FOR PROFESSIONAL INVESTORS ONLY

Alma Hotchkis & Wiley Global Value Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 31 December 2019

Fund description

- Investment objective: seek current income and long-term capital appreciation by investing in a portfolio of global companies
- Investment process: analyse long term company fundamentals through in-house bottom-up research aiming to identify undervalued stocks
- The fund typically holds 40 to 80 securities and generally invests in companies with a market capitalization above $1 billion
- The fund invests primarily in companies located in developed countries, with at least 40% outside the U.S. Emerging markets: up to 20%

Investment manager: Hotchkis & Wiley Capital Management, LLC

- Hotchkis & Wiley is a SEC-regulated, Los Angeles-based investment adviser founded in 1980, specialised in value equity and high yield bond strategies
- Employee owned firm: 90% of the investment team and 67% of all employees own equity
- Investment team has over 23 years average investment experience and 15 years average tenure at Hotchkis & Wiley
- Hotchkis & Wiley manages $34 billion

Cumulative performance (%)

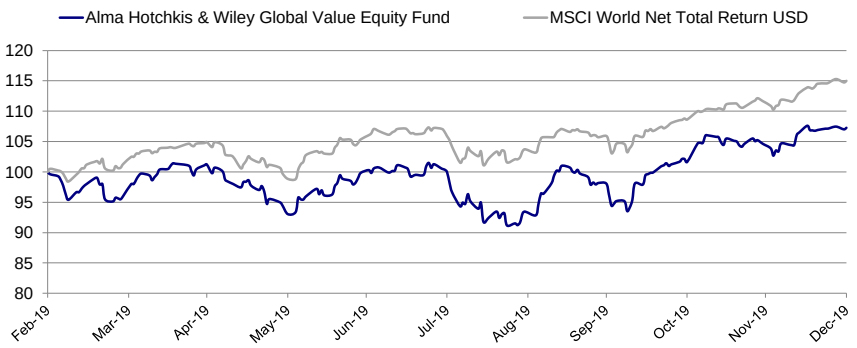
	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I USD C shares	2.52	9.35	7.42				7.26
MSCI World Net Total Return USD	3.00	8.56	9.14				15.00

Fund launched on 28 February 2019

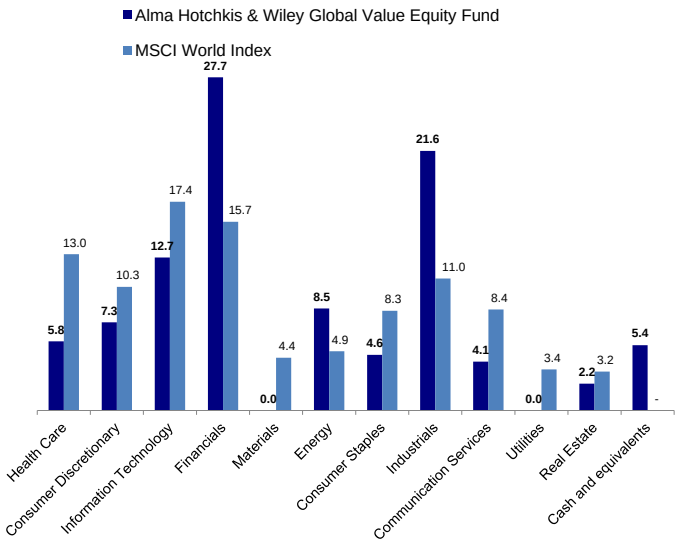
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	57	1646
Weighted Average Market Cap ($ bn)	97.7	199.9
Median Market Cap ($ bn)	29.7	14.2
Projected P/E Ratio FY2 (x)	11.8	16.5
Price / Normal Earnings (x)	7.8	17.4
Price / Book (x)	1.2	2.4
Price / Sales (x)	0.8	1.8
Projected EPS Growth (%)	6.1	6.2
Active share (%)	92.8	-

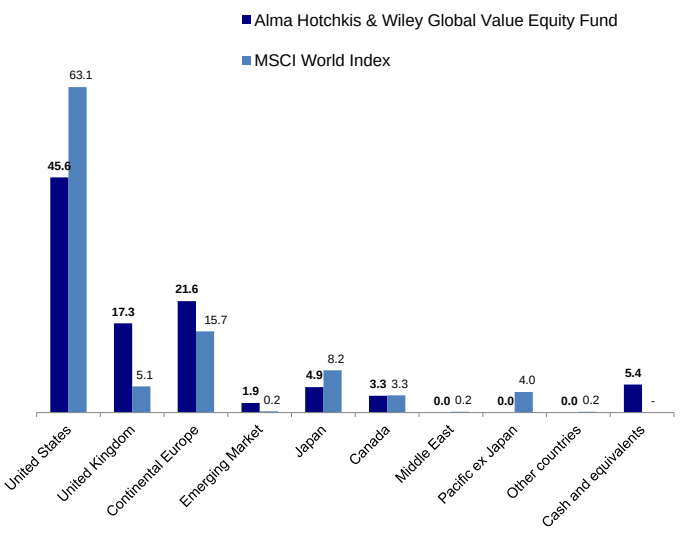
Performance (Indexed - Base 100)



Sector breakdown (% NAV)



Regional breakdown (% NAV)



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Top 10 positions details

Security name	Sector	Country	% NAV
GENERAL ELECTRIC CO	Industrials	United States	5.33
AMERICAN INTERNATIONAL GROUP	Financials	United States	4.12
WELLS FARGO & CO	Financials	United States	3.93
MICROSOFT CORP	Information Technology	United States	3.46
BAE SYSTEMS PLC	Industrials	United Kingdom	2.99
CNH INDUSTRIAL NV	Industrials	United Kingdom	2.71
ORACLE CORP	Information Technology	United States	2.71
GOLDMAN SACHS GROUP INC	Financials	United States	2.46
MAGNA INTERNATIONAL INC	Consumer Discretionary	Canada	2.45
ROYAL MAIL PLC-W/I	Industrials	United Kingdom	2.44
		TOTAL:	**32.60**

Investment manager's commentary

Market:

For much of calendar year 2019, the United States engaged in a trade war with China, its largest global trading partner. Near the end of the year, the US House of Representatives impeached the President for just the third time in history. The uncertain path of Brexit was the major political story in Europe throughout the year, though the UK's Conservative party election victory removed a "worst case" economic scenario. Global equity markets largely shrugged off the tumultuous geopolitical landscape and the MSCI World Index returned an impressive +28%; only 4 calendar years since the index's 1983 inception have been better.

Multiple expansion explains essentially all of the market's performance as the MSCI World's forward P/E ratio (consensus estimates) increased from 14.3x to 18.2x during the year. The index now trades about 15% above its 20 year average P/E. Importantly, however, interest rates are considerably lower than they have been for most of that period. The 10-year US treasury yield is just 1.9% compared to its 20-year average of 3.4%; the 10-Year UK Gilt yield is 0.8% compared to its 20-year average of 3.3%; the 10-year German Bund yield is -0.2% compared to its 20-year average of 2.6%.

The technology sector led the way, by a large margin, returning +48%, though most sectors delivered strong performance. Energy was the exception, returning +12%. Over the past 3 years, energy was the index's worst-performing sector, returning +1% compared to the overall index return of +43%, cumulatively. The second-worst performing sector during this time was financials with a +30% return.

For the third year in a row, the MSCI World Growth Index outperformed the MSCI World Value Index (+33.7% vs. +21.7%). Global growth outperformed value in 9 of the last 10 calendar years with cumulative outperformance of more than 70% (+186% vs. +112%, or +11.1% vs. +7.8% annualized). Nearly all of this occurred in the last three years. The lopsided performance has resulted in a wider-than-normal valuation spread between growth and value. Over the past 20 years, the average forward P/E for the MSCI World Growth Index has been 5.0x above that of the MSCI World Value Index. As of 12/31/19, the forward P/E for the growth and value indices were 25.4x and 14.2x, respectively, or a spread of 11.2x. Over the past 20 years, this valuation gap has been wider only 6% of the time (and only during the tech/internet bubble). Using price-to-book instead of price-to-earnings, the current valuation gap has been exceeded only 5% of the time historically, with the tech/internet bubble again representing the lone exception.

Investors' increasing preference for low stock price volatility explains at least a portion of the valuation gap's widening. This has caused a substantial divergence between certain industries with many non-cyclicals exhibit rich risk-adjusted valuations relative to their cyclical counterparts. As an example, the forward P/E ratio for MSCI World utilities has risen by 45% over the last decade while the forward P/E ratio for MSCI World banks has risen by 1% over the same period. We have nothing against utilities, consumer staples, or healthcare, other than the seemingly high prices currently required to purchase them.

While the overall equity market appears fully valued compared to history, we believe the valuation disparities across the market create an investment environment highly conducive to long-term focused active management, particularly in relative terms. The spread between the growth and value indices is wide, suggesting a promising outlook for value. The spread between the portfolio and the value index is also wide, suggesting a promising outlook for the portfolio. The portfolio trades at 7.8x normal earnings compared to the MSCI World at 17.4x normal earnings. The considerable valuation advantage combined with good underlying businesses and healthy balance sheets leaves us confident about the portfolio's prospects, particularly compared to passive alternatives.

Attribution: 2019

The portfolio underperformed the MSCI World Index in 2019, though it outperformed the MSCI World Value Index. Two stylistic headwinds explain all the underperformance relative to the broad benchmark. First, value lagged growth, so our value focused approach was a considerable headwind relative to the broad/core benchmark. Second, there was an unusually strong correlation between company size and performance, with larger market cap companies outperforming smaller market cap companies. MSCI World stocks that began the year with a market cap under $5 billion returned about +11% for the year, while stocks with a market cap over $100 billion returned about +34%. The portfolio's average weight in the smaller cap group was 19% compared to 8% for the index, while the portfolio's average weight in the larger cap group was 16% compared to 39% for the index—the smaller cap bias was an insurmountable headwind during the year. From a sector perspective, the underweight position in technology and stock selection in energy detracted from performance; positive stock selection in financials and industrials, along with the underweight position in healthcare helped relative performance. The largest detractors to relative performance in the year were Whiting Petroleum, Danieli, Royal Mail, Embraer, and BMW; the largest positive contributors were WestJet Airlines, General Electric, Ophir Energy, Hitachi, and Microsoft.

Largest New Purchases: 2019

News Corp is a media conglomerate with four largely independent segments: 1) digital real estate services; 2) Australian pay TV; 3) news and information services, and; 4) publishing. Its real-estate advertising businesses with strong secular growth support nearly the entire enterprise value, suggesting that the market currently assigns little value to its other businesses. These businesses, while mature, have considerable value in our opinion.

UniCredit is the largest bank headquartered in Italy. In addition to being the #2 Italian bank by market share, UniCredit also has significant banking operations in Germany, Austria and a number of Central and Eastern European countries. Shares in the bank have underperformed due to market concerns about the ongoing pressure on bank profitability from low rates and slow economic growth in Europe. As one of the largest banks in Italy, investment sentiment for UniCredit has also been negatively impacted by ongoing political instability and the resultant impact on Italian sovereign rates. Following a period of restructuring, the balance sheet is well capitalized, asset quality is improved, and profitability is recovering.

UnitedHealth Group (UNH) is the largest and most diversified managed care organization in an industry where scale is a significant competitive advantage. UNH has the largest and fastest growing share in Medicare Advantage, the biggest opportunity in managed care. UNH is also well positioned in Medicaid, another growth opportunity. UNH is a high quality business with above average growth prospects, sticky and stable earnings, and a good balance sheet.

Fund facts

Fund total net assets: $10.95 M
Fund domicile: Luxembourg
Fund type: UCITS SICAV
Base currency: USD
Management fee: 0.85% p.a.
Depositary, Administrator, Transfer Agent: BNP Paribas Securities Services (LU)
Management company: Alma Capital Investment Management (LU)
Investment manager: Hotchkis & Wiley Capital Management, LLC (US)
Fund managers: Scott McBride, Judd Peters, Scott Rosenthal, Patrick Meegan

Dealing:
Each day with a 1-day notice — Cut-off time: 5 pm CET
Identifiers:
Institutional USD Capitalisation share class
Isin: LU1907586306 Ticker: ALHWGIU LX Launch: 28 February 2019

Contacts

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