ALMA CAPITAL

Alma Victoire Asia SMID Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

Victoire

As of 31 January 2019

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 (%)

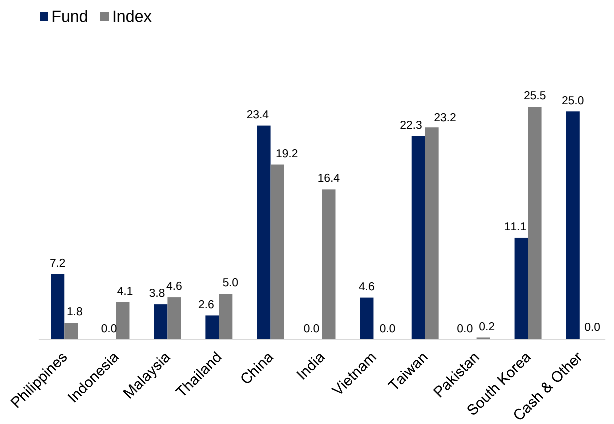
	I USD C shares	MSCI EM Asia SMID TR
1M	6.66%	3.88%
3M	7.14%	9.50%
6M	-6.30%	-7.66%
YTD	6.66%	3.88%
1Y	-16.81%	-17.53%
Since inception *	11.03%	10.36%

*Inception of the UCITS: 9 September 2016

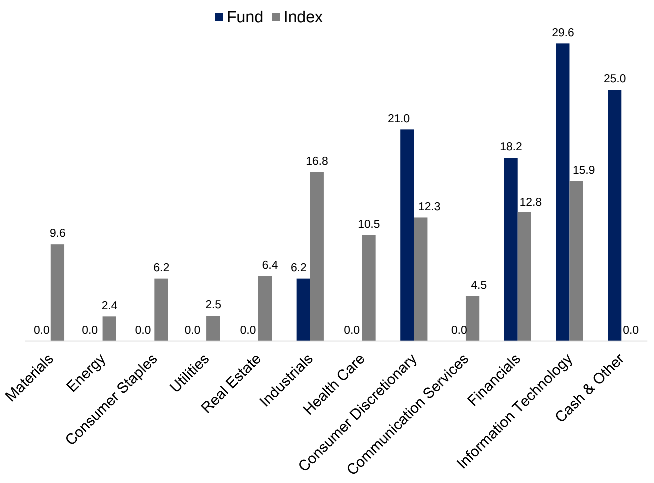
Portfolio characteristics

Main indicators	Fund	Index
No. of equities	15	1526
Weighted Average Market Cap ($ bn)	11.2	2.4
Median Market Cap ($ bn)	3.8	0.8
Dividend Yield (%)	2.9	3.1
Price / Earnings	10.2	11.5
Price / Cashflow	8.8	7.7
Price / Book	1.7	1.3
Volatility since inception (%)	13.5	15.5
Active share (%)	99.3	-
Beta since inception	0.7	-
Tracking error since inception (%)	9.6	-
Sharpe ratio since inception	0.1	0.1
Information ratio since inception	0.1	-

Country breakdown (% NAV)



Sector breakdown (% NAV)



Top 10 positions details

Security name	Sector	Country	% NAV
MIDEA GROUP CO LTD-A	Consumer Discretionary	China	7.72
METROPOLITAN BANK & TRUST	Financials	Philippines	7.16
SAMSUNG SDI CO LTD	Information Technology	South Korea	7.11
HAITIAN INTERNATIONAL HLDGS	Industrials	China	6.21
TAIWAN UNION TECHNOLOGY CORP	Information Technology	Taiwan	6.12
HANGZHOU ROBAM APPLIANCES-A	Consumer Discretionary	China	5.15
CATCHER TECHNOLOGY CO LTD	Information Technology	Taiwan	4.62
MILITARY COMMERCIAL JOINT	Financials	Vietnam	4.58
NEXTEER AUTOMOTIVE GROUP LTD	Consumer Discretionary	China	4.35
GLOBALWAFERS CO LTD	Information Technology	Taiwan	4.29
			57.30

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Investment manager's commentary

Market Review and Outlook (Jan-2019)

Asian equities started the year well, up 3.9% in January (as measured by the Fund’s benchmark MSCI EM Asia SMID) and bounced back from oversold levels. Two of investors’ main concerns afflicting EM/risk assets throughout 2018 took a back seat in January: on the US-China trade conflict, the announcement of a postponement of the next round of tariffs followed by intense discussions by both countries’ trade delegations provided some respite to Asian equities; on the headwinds from an aggressive U.S. Fed tightening process, what seemed to be an almost certain scenario just a few months ago calling for a series of consecutive Fed rate hikes, gave way to current expectations of a likely pause and lower, normalized Fed funds rates. These two factors combined with depressed valuations and light investor positioning in Asian/EM equities set the stage for the strong recovery in our markets.
In terms of specific markets, key Southeast Asian markets led the recovery with Indonesia, Thailand and Philippines posting returns of 15.4%, 10.4% and 8.3% respectively. A good portion of this recovery was expressed through their currencies (IDR and THB both appreciated 3.5% in January). A slower path for U.S. rate normalization provided much relief for Indonesian equities as it can lower pressure on Indonesia’s capital accounts and open the possibility for a pause and even a reversal in interest rates by Bank Indonesia. Amongst the larger markets, China stood out with a recovery of 8.1% in equity markets. This bounce was mainly driven by macro factors including the easing of US-China trade tensions, ramping up of domestic easing policies, a softer stance by the U.S. Fed and depressed valuations, which all contributed to a broad-based market rebound with all MSCI China sectors recording gains in January. Finally, against the strong recovery in regional markets, Indian equities closed with a decline of 7.1%. This came on top of the 23.5% decline suffered by Indian equities (SMIDs) last year, making it the worst performing market (barring from Pakistan whose representation in regional indices remains irrelevant). Investors’ sentiment towards Indian equities continued to deteriorate, coming off the heels the abrupt Reserve Bank of India (RBI) governor Patel’s resignation, which was widely seen as a protest on continued government pressure against the Central Bank’s ongoing efforts to clean up the high NPL (non-performing loans) levels within its banking system. A series of high-profile corporate governance (Sun Pharma, Dewan Housing), aggressive stock pledging turned sour and fraud allegation cases (Zee and Adani Ports) added further selling pressure to Indian equities in January.
The Fund has been out of India since early 2018, turned away by what we saw as extreme euphoria and excessive valuation levels especially in the SMID segment. Interestingly, we are now starting to see some new ideas come through our screen and are currently engaged in validating them.

Fund

The Fund gained 6.7% in January, posting one of its best monthly return on record. Returns were driven by stock specific factors, consistent with the Fund’s profile and design. Our large and concentrated positions in China contributed the most to the returns in January: Midea, currently our largest position, appreciated 20.9% during the month. This was further complemented by Robam, another Chinese appliance brand, which delivered 23.6% over the same period and only contributed less to returns due to its smaller calibration (still sizeable with close to 5% exposure). Finally, Haitian International, one of world’s leading plastic injection machinery maker, added over 1% to the Fund’s performance with its 18.9% appreciation during the month. Amongst other strong performing positions in the Fund were SK Hynix (22.5%) and Military Bank (12.6%), with both remaining as high conviction ideas. No position in the Fund declined in January and most managed to at least keep up with the performance of broader markets.
In terms of turnover, we experienced a higher than usual level of trading during the month. Early in January, we added to Midea despite an already large position as the stock had reached levels that we found warranted a more aggressive exposure. Then, towards the end of the month, after a 20%+ recovery and considering the need to control what had become an outsized exposure of close to 9% of the Fund, we trimmed the stock. We also took the opportunity to consolidate the Fund’s positions, ensuring we maintain its high conviction and concentrated profile. One example was we liquidated the residual position in Accton, the high-end data switch maker for hyperscale servers, as part of our plan to fully exit the name on grounds that valuations had become excessive and unjustifiable (close to 20x P/E18 and 17x P/E19) especially relative to the current discounts seen in broader markets. We also exited the remaining exposure in Silicon Motion, driven by lower confidence in the Company’s earnings outlook over the next 12-months, execution shortfall on some of its key business segments, and questionable capital deployment on an expensive building for new corporate headquarter. We also exited Tisco in Thailand, as we felt the thesis had largely played out with its valuations now normalized (albeit not expensive on 10x P/E19, high on 1.8x P/BV), and with reduced earnings growth prospects now that the integration of Standard Chartered Thailand business has been completed. Independent of the decision to exit Tisco, we established an initial position in Siam Commercial Bank (SCB), after monitoring it for the past 12-months its valuation level became attractive enough (10x P/E19 and 1.1x P/BV) with the balance of earnings risk tilted to the upside and we believe 2018 should prove to be the bottom of the earnings cycle for the Bank. We also took advantage of the volatility in the memory and foundry supply chain to add to Globalwafers after taking profit on part of the position back in December. Finally given the strong performance of SK Hynix, we also took some profit whilst still maintaining a reasonable exposure in the name.
Despite the progress made during last quarter (4Q18) in deploying the Fund’s excess cash and reaching low teens level in Oct-18, the trimming of some of our larger core positions and the decisions to exit residual and/or “played-out” positions, led cash levels to creep up again in January. While we manage the Fund with the aim of being fully invested, we usually allow for some flexibility on the Fund’s cash levels as a by-product of individual buy and sell decisions at the stock level. We are currently working on a few new ideas, including the recently initiated position in SCB, which we expect will allow us to reduce the current cash level.

Fund facts

Fund domicile:	Luxembourg	**Fund total net assets:**	$15.18 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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