3.74
BARRICK GOLD CORP	Metals & Mining	Canada	3.68
ENERGY TRANSFER LP	Oil, Gas & Consumable Fuels	United States	3.39
UPM-KYMMENE OYJ	Paper & Forest Products	Finland	3.38
PLAINS GP HOLDINGS LP-CL A	Oil, Gas & Consumable Fuels	United States	3.16
EXXON MOBIL CORP	Oil, Gas & Consumable Fuels	United States	3.10
<b>TOTAL:</b>			<b>38.00</b>

### Investment manager's commentary

#### Performance discussion

During the month of July, the Alma Recurrent Global Natural Resources Strategy fell by 1.89%, outperforming the S&P North American Natural Resources Index's 2.48% fall. In what was a fairly volatile month, several holdings performed strongly, many of which exhibit little or inverse correlation with energy commodity prices. Strong stock selection in the energy infrastructure sector added significant value relative to the benchmark, as measured on both a relative and absolute basis. Refiners such as Phillips 66 (PSX) rose by nearly 10% during the month, while Barrick Gold (GOLD) rose by 3% amid the uncertainty. US-based airlines, with jet fuel as their single largest cost, moved higher as oil prices ranged from \$55-60 barrel.

#### Global Natural Resources Discussion

In our conversations over the last few weeks, we have received incoming inquiries, ranging from very bullish to bearish. One question we have been repeatedly asked is "What is happening to the oil services sector?" or "Why is it that when the oil price increases, oil services stocks have not performed as strongly?"

One of Recurrent's core fundamental beliefs is that the energy business is cyclical. To that end, in order to successfully invest in the oil services sector, an understanding of the interaction between energy market cyclicality and business fundamentals is critical. While many people believe that the correlation between oil prices and oil services companies is generally constant, in fact the correlations have changed greatly over time. Schlumberger (SLB), given its longevity, serves as an excellent proxy to show that the relationship between oil prices and company EBITDA has not been as consistent as many investors may believe.

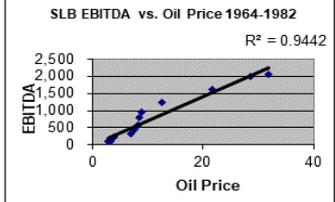
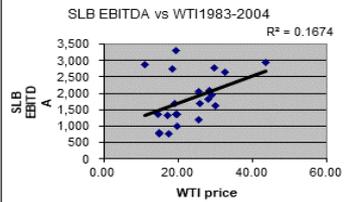
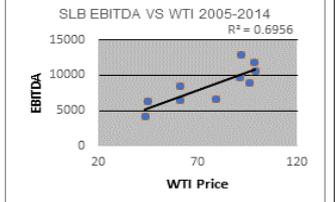
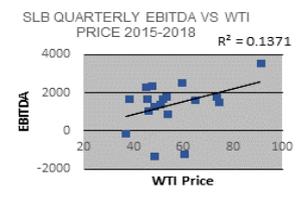
So what does all of this mean?

First and foremost, the analysis highlights the vastly different relationship between oil prices and EBITDA in periods when oil services are tight versus overly supplied. In periods of tightness for oil services, the correlation to WTI is very high, but when in oversupply, the correlation to oil prices falls to be nearly zero.

In tying this analysis to our broader cyclical framework, the short cycles caused by US shale on the global oil dispatch curve helps to explain the different correlations over time.

In the oil services sector, earning premium pricing across the entire company occurs when capacity utilization is high. Changes in oil prices, combined with sustained periods of premium pricing, impacts company-wide profitability. Conversely, when capacity utilization is lower, changes in oil prices offer only incremental opportunities to earn higher profits, and are not as impactful to broader corporate profitability, leading to lower correlations.

From an investment perspective, many investors have asked us why the oil services sector has performed poorly despite oil prices remaining fairly strong since 2017. This review of historical cycles highlighted the industry's current oversupply and reduced correlation between company EBITDA and oil prices. As a result, until the market's oversupply is reduced, we view the relationship relative to oil prices to be not be strong enough to be a key predictive indicator of future stock performance.

1964-1982	1983-2004	2005-2014	2015-2018
As we have noted for some time, prior to OPEC oversupplying the oil market in the early 1980s, the oil services market was relatively well managed, and oil prices and HAL/SLB EBITDA were closely correlated, as seen below:	However, as the oil market became oversupplied, the oil services market also became oversupplied, and the correlation between oil prices and HAL/SLB profits weakened:	When US shale emerged in 2005, the oil services market benefited from increased demand for their services, and the strong correlation between oil prices and company EBITDA returned:	As shale production efficiencies combined with lower WTI prices after 2014, the supply/demand balance for oil services loosened, as seen by the weakened relationship between WTI and HAL/SLB EBITDA:
			

### Fund facts

<b>Fund total net assets:</b>	\$22.47 M	<b>Dealing:</b>	Each day with a 1-day notice	<b>Cut-off time :</b> 12 pm CET
<b>Fund domicile:</b>	Luxembourg	<b>Identifiers:</b>	Institutional USD Capitalisation share class	
<b>Countries where the fund is registered:</b>	Luxembourg, France	Isin: LU1823602369	Ticker: ARGNIUC LX	Launch: 29 June 2018
<b>Fund type:</b>	UCITS SICAV	Institutional EUR Capitalisation share class	Isin: LU1845388146	
<b>Base currency:</b>	USD	Isin: LU1845388146	Ticker: ARGNIEC LX	Launch: 29 June 2018
<b>Management fee:</b>	0.95% p.a.	<b>Contacts</b>		
<b>Depository, Administrator, Transfer Agent:</b>	BNP Paribas Securities Services (LU)	Nick Stoop (UK)	+44 77 8980 0397	
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<b>Investment manager:</b>	Recurrent Investment Advisors (US)	Hervé Rietzler (FR / CH / LU / IT)	+352 28 84 54 19	
<b>Fund managers:</b>	Mark Laskin	Dirk Tödtte (DE / AT)	+352 28 84 54 16	
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