FOR PROFESSIONAL INVESTORS ONLY

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 28 February 2019

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	0.62	-5.07	-11.96	7.29	-16.09	31.57	50.29
I GBP Unhedged C shares	-2.63	-6.69	-14.37	1.28	-15.69	36.18	-
I EUR Hedged C shares	0.53	-5.37	-12.74	6.97	-17.30	27.57	-
I JPY C shares	0.58	-5.27	-12.49	6.87	-16.57	28.13	-
I USD Hedged C shares	0.76	-4.39	-10.86	7.60	-14.40	33.68	52.94
Topix (TR)	2.60	-3.35	-6.38	7.65	-7.06	32.17	42.67

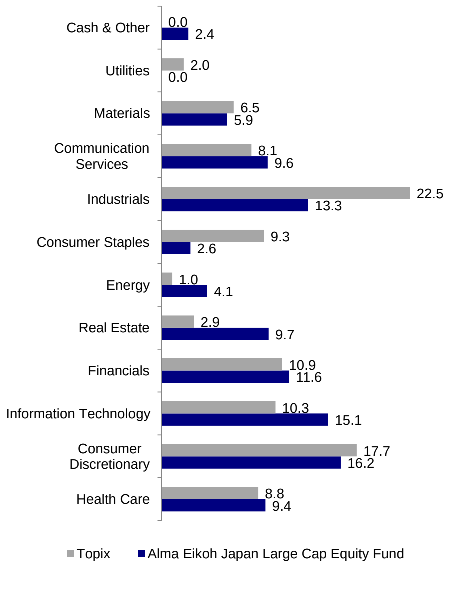
Fund launched on 12 June 2014 (I USD Hedged C and I GBP Hedged C shares)

Portfolio characteristics

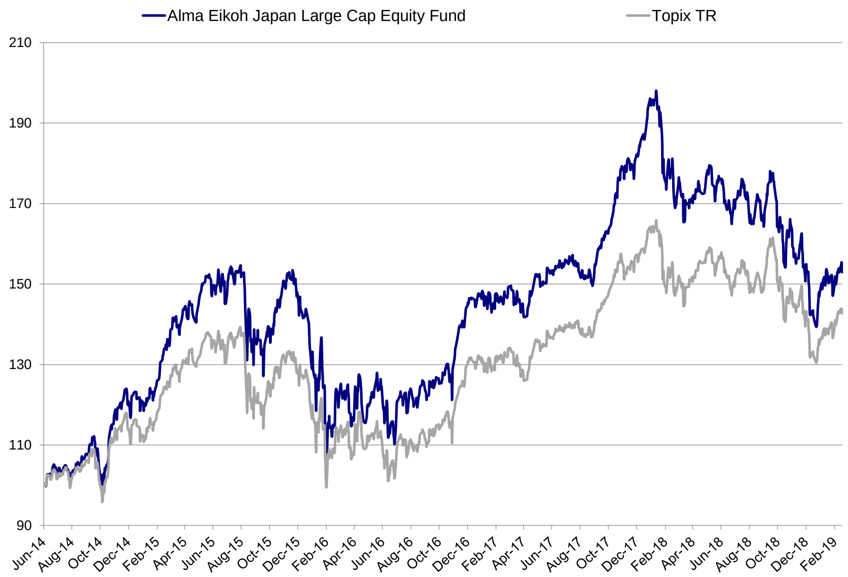
Main indicators	Fund	Index
No. of securities	29	2126
Weighted Average Market Cap (¥ bn)	4 262	3 303
Median Market Cap (¥ bn)	2 615	48
Dividend Yield (%)	2.4	2.3
Historical Price / Earnings	14.3x	13.7x
Historical Price / Cashflow	9.5x	8.5x
Historical Price / Book	1.1x	1.2x
Volatility since inception (%)	20.7	19.0
Sharpe ratio since inception	2.6	2.2
Active share (%)	82.3	-
Beta since inception	1.05	-
Tracking error since inception (%)	5.7	-
Information ratio since inception	1.8	-

Sector breakdown (% AUM*)

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



Performance (Indexed - Base 100)



Top 10 positions details

Security name	Sector	% AUM*
MITSUBISHI UFJ FINANCIAL GRO	Financials	6.72
TOYOTA MOTOR CORP	Consumer Discretionary	5.69
MITSUBISHI ESTATE CO LTD	Real Estate	5.66
DAIICHI SANKYO CO LTD	Health Care	5.21
SHIN-ETSU CHEMICAL CO LTD	Materials	4.95
SUMITOMO MITSUI FINANCIAL GR	Financials	4.85
M3 INC	Health Care	4.19
JXTG HOLDINGS INC	Energy	4.13
MITSUI FUDOSAN CO LTD	Real Estate	4.04
KOMATSU LTD	Industrials	3.76
	TOTAL:	**49.19**

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

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Investment manager's commentary

Market Review and Outlook

Topix rose by 2.6% in February buoyed by similar moves in developed markets as the global equity rally continued from the lows recorded in December. Markets were supported by the more dovish stance of central banks underlined by the publication of the February Fed Minutes and a statement by BOJ Governor Kuroda that the BOJ would consider additional stimulus in the event that Yen strength affected Japan's economy and rate of inflation. The Yen weakened from Y/$ 108.9 to 111.4 over the month, due in part to the impact of this comment. In contrast to January the market was led by more defensive areas such as services and pharmaceuticals while many economically sensitive sectors underperformed. A feature of the month was the announcement of a number of substantial share buybacks including those by Softbank and Sony; the value of announced buybacks so far in 2019 is running at the fastest pace since 2013.

However, economic data remains weak across most regions including Japan. The preliminary Q4 GDP estimate showed a relatively weak QoQ rebound of +1.4% annualised compared to the decline of -2.6% shown in Q3. Core machinery orders also fell in Q4, albeit only by -0.1% QoQ. Industrial production fell 3.7% MoM in January a much weaker performance than expected and the Reuters February Tankan showed a fourth consecutive monthly decline for the manufacturing DI which slipped from +18 to +13. While the industrial sector has slowed appreciably the non-manufacturing sector has been more resilient and it remains the case that the labour market is very tight with the job offers to applicant ratio still at 1.63x. Inflation remains very subdued with the CPI ex food and energy up 0.3% YoY in January.

Given this slower global economic momentum, central banks' policies have been adjusted to some degree and the withdrawal of central bank stimulus has now been slowed or put on hold for the time being. Other market concerns remain in place however centred particularly on trade tension between the US and China and the outlook for the Chinese economy; developments here seem likely to remain a key determinant of stock market performance. Also of importance are economic conditions in Europe and the potential damage to growth that Brexit may cause. While Japan will clearly be strongly influenced by global economic trends, Abe and his team are keen to ensure that domestic economic momentum is robust in the autumn when the planned consumption tax increase from 8% to 10% takes place. An increase in public works spending of around 20% in fiscal 2019 is part of this strategy and Kuroda's recent comments suggest that if required both the political administration and the BOJ are prepared to take further action to support growth.

We continue to expect that an easing of the heavy foreign investor selling that marked last year will engender a better environment for bottom-up stock selection based strategies. While value underperformed growth in February, reversing the trend seen in January, we believe that currently depressed value stocks are likely to outperform the market over the year overall. The financial sector and banks in particular look very cheap and should benefit if the weaker Yen helps to raise the currently depressed level of bond market yields. The market remains well supported by domestic investors with Japanese corporations continuing to raise shareholder returns despite less certain fundamentals. We are very encouraged by the recent series of buyback and cross shareholding unwinding announcements that suggests an ongoing structural shift in the attitude of Japanese management towards shareholder returns. The market is trading at 1.20x book, on an estimated PER of 13.2x and a dividend yield of 2.33%.

Fund

The Fund rose 0.58 % (I JPY C share class) in February, underperforming Topix which rose by 2.6% (dividends reinvested).

The underperformance during the month was the result of both stock selection and asset allocation. In terms of allocation the Fund was hurt by being overweight cyclicals and economic sensitive sectors such as banks, media & entertainment, real estate, semiconductors & semiconductor equipment and energy as well as having no exposure to more defensive segments such as household & personal products. Looking at stock selection value was added in materials and health care equipment & services however this was more than offset by poor selection within energy, pharmaceuticals biotechnology & life science, transportation, commercial & professional services and semiconductors & semiconductor equipment.

At the stock level the largest negative contributors to performance were JXTG Holdings which fell as near term earnings deteriorated due to a time lag passing on oil prices, Nintendo where Switch hardware sales came in somewhat below expectations, Rohm where solid December quarter results masked a rise in inventories pointing to potentially tougher earnings conditions in the quarters ahead and Sanbio, which continued to fall following the failure of its chronic ischemic stroke trial at the end of January. The largest positive contributors on the stock level were M3, Daiichi Sankyo and Sosei, all of which rebounded after a period of underperformance and on incrementally positive news on new business prospects and drug pipelines respectively. Murata added value during the month on the back of encouraging December quarter results pointing to ongoing strong demand for Multi-layer Ceramic Capacitors and Hitachi Chemical rose on evidence that they are past the worst in terms of improper testing issues and the negative impact of rising raw material prices.

During the month we exited the SanBio position following the failure of their ischemic stroke trial and a subsequent follow-up call with the Company. After reviewing prospects for the rest of their treatment portfolio we judged that the resulting effective dependence of the business on the successful development of their traumatic brain injury treatment made the stock too high risk to hold in the portfolio. We also sold the Hitachi Chemical position after recent outperformance left us with limited upside. New positions included Denso, the Toyota-affiliated auto parts company benefitting from ongoing trends towards auto electrification and autonomous driving. They will play a key role in maintaining Toyota's strong market position and recent underperformance left the stock looking attractive. We also took advantage of recent underperformance in Sony to initiate a position; the Company is well managed and extensive restructuring has left it with an attractive business portfolio centred on gaming, music and movie content and image sensors. Improved cash generation allowed the company to conduct their first share buyback for 16 years in February and we would expect to see this positive trend continuing. A new position was also initiated in Rakuten; given their innovative use of technology we believe that they stand a good chance of being a disruptive, low-cost entrant to Japan's mobile industry when they launch services later in 2019, confounding current low market expectations surrounding their strategy. Existing positions in JXTG and Shin-etsu Chemical were added to and positions in Toyota Motor, Fujitsu, Daiichi Sankyo and SMFG were reduced, largely in response to relative price movements and third quarter results announced early on in the month.

Fund facts

Fund total net assets: ¥21 411.74 M ($193.24 M) **Base currency:** JPY

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

Fund type: UCITS SICAV **Fund launch:** 12 June 2014

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: ERIM LLP (London, UK)

Fund managers: James Pulsford, Sara Gardiner-Hill, Karl Hammond

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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 EUR Unhedged Capitalisation share class
Isin: LU1870374508 Ticker: AEJLIEC LX Launch: 04 February 2019

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