

As of 28 September 2018

### Fund description

- Focused on small and medium sized companies in higher growth, developing Asian markets (China, India, ASEAN and frontier)
- Investment philosophy: identify attractively valued, high quality companies with stable and sustainable earnings through bottom-up, in-depth fundamental research
- High convictions: concentrated portfolio of approx. 20 holdings
- Benchmark: MSCI EM Asia SMID TR (MSSUEMAN Index)

### Investment manager: Victoire Asia Investments Ltd

- Victoire Asia Investments Ltd: an SFC regulated, Hong-Kong-based fund management firm specialized in equity strategies in emerging Asia.
- Aquico Wen, Victoire Asia's founder and head of investments, was the chief investment officer of a Legg Mason's affiliate, emerging market specialist with over USD 3 billion in AUM
- Inception of the Victoire Asia SMID Equity strategy: November 2013

### Cumulative performance (%)

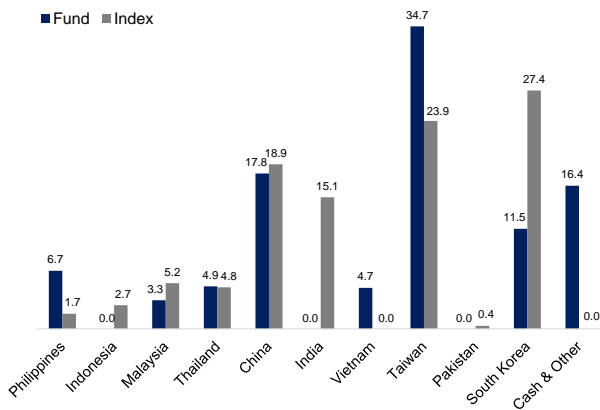
	I USD C shares	MSCI EM Asia SMID TR
<b>1M</b>	-3.98%	-3.65%
<b>3M</b>	-0.73%	-3.96%
<b>6M</b>	-9.77%	-9.16%
<b>YTD</b>	-11.43%	-8.65%
<b>1Y</b>	-2.55%	0.16%
<b>Since inception *</b>	14.49%	15.27%

\*Inception of the UCITS: 9 September 2016

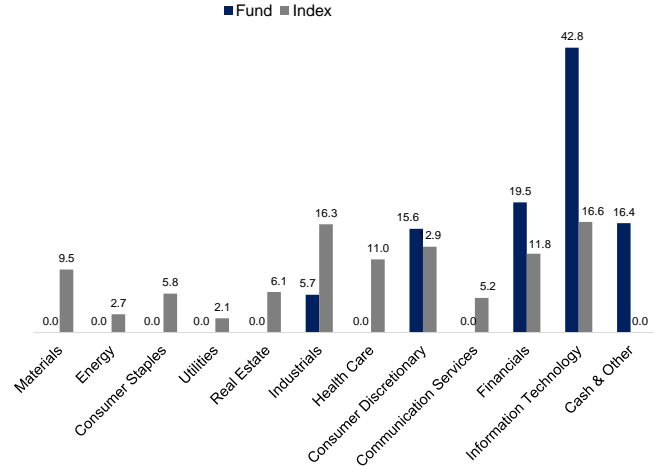
### Portfolio characteristics

Main indicators	Fund	Index
No. of equities	18	1678
Weighted Average Market Cap (\$ bn)	8.9	2.4
Median Market Cap (\$ bn)	3.1	0.8
Dividend Yield (%)	3.1	3.1
Price / Earnings	9.8	12.2
Price / Cashflow	9.0	8.1
Price / Book	1.7	1.4
Volatility since inception (%)	11.8	14.7
Active share (%)	99.0	-
Beta since inception	0.6	-
Tracking error since inception (%)	9.9	-
Sharpe ratio since inception	1.0	0.8
Information ratio since inception	-0.1	-

### Country breakdown (% NAV)



### Sector breakdown (% NAV)



### Top 10 positions details

Security name	Sector	Country	% NAV
CATCHER TECHNOLOGY CO LTD	Information Technology	Taiwan	7.78
METROPOLITAN BANK & TRUST	Financials	Philippines	6.66
SAMSUNG SDI CO LTD	Information Technology	South Korea	6.53
FLEXIUM INTERCONNECT INC	Information Technology	Taiwan	6.47
HAITIAN INTERNATIONAL HLDGS	Industrials	China	5.68
SK HYNIX INC	Information Technology	South Korea	4.95
TISCO FINANCIAL GROUP-NVDR	Financials	Thailand	4.88
MILITARY COMMERCIAL JOINT	Financials	Vietnam	4.71
MIDEA GROUP CO LTD-A	Consumer Discretionary	China	4.57
NEXTEER AUTOMOTIVE GROUP LTD	Consumer Discretionary	China	4.32

**56.55**

## Investment manager's commentary

### Market Review and Outlook

September proved to be a challenging month for EM equities with investors' concerns still centered on trade tensions and rising interest rates. Asian equities, as measured by the Fund's benchmark MSCI EM Asia SMID, declined 3.7%. Despite the negative headlines on both fronts, being President Trump announcing the 2nd round of tariffs on \$200bn of Chinese imports and the U.S. Federal Reserve Bank hiking policy interest rates by 25bps to an upper band of 2.25%, these developments came broadly in-line with investors' expectations. The silver lining from the incessant headlines on these two topics is that investors are now conditioned to accepting additional US policy rate hikes (one more in FY18 and another 3-4 in FY19), and further escalation of US-China trade conflict. EM/Asian equities have largely priced in such scenario and valuations are now quite supportive, with EM Asia trading at an attractive 11.5x forward P/E, representing a large discount to high-teens valuation of S&P 500 and mid-teens for MSCI Europe. We continue to hold the view that even in the scenario of an escalating US-China trade conflict, the economic developments of China and the rest of Asia should continue and that the region should remain to lead global growth. Against a background of adverse investor sentiment, we continued to see an increasing number of attractive investment opportunities meeting our selective criteria and presenting us with opportunities to deploy excess cash.

In terms of specific markets, India and Philippines were by far the worst performing markets in September, declining -16.2% and -8.3%. Both markets were dragged down by recent negative current account and inflation readings. In the case of the Philippines, inflationary pressures are expected to be temporary since food inflation was mainly caused by the severe damages of typhoon Mangkhut. Also, its current account deficit is mitigated by the robust performance of overseas remittances from its diaspora community. Indian small caps were particularly pressured in September as local investors turned defensive after the several high-profile interventions of financial institutions by the Reserve Bank of India. On the positive side, Korea and Thailand were the outliers with both markets returning +2.9% and +5.8% respectively in September. Korean equities were aided by the signing of a renegotiated trade agreement with the US, which removed much of the uncertainty and fear in a scenario of prolonged negotiations and future tariff threats. Investors optimism was further boosted by progress on North-South denuclearization peace accord with their 3rd summit held in late September. Thai equities remained well bid by local investors on sound external accounts, robust economic growth indicators and greater visibility on general elections which will be held in early 2019.

### Fund

The Fund slightly underperformed its benchmark, declining 4% in September, representing a break from the recovery trend in alpha witnessed over the last couple of months. While disappointed that the Fund was not able to hold up better against the decline in the broader market, we remain confident on the superior alpha potential of all its current positions. Several of the key detractors in September came from larger positions that have recently performed well and thus became susceptible to profit taking. Accton, which declined 22% in September, was the Fund's largest detractor. The stock had recovered well from the recent lows reached in April and had been one of the strongest alpha contributors in the past few months. With its valuation signals becoming less supportive, we halved our position at near peak levels and thus mitigated the negative impact of its share price reversal. The stock was recently hit by confirmation that a portion of its sales to the U.S. would be impacted by the recent round of tariffs. However, the company so far has been able to exercise its pricing power and pass on the incremental tariff costs to its customers. Over the next few months, the Company will mitigate this negative tariff impact by shifting a greater portion of its production from China to Taiwan. Similarly, Zhen Ding, Flexium and SK Hynix declined about 11-12% in September, mostly from profit taking. Zhen Ding was negatively impacted by locals taking profit upon the successful listing of its A-share subsidiary Avary, which ironically was listed at a far higher valuation than most investors initially expected. Flexium, along with other Apple suppliers, was pressured by on-going concerns over subdued demand from Apple's new iPhone models, which we find unjustified. SK Hynix reversed some of its recent positive performance as NAND memory spot prices continued to decline. We maintain the view that Hynix's operations will be more resilient in the current downcycle given its exposure to higher end memory applications in server DRAM and mobile NAND. Amongst our non-IT holdings, the other large negative detractor was Metrobank in Philippines which declined 12%, in line with its banking peers in that market. On the positive side, Samsung SDI, the largest position in the Fund, added 10% in the month and was a significant contributor to returns. Investors have started to appreciate our thesis over the company's potential earnings upswing from its large battery division as a long-term structural play on electric vehicles. Haitian also performed well, rising 11% in the month and recovering from oversold level. We maintain the view that given its limited exposure to US exports and its broadly diversified client base and end usage industry applications, its sales outlook should not be significantly affected by the on-going US-China trade conflict. Finally, Tisco and Lung Yen, both returned positive mid-single digits and helped mitigate the negative performance of the broader portfolio.

In terms of turnover, we established 2 new positions, Globalwafers and Hangzhou Robam Appliances, both are fundamentally sound businesses trading at attractive valuations with deep discount relative to their historical ranges. For Globalwafers, we see a business whose revenues and earnings visibility extend well into 2020, operates in a more consolidated industry with greater supply discipline vs the past and now trading at an attractive P/E of 8-9x. For Hangzhou Robam, we were attracted by its higher end and strong brand positioning in ovens, hobs and rangehood extractors along with strong financials and supportive valuation. Please refer to our 3Q18 newsletter in which we will explain in greater detail our thesis on opportunities we currently see in the Chinese home appliances industry. Other than these 2 new positions, we took advantage on the strong performance in our two largest positions, Samsung SDI and Accton, and reduced their respective exposures to lock profits. Conversely, we added to Catcher and Flexium on weakness to better reflect their stronger valuation support and our high level of conviction. Finally, we concluded the liquidation of Bekasi Farjar, whose liquidity had dropped considerably alongside the rest of the Indonesian market.

## Fund facts

<b>Fund domicile:</b> Luxembourg	<b>Fund total net assets:</b> \$16.12 M	<b>Identifiers:</b> Institutional USD Capitalisation share class Isin: LU1432386016 Ticker: AVASMIU LX Launch: 9 September 2016
<b>Fund launch:</b> 9 September 2016	<b>Fund type:</b> UCITS SICAV	
<b>Management fee:</b> 1.00% p.a.	<b>Base currency:</b> USD	
<b>Performance fee:</b>	15% above the MSCI EM Asia SMID TR Index	
<b>Depository, Administrator, Transfer Agent:</b>	BNP Paribas Securities Services (LU)	
<b>Dealing:</b>	Each day with a 1-day notice. Cut-off time: 12 pm CET	
<b>Management company:</b>	Alma Capital Investment Management (LU)	
<b>Investment manager:</b>	Victoire Asia Investments Ltd (HK)	<b>Contacts</b> Nick Stoop (UK) +44 77 8980 0397 Stephen Fordham (UK) +44 20 3709 3609 Andreas Lehmann (UK) +44 20 7389 1338 Hervé Rietzler (FR / CH / LU / IT) +352 28 84 54 19 Dirk Tödtte (DE / AT) +352 28 84 54 16 Louis de Vulpières (FR) +33 1 56 88 36 58 Baptiste Fabre (FR) +33 1 56 88 36 55 <a href="mailto:sales@almacapital.com">sales@almacapital.com</a>

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