FOR PROFESSIONAL INVESTORS ONLY

Alma Victoire Asia SMID Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 31 October 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 (%)

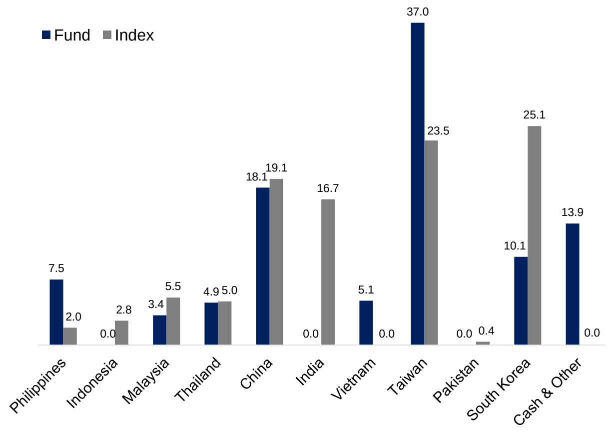
	I USD C shares	MSCI EM Asia SMID TR
1M	-9.49%	-12.56%
3M	-12.55%	-15.67%
6M	-12.33%	-20.99%
YTD	-19.83%	-20.12%
1Y	-15.18%	-16.01%
Since inception *	3.63%	0.79%

*Inception of the UCITS: 9 September 2016

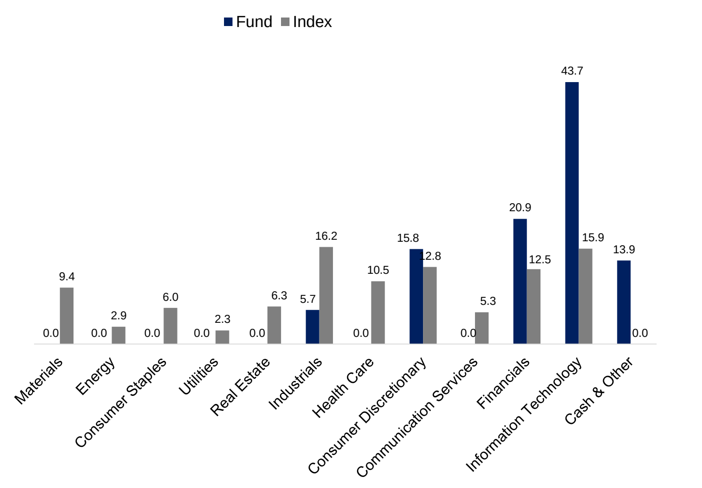
Portfolio characteristics

Main indicators	Fund	Index
No. of equities	18	1677
Weighted Average Market Cap ($ bn)	7.6	2.2
Median Market Cap ($ bn)	2.8	0.7
Dividend Yield (%)	3.4	3.4
Price / Earnings	9.0	11.0
Price / Cashflow	8.9	7.1
Price / Book	1.6	1.2
Volatility since inception (%)	12.5	15.5
Active share (%)	99.1	-
Beta since inception	0.6	-
Tracking error since inception (%)	9.8	-
Sharpe ratio since inception	-0.1	-0.1
Information ratio since inception	0.3	-

Country breakdown (% NAV)



Sector breakdown (% NAV)



Top 10 positions details

Security name	Sector	Country	% NAV
CATCHER TECHNOLOGY CO LTD	Information Technology	Taiwan	8.12
METROPOLITAN BANK & TRUST	Financials	Philippines	7.51
FLEXIUM INTERCONNECT INC	Information Technology	Taiwan	6.54
HAITIAN INTERNATIONAL HLDGS	Industrials	China	5.68
SAMSUNG SDI CO LTD	Information Technology	South Korea	5.51
MILITARY COMMERCIAL JOINT	Financials	Vietnam	5.09
TISCO FINANCIAL GROUP-NVDR	Financials	Thailand	4.86
TAIWAN UNION TECHNOLOGY CORP	Information Technology	Taiwan	4.86
MIDEA GROUP CO LTD-A	Consumer Discretionary	China	4.72
SK HYNIX INC	Information Technology	South Korea	4.62
			57.51

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Investment manager's commentary

Market Review and Outlook

Asian equities, along with most risk assets globally, experienced one of the most challenging months in recent history, declined 12.6% in October (as measured by the Fund's benchmark MSCI EM Asia SMID). There have been no new developments to justify such severe decline in Asian markets, but rather simply the same on-going concerns over rising global rates and an impending economic crisis in China triggered by the escalating trade conflict with the U.S. Soft economic data points from China only accentuated investors' fears and provided further ammunitions for China bears to build a narrative of an economy unravelling under excessive leverage. Towards the end of the month, further threats by Trump to impose tariffs on the remaining balance of $275bln of Chinese imports led to the capitulation of many investors and brought Asian equity valuations to new lows. We continue to hold the view that even in a scenario of full on US-China trade conflict with 100% of Chinese exports subject to U.S. tariffs, the economic fallout for China and the rest of Asia would be manageable and that the region should continue to lead global growth. To put this trade conflict into perspective, about 20% of China's GDP is represented by exports, out of which only ~20% is destined to US. Even in the worst-case scenario, these would not disappear overnight but require a multi-year period for corporates and consumers to adjust. Also, one must consider the policy actions undertaken by the Chinese government to mitigate these trade headwinds. In fact, in recent weeks we witnessed several targeted stimuli announced (i.e. lower sales taxes in selective sectors, special tax deductions for households, loosening of credit restrictions on infrastructure projects, lowering of banking reserve requirements, special credit programs for SMEs etc.). Under the base case scenario of an economic slowdown in the Chinese economy, we believe there should still be pockets of growth opportunities to be explored and acquired under attractive valuation levels.

In terms of specific markets, the larger markets led declines in the region with Korea, Taiwan and China posting losses of -19.7%, -14.1% and -11.7% respectively. Given the heavy outflows witnessed during the month and the majority of which manifested through ETFs/passive funds, it is not surprising that these three larger markets suffered the most. In Korea, additional pressure came from weaker than expected GDP growth and soft IP readings as well as a generally poor earnings report season. Being an IT heavy market, Taiwanese equities suffered heavy losses from negative headlines on the potential supply chain disruption caused by the on-going trade conflict, and security concerns of Chinese spies infiltrating the supply chain of computer and telecommunication networks produced in China. For Chinese equities, most of the losses could be attributed to the continued concerns over the escalating trade conflict with the U.S. as well as the soft economic activity readings. While 3Q GDP for China still grew at a robust rate of 6.5% yoy, investors interpreted this negatively as it pointed to a slowing economic growth. Only two markets proved resilient in October with Philippines being the only market to post a slight positive return of 0.6% and India declining only -3.2%. With both significantly underperformed prior to October, it was natural for them to benefit from a perceived bottoming in their respective valuations. Philippines equities were boosted by the country's strong performance in overseas remittances, serving as a reminder to investors that the country should not face much pressure financing its current account and trade deficits. With a series of accelerated rate hikes early this year, Philippines' Central Bank seems to have finally gotten ahead of the market on this tightening cycle and signaling it is close to pausing. Furthermore, investors are starting to take comfort that much of the uptick in inflation over the recent months is likely to be temporary, as these were caused by disruption in food production from an unusually severe typhoon season. Despite its resilience in October, India remained as the worst performing market in our universe on a YTD basis with a decline of 31%. Despite a severe liquidity crunch in its money market and commercial paper market caused by the default of IL&FS, a prominent NBFC (non-bank finance company) and the significant decline in market value of these financial companies, the rest of the market remained stable as IP and PMI readings continued to point to a strong performing economy.

Fund

The Fund lost 9.5% in October, posting one of its worst monthly return on record. While a disappointing performance in absolute terms, the Fund performed well against the heavier losses posted by the broader SMID Asian markets (-12.6%) and its peer universes. More importantly, much of the Fund's decline incurred in October and YTD, can be attributed to significant de-rating in valuation in many of our core holdings, but not due to earnings miss or negative developments that challenge our long-term thesis on these companies. The Fund has been consistently exposed to a collection of higher quality companies with lower valuations. While this lower valuation anchor has not prevented several positions from further de-rating under the current environment of indiscriminate selling, we hold strong conviction that as market settles, our holdings should recover and allow us to continuously generating superior returns against the market.

The Fund was able to mitigate the losses incurred by some of the worst performing positions by properly calibrating their exposures. For example, the Fund's three worst performing positions in October were Silicon Motion (-30%), Global Wafers (-28%) and Win Semiconductor (-29%), all of which the Fund held with smaller exposures of ~3% vs. typical core position of 5% or higher. In the case of Silicon Motion, we were reducing and aiming to exit the stock given its strong performance and premium valuation prior to October. After the correction, we took the opportunity to add and partially re-build the position. Global Wafers is a relatively new name in the Fund which we had just established in September and we took the opportunity to further add to the name. For Win Semi, a previously held stock and the best return contributor to the Fund since its inception, we went back into the stock and were in the process of building up the position. However, as it reported a very disappointing set of results suggesting its operations would be challenged for the next few quarters and significant negative revisions by analysts would be forthcoming, we took the decision to exit the name and revisit the name in mid-2019. Other major detractors were mostly due to their higher weights in the Fund as they broadly performed in line with the market: Flexium (-11.5%), Haitian (-12.3%), Samsung SDI (-11.3%).

In terms of turnover, we only added one new position in October: Taiwan Union Technology (TUC). TUC, a company previously held in the Fund, had been excessively sold down in early October and presented us with an opportunity to get into a name that is well positioned to benefit from the adoption of premium specification PCB materials for high-end applications such as high-speed data switches, hyperscale servers and 5G telecom infrastructure. Other than this new position, trading was limited to us taking advantage of the volatility in markets to add to names we felt had been excessively sold down (Global Wafers, Silicon Motion) and reducing exposure on positions that performed well and hence had come over-calibrated in size (Accton and Samsung SDI).

Against the current background of adverse investor sentiment and depressed market valuation, we are seeing increasing number of opportunities to invest in companies with strong franchises, leading end technology/IP and promising long-term prospects. We have deployed a significant portion of our excess cash over the recent months and will continue to do so selectively.

Fund facts

Fund domicile:	Luxembourg	**Fund total net assets:**	$14.13 M
Fund launch:	9 September 2016	**Fund type:**	UCITS SICAV
Management fee:	1.00% p.a.	**Base currency:**	USD
Performance fee:			15% above the MSCI EM Asia SMID TR Index
Depositary, Administrator, Transfer Agent:			BNP Paribas Securities Services (LU)
Dealing:			Each day with a 1-day notice. Cut-off time: 12 pm CET
Management company:			Alma Capital Investment Management (LU)
Investment manager:			Victoire Asia Investments Ltd (HK)

Identifiers: Institutional USD Capitalisation share class
Isin: LU1432386016
Ticker: AVASMIU LX
Launch: 9 September 2016

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