



Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



As of 28 December 2018

Fund description

- Investment objective: seek long-term capital growth by investing generally in Japanese large cap stocks (with market capitalisation in excess of US\$ 1bn)
- Investment process: analyse long term company fundamentals through extensive in-house bottom up research with a strong risk management ethos
- Portfolio of around 25-30 companies which are well managed, profitable and with good prospects. Portfolio managers believe that Cash Flow Return on Investment and value creation are key
- Benchmark: Topix

Investment manager: ERIM LLP (Eikoh Research Investment Management)

- ERIM LLP: firm founded by the Japanese equity fund management team at Deutsche Asset Management in London, as part of a supported spin-out from Deutsche Bank. Regulated by the FCA and the SEC
- Eikoh focuses on research and investment in Japanese listed companies
- The portfolio managers have worked together for over 15 years
- Eikoh has Institutional and professional clients. The firm manages circa US\$ 900m in long-short and long-only strategies (subscribed assets)

Cumulative performance (%)

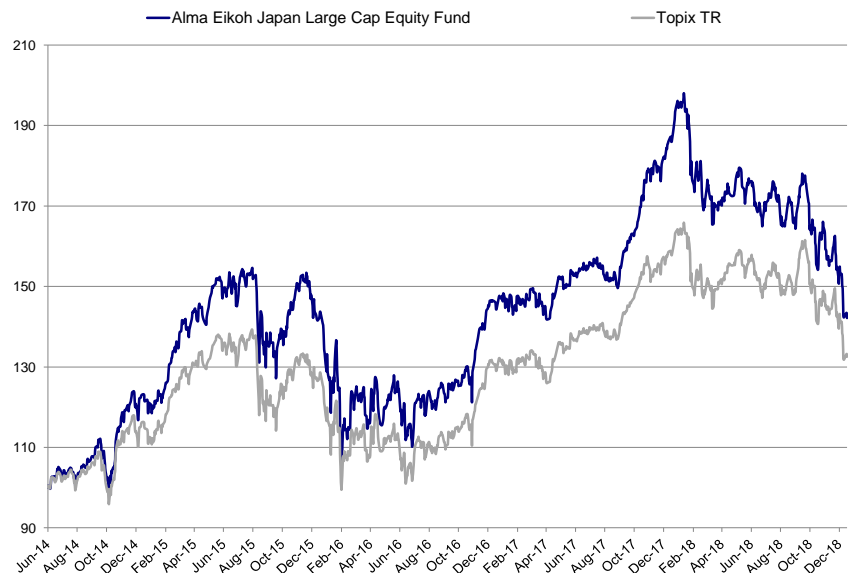
	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I GBP Hedged C shares	-11.52	-20.06	-17.79	-24.83	-24.83	-3.33	40.08
I GBP Unhedged C shares	-7.87	-15.47	-14.82	-18.43	-18.43	24.05	-
I EUR Hedged C shares	-11.54	-20.53	-18.48	-25.79	-25.79	-5.25	-
I CHF Hedged C Shares	-11.56	-20.68	-18.62	-	-	-	-
I JPY C shares	-11.36	-20.30	-18.02	-25.09	-25.09	-3.01	-
I USD Hedged C shares	-11.15	-19.50	-16.74	-23.57	-23.57	-1.11	42.14
Topix (TR)	-10.21	-17.60	-12.78	-15.97	-15.97	3.03	32.53

Fund launched on 12 June 2014 (I USD Hedged C and I GBP Hedged C shares)

Portfolio characteristics

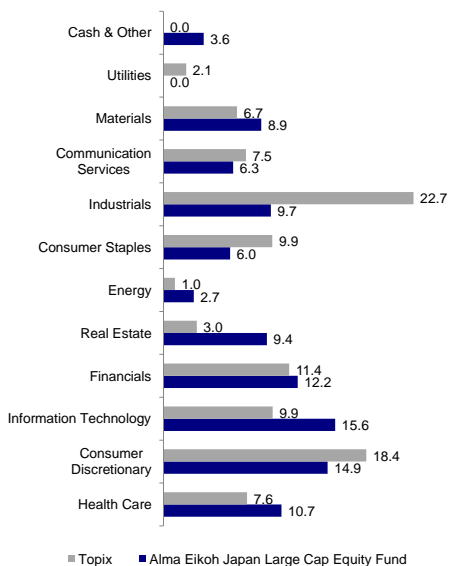
Main indicators	Fund	Index
No. of securities	28	2112
Weighted Average Market Cap (¥ bn)	4 302	2 987
Median Market Cap (¥ bn)	1 993	45
Dividend Yield (%)	2.7	2.5
Historical Price / Earnings	11.1x	11.7x
Historical Price / Cashflow	8.3x	7.5x
Historical Price / Book	1x	1.1x
Volatility since inception (%)	20.7	19.1
Sharpe ratio since inception	2.0	1.7
Active share (%)	83.4	-
Beta since inception	1.04	-
Tracking error since inception (%)	5.6	-
Information ratio since inception	1.7	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM*)

* AUM ex. unrealised p/l of share class hedging FX forwards



Top 10 positions details

Security name	Sector	% AUM*
TOYOTA MOTOR CORP	Consumer Discretionary	8.03
MITSUBISHI UFJ FINANCIAL GRO	Financials	6.55
SUMITOMO MITSUI FINANCIAL GR	Financials	5.62
MITSUBISHI ESTATE CO LTD	Real Estate	5.41
FUJITSU LTD	Information Technology	4.33
MITSUI FUDOSAN CO LTD	Real Estate	3.96
DAIICHI SANKYO CO LTD	Health Care	3.83
SHIN-ETSU CHEMICAL CO LTD	Materials	3.65
MITSUBISHI CORP	Industrials	3.57
M3 INC	Health Care	3.53

* AUM ex. unrealised p/l of share class hedging FX forwards

TOTAL: 48.48

Investment manager's commentary

Market Review and Outlook

Topix slumped by 10.4% during December, falling along with global markets led by the US. The arrest of Huawei's CFO in Canada following a US extradition request was one factor behind the weakness and sentiment was not helped by the partial Government shutdown in the US as a result of the stand-off between President Trump and the House of Representatives over funding of a border wall with Mexico. In Europe the apparent drift of the UK towards a "no deal" hard Brexit and violent mass demonstrations in France by the "Gilets Jaunes" did nothing to lighten the mood. Amid the market turbulence the Yen strengthened, closing the month up from ¥/¥ 113.6 to 109.7. A feature of the month was very heavy selling by overseas investors of ¥2trn making a total of ¥13.3trn for the year as a whole, a value coming close to matching the record inflows of ¥15.7trn recorded in 2013.

Domestic economic statistics announced over the month were on balance a little disappointing. The second set of preliminary Q3 GDP figures were very weak showing real GDP down -2.5% QoQ annualised, a revision down of -1.2% from initial estimates with weaker capital spending the main element. The BOJ Tankan business conditions survey showed little change in current conditions however the outlook deteriorated with the large manufacturers' diffusion index slipping from +19 to +15. Industrial production fell by -1.1% MoM in November however the Economy Watchers Survey registered an improvement in current conditions from 47.7 to 49.0 in November and the Japanese manufacturing PMI was up by +0.2 to 52.4 in December.

While global growth was robust in 2018, recent market turmoil reflects investor concern over the sustainability of these positive conditions in the face of rising trade tension between the US and China, the withdrawal of central bank stimulus in the US, political disarray in Europe and signs of slowing growth in China. We continue to expect that trade relations between the US and China and the underlying strength of the Chinese economy will remain key determinants of stock market performance. Looking at Japan in isolation, we expect the Abe administration to further enhance the pro-business and growth policies that have characterised it so far. Abe and his team are keen to ensure that domestic economic momentum is sufficiently robust in the autumn such that the planned consumption tax increase from 8% to 10% does not bring economic expansion to a halt. The announcement that Japan will spend an additional ¥3trn on infrastructure repair is part of this strategy and should result in growth in public works spending of around 20% in fiscal 2019. Abe aims to restore the economy to sufficient health while he remains Prime Minister to allow the BOJ to start to taper its stimulus from a position of strength.

Fund performance in 2018 was very disappointing and as we look into the year ahead we hope to see a market that is more fundamentally driven after an unusually long period where other factors have played a major role in stock price movements. It seems likely to us that the record levels of foreign investor disinvestment experienced in 2018 was a major factor behind the unusual market characteristics exhibited over the year, leaving the impact of BOJ buying and the activity of domestic investors the dominant influence in securities price setting. A cessation or reversal of negative foreign flows might thus presage a change in market characteristics. We see the current market dislocation as providing an opportunity for bottom-up research and stock picking and expect to add value as the situation normalises. The market is trading at 1.09x book, on an estimated PER of 11.8x and a dividend yield of 2.48%.

Fund

The Fund fell 11.36% (I JPY C share class) in December, underperforming Topix which fell by 10.21% (dividends reinvested). The Fund's underperformance during the month was driven in large part by asset allocation where performance was hurt by being overweight semiconductors & semiconductor equipment and banks and having no exposure to more defensive sectors such as transportation, household & personal products and utilities. Stock selection was a minor negative overall with positive contributions within software & services, semiconductors & semiconductor equipment and energy more than offset by negative contributions from healthcare equipment & services, retailing and commercial & professional services.

At the stock level the largest detractors were Persol Holdings, Komatsu and M3 which all fell relative to the market but in the absence of any company specific news. The position in J-Front Retailing also detracted from returns on the back of disappointing third quarter results impacted by natural disasters and up-front spending; we expect a recovery in the business in 2019. The largest positive contributors were Fujitsu on heightened expectations of profit improvement driven by internal reforms as well as upcoming 5G investment, Mitsubishi Estate, Ajinomoto, Mitsubishi Corp and Toyota Motor.

During the month we established a position in TDK where the prospect for the Company's core lithium polymer battery division is strong as they penetrate further into smartphones, laptops and also into newer areas such as drones, wearables and power tools. The Company's passive components are also performing strongly and this looks set to continue over the medium term on the back of the link-up with Qualcomm as well as increasing demand for capacitors in autos. This purchase was funded in part by reducing the positions in Murata and Rohm, both of which have outperformed TDK sharply over the past three months. Within real estate we shifted some Mitsubishi Estate into Mitsui Fudosan based on relative performance and valuation. We scaled back the position in Fujitsu after the relative rebound in December however still retain a sizeable position here. We reduced the position in Zozo on concerns about near term performance and strategy in the wake of their scaled back private brand initiatives and added to the position in Nintendo after a period of weak relative performance, encouraged by solid hardware and software sales over the holiday season.

Fund facts

Fund total net assets: ¥22 617.53 M (\$204.86 M) **Base currency:** JPY

Fund domicile: Luxembourg **Management fee:** 0.90% p.a. for I shares

Fund type: UCITS SICAV 1.40% p.a. for R shares

Fund launch: 12 June 2014 0.90% p.a. for RC shares

Depository, 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: ERIM LLP (London, UK)

Fund managers: James Pulsford
Sara Gardiner-Hill
Karl Hammond

Countries where the fund is registered:

Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore

Identifiers:

Institutional USD Hedged Capitalisation share class		
Isin: LU1013117160	Ticker: AEJIUHA LX	Launch: 12 June 2014
Institutional GBP Hedged Capitalisation share class		
Isin: LU1013116949	Ticker: AEJIGHA LX	Launch: 12 June 2014
Institutional EUR Hedged Capitalisation share class		
Isin: LU1013116782	Ticker: AEJIEHA LX	Launch: 10 December 2014
Institutional JPY Capitalisation share class		
Isin: LU1013116519	Ticker: AEJPIJA LX	Launch: 10 December 2014
Institutional GBP Unhedged Capitalisation share class		
Isin: LU1152097108	Ticker: AEKJEGC LX	Launch: 17 February 2015
Institutional CHF Hedged Capitalisation share class		
Isin: LU1210049091	Ticker: AEJICHX LX	Launch: 14 February 2018

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