



# Alma Recurrent Global Natural Resources Fund

A sub-fund of Alma Capital Investment Funds SICAV

**RECURRENT**  
INVESTMENT ADVISORS

As of 30 September 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 | 3.70 | -1.74 | -2.39 | 15.47 | -7.90  | -  | -6.79  |
| I USD C shares | 2.65 | -5.94 | -5.24 | 10.17 | -13.30 | -  | -12.78 |
| Index*         | 2.90 | -6.18 | -5.16 | 6.43  | -11.55 | -  | -10.52 |

Fund launched on 29 June 2018

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

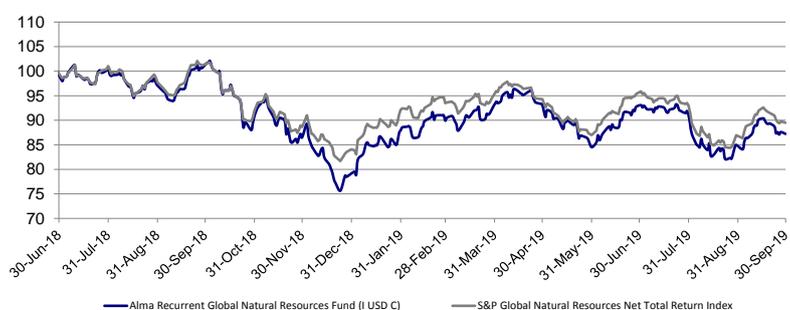
## Portfolio characteristics

| Main indicators                     | Fund | Index* |
|-------------------------------------|------|--------|
| No. of securities                   | 44   | 90     |
| Estimated Price/Earnings (X)        | 12.7 | 13.4   |
| Estimated Long Term Growth (%)      | 6.0  | 4.7    |
| Price/Book (X)                      | 1.4  | 1.3    |
| Price/Sales (X)                     | 0.6  | 0.8    |
| Weighted Average Market Cap (\$ bn) | 52.8 | 61.4   |
| Median Market Cap (\$ bn)           | 17.0 | 17.0   |
| Active Share (%)                    | 65.4 | -      |

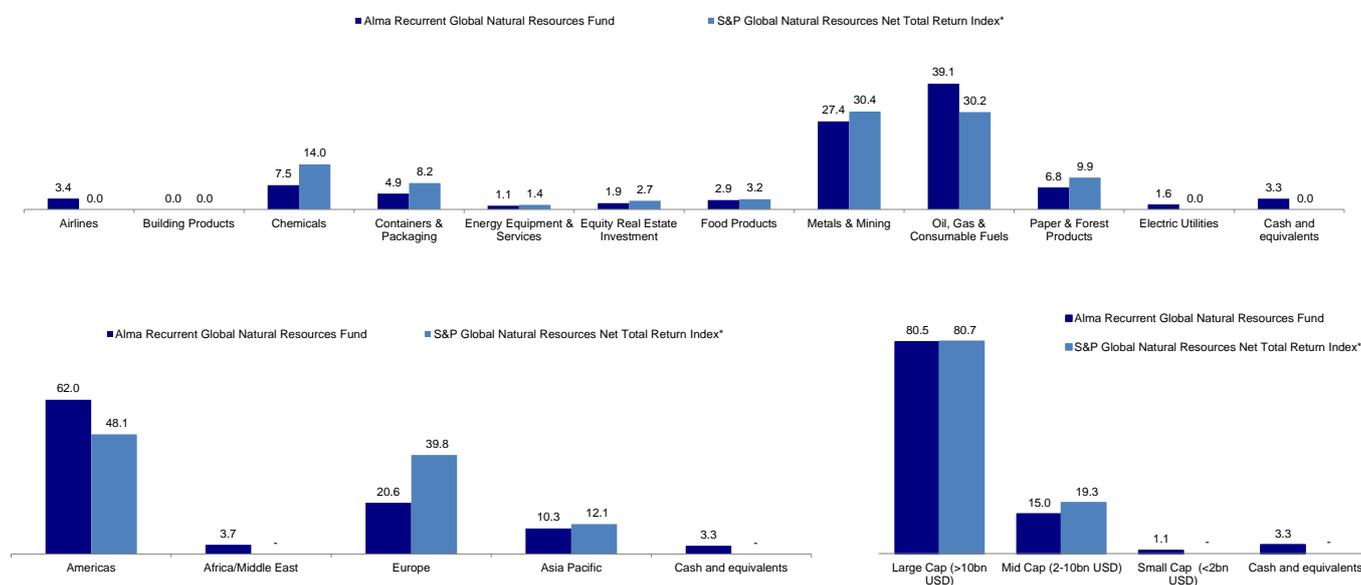
\*S&P Global Natural Resources Net Total Return Index

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        |
|------------------------|-----------------------------|---------------|--------------|
| TOTAL SA-SPON ADR      | Oil, Gas & Consumable Fuels | France        | 4.72         |
| BHP GROUP LTD-SPON ADR | Metals & Mining             | Australia     | 4.69         |
| BARRICK GOLD CORP      | Metals & Mining             | Canada        | 4.02         |
| KINDER MORGAN INC      | Oil, Gas & Consumable Fuels | United States | 3.98         |
| NUTRIEN LTD            | Chemicals                   | Canada        | 3.78         |
| UPM-KYMMENE OYJ        | Paper & Forest Products     | Finland       | 3.77         |
| ANGLO AMERICAN PLC     | Metals & Mining             | South Africa  | 3.73         |
| RIO TINTO PLC-SPON ADR | Metals & Mining             | Australia     | 3.51         |
| FREEMPORT-MCMORAN INC  | Metals & Mining             | United States | 3.43         |
| ENERGY TRANSFER LP     | Oil, Gas & Consumable Fuels | United States | 3.17         |
| <b>TOTAL:</b>          |                             |               | <b>38.81</b> |

### Investment manager's commentary

#### Performance Review

During September, the Alma Recurrent Global Natural Resources strategy rose by 2.65%, underperforming the S&P Global Natural Resources Index's 2.90% return. Energy related equities performed strongly in the aftermath of the attack on Saudi oil facilities, while broader economic indicators weakened. Within the portfolio, Marathon Petroleum benefited from activist shareholders publicly outlining steps to improve performance, pushing shares 20% higher in September. Barrick Gold fell 8% during the month as gold prices fell, and following months of strong performance.

#### Natural Resources Discussion

On September 14th, an attack on Saudi oil facilities reduced oil production by 5.7 million barrels/day, approximating >5% of global daily production. Many market analysts suggested that oil prices would rise dramatically, but by the end of September, prices had fallen below pre-attack levels.

To frame why the oil price did not remain at a premium, we look to a similar event from the past, while thinking about the unique attributes of today's global oil market, as discussed in our 2016 "dispatch curve" white paper.

#### A look at the disruptions of 1990-1991

To frame the 1990 global oil market, oil production totaled approximately 65 million barrels/day, and, in 1989, before regional conflicts began, Iraq and Kuwait combined to produce 4.2 million barrels/day (>6% of global production). However, in 1990 Iraq invaded Kuwait. In January 1991, the US led 35 countries to invade Iraq in Operation Desert Storm. By the end of 1991, oil production from Iraq and Kuwait had fallen to less than 500,000 barrels/day, and remained below 3 million barrels/day for more than 5 years.

Unsurprisingly, Brent oil prices doubled from \$20 to \$40/barrel. Once concerns subsided, the oil price fell, and when the coalition forces entered Iraq on January 17 1991, the oil price returned to \$20/barrel, fully returning to levels seen when Iraq originally invaded Kuwait. As uncertainty waned, oil prices quickly returned to pre-unrest levels, even though Iraq and Kuwait oil production was significantly disrupted for many years.

#### Comparing 1990-91 with September 2019

In many ways, the September 2019 experience has noteworthy similarities to 1990/1991. As a result of the September 14th attack, global supply was reduced by an estimated 5.7 million barrels/day, out of a global market of ~100 million barrels/day. Some early estimates were that production would be offline for an extended period of time. However, Saudi officials announced that customer shipments would not be disrupted, and by early October announced that production capacity had returned to pre-attack levels.

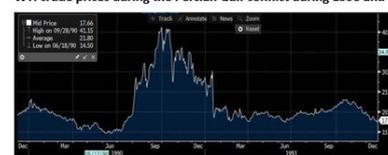
The Brent oil price, in reaction to the attack and subsequent reduction of production capacity, rose by several dollars, but quickly returned to pre-attack levels. Why did the market exhibit such complacency in the face of a historic disruption to the global oil market?

Importantly, the immediate change in the futures curve – as shown below - outlines the evolution of the global oil market today. In the trading day after the attack, the near-term prices increased more than \$8/barrel, but the increase for December 2020 barrels was just \$2/barrel. The explanation for the more limited increase is a combination of two factors, in our opinion.

1. Shale production, if given appropriate pricing signals, would increase investment and production increases would soon follow. As a result, an incrementally higher oil price would incentivize enough long-term production to make up for the potential of longer-term outages caused by the attack, and
2. Expectations that the production outages would not last until the end of 2020

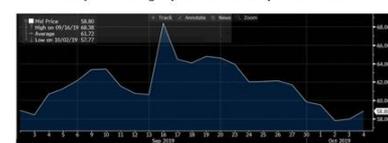
The market's seemingly complacent reaction, given this particular event, actually seems appropriate given US shale's ability to meaningfully increase production within 6-9 months. One element does warrant further consideration, however. The relative ease with which this attack occurred warrants increased attention, because while the financial market believes oil production to be resilient and quick to respond to a "single" attack, the potential for repeated attacks would likely cause greater concerns and have longer-lasting implications.

WTI crude prices during the Persian Gulf conflict during 1990 and 1991



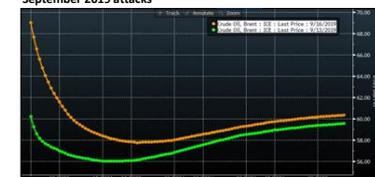
Source: Bloomberg

Brent crude prices during September and early October 2019



Source: Bloomberg

Brent crude futures curves – immediately before and after September 2019 attacks



Source: Bloomberg

### Fund facts

|   |   |  |                              |                                 |
|---|---|--|------------------------------|---------------------------------|
| <b>Fund total net assets:</b>                     | \$21.85 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>  |                              |                                 |
| <b>Countries where the fund is registered:</b>    | Luxembourg, France                      | Institutional USD Capitalisation share class                                       |                              |                                 |
| <b>Fund type:</b>                                 | UCITS SICAV                             | Isin: LU1823602369   | Ticker: ARGNIUC LX           | Launch: 29 June 2018            |
| <b>Base currency:</b>                             | USD                                     | Institutional EUR Capitalisation share class                                       |                              |                                 |
| <b>Management fee:</b>                            | 0.95% p.a.                              | Isin: LU1845388146   | Ticker: ARGNIEC LX           | Launch: 29 June 2018            |
| <b>Depository, Administrator, Transfer Agent:</b> | BNP Paribas Securities Services (LU)    | <b>Contacts</b>  |                              |                                 |
| <b>Management company:</b>                        | Alma Capital Investment Management (LU) | Nick Stoop (UK)  | +44 77 8980 0397             |                                 |
| <b>Investment manager:</b>                        | Recurrent Investment Advisors (US)      | Baptiste Fabre (FR / IR)   | +33 1 56 88 36 55            |                                 |
| <b>Fund managers:</b>                             | Mark Laskin<br>Bradley Olsen            | Hervé Rietzler (FR / CH / LU / IT)   | +352 28 84 54 19             |                                 |
|   |   | <a href="mailto:info.investors@almacapital.com">info.investors@almacapital.com</a> |                              |                                 |

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