Alma Apis Global Long/Short Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 29 March 2019

Fund features

- Global long/short equity strategy
- Geographic focus in North America, Asia, and Europe, with some emerging markets exposure
- Sector focus in Technology, Consumer, Healthcare, Industrials and Cyclicals/Materials
- Emphasis on small to medium capitalisation securities
- Portfolio holdings typically around 80 to 100 names (40/50 longs + 40/50 shorts)

Investment manager: Apis Capital Advisors LLC (New York, US)

- The investment manager is Apis Capital Advisors, LLC ("Apis"), an SEC registered, New York-based, fund management firm founded in 2004
- Borderless approach to stock selection: Apis seek investments wherever their research achieves the most leverage, inefficiencies are greatest, and analytical competition is weakest – across countries, sectors, and market capitalisations
- Management owned
- Team leverages on global relationships built over 25 years of global investing

Cumulative performance (%)

	I USD C	I EUR H C	MSCI ACWI Index**
1M	2.25	2.42	1.26
3M	10.99	10.93	12.18
6M	-3.59	-4.74	-2.13
YTD	10.99	10.93	12.18
1Y	-10.42		2.68
Since inception*	-11.00		-2.48

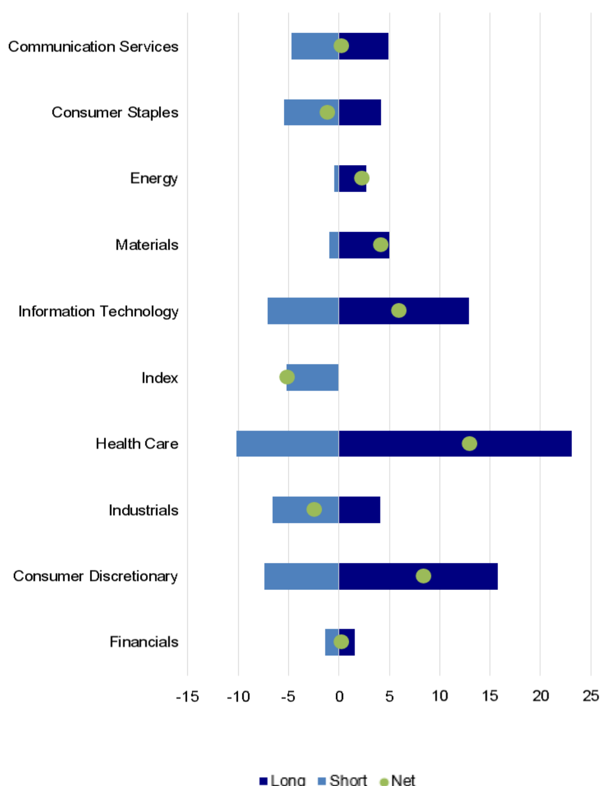
* 17 January 2018

** All Countries World Index (with dividends net of taxes). Ticker = NDUEACWF

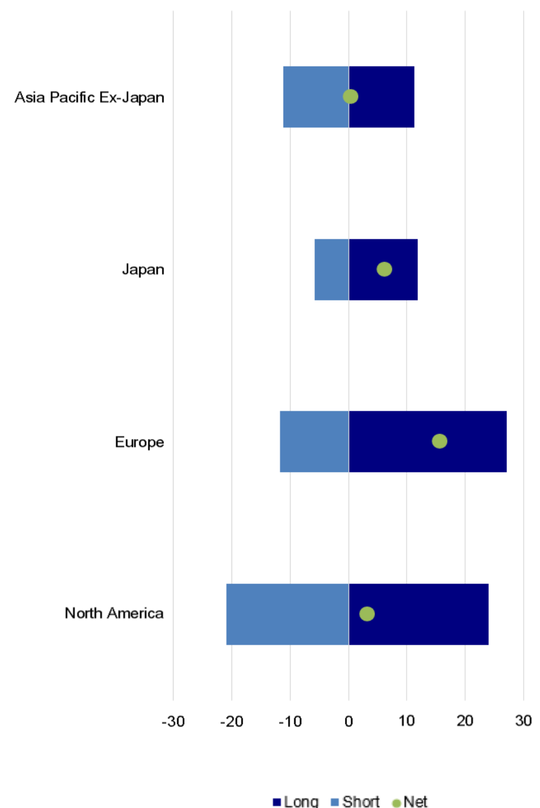
Portfolio characteristics

Number of securities - long book	34
Number of securities - short book	55
Weighted Average Market Cap ($ bn)	8.8
Median Market Cap ($ bn)	3.0
Long equity exposure (% of NAV)	74.3
Short equity exposure (% of NAV)	49.4
Gross exposure (Long + Short) (% of NAV)	123.7
Net exposure (Long - Short) (% of NAV)	24.9

Sector exposure (% NAV)



Geographical exposure (% NAV)



Main positions

Top 5 long positions	Country	% NAV
Health Care	Ireland	9.00
Consumer Discretionary	South Korea	5.39
Health Care	United States	4.24
Consumer Staples	Japan	4.22
Health Care	United States	3.50
	TOTAL:	**26.33**

Top 5 short positions	Country	% NAV
Consumer Staples	United States	-1.80
Information Technology	United States	-1.78
Information Technology	United States	-1.43
Industrials	France	-1.42
Index	Taiwan	-1.37
	TOTAL:	**-7.80**

Investment manager's commentary

PERFORMANCE OVERVIEW (GROSS RETURNS)

As we highlighted in our year-end letter, we were positioned coming into this quarter with lower than typical exposure to markets, but aggressively positioned in individual stocks which we felt were unfairly hard hit during the sell-off in late 2018. Against the backdrop of strong global equity markets during the first quarter, the drag from our low market exposure (approximately 30% net long vs. mid-40's typically) was offset by excellent stock selection. Geographically, all regions were positive and within sectors, Healthcare was an outstanding contributor, adding approximately 10% to returns during 1Q19 while Consumer was also solid performer during the quarter.

To be continued next page.

Fund facts

Fund total net assets: $27.69 M

Fund domicile: Luxembourg **Fund type:** UCITS SICAV

Management fee: 1.25% p.a. **Base currency:** USD

Performance fee: 15% of net profits, with high watermark

Custodian, 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: Apis Capital Advisors LLC (New York, US)

Portfolio manager: Daniel J. Barker

Identifiers:
Institutional USD Capitalisation share class
Isin: LU1321566892 - Ticker: ALCGIUC LX Launch: 17 January 2018
Institutional EUR Hedged Capitalisation share class
Isin: LU1321566975 - Ticker: ALCIEHC LX Launch: 11 June 2018

Countries where the fund is registered:
Luxembourg, United Kingdom, Germany, Singapore

Contacts

Nick Stoop (UK)	+44 77 8980 0397
Baptiste Fabre (FR)	+33 1 56 88 36 55
Hervé Rietzler (FR / CH / LU / IT)	+352 28 84 54 19
Dirk Tödte (DE / AT)	+352 28 84 54 16

info.investors@almacapital.com

This document is issued by Alma Capital Investment Management ("ACIM"). It contains opinions and statistical data that ACIM considers lawful and correct on the day of their publication according to the economic and financial environment at the time. This document does not constitute investment advice or form part of an offer or invitation to subscribe for or to purchase any financial instrument(s) nor shall it or any part of it form the basis of any contract or commitment whatsoever. ACIM provides this document without knowledge of investors' situation. Prior to any subscription, investors should verify in which countries the fund(s) this document refers to is registered, and, in those countries, which compartments and which classes of shares are authorized for public sale. In particular the fund cannot be offered or sold publicly in the United States. Investors considering subscribing for shares should read carefully the most recent Prospectus and KIID agreed by the regulatory authority, available from ACIM (5 rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg). The investors should consult the fund´s most recent financial reports, which are available from ACIM. Investors should consult their own legal and tax advisors prior to investing in the fund. Given the economic and market risks, there can be no assurance that the fund will achieve its investment objectives. The value of the shares can decrease as well as increase. Past performance is not a guarantee of future results.

…continued

The top performer in the quarter and our largest position remains Amarin, which added almost 4% to returns. The reason why Amarin was drubbed at the end of last year remains a mystery to us, although we're glad the market handed us an opportunity to add to our position at more favorable prices. 1Q19 subscriptions for Vascepa, their cardiovascular drug, are growing 60%+ even before the FDA's approval of a broader label. We believe this is a multi-billion-dollar drug and that Amarin is a likely take-over candidate. On the Consumer side, Fila Korea Ltd. added 2.3% to performance as the "retro" fashion brand's strength in Asia is now reinforced by strong growth in the U.S. and Europe. Another name we like in the Consumer space is Honma Golf, which we detail in the attached research report.

On the short side, another Healthcare name, Celltrion in Korea, was our top winner. There's an old adage in investing: "it's often better to travel, than to arrive." That seems to be the case in the market for biosimilar drugs. Before the market existed, prognosticators dreamed of its enormous potential. However, now that the market is a reality, the fundamentals suggest it is much smaller and more competitive than envisioned. Celltrion's earnings estimates have been cut in half, but the stock remains expensive on 70x earnings. Our biggest detractor on the short side was Nvidia which is representative of a few names in the semiconductor space that appear well ahead of themselves. The "second half recovery" mantra in the semiconductors seems misplaced to us. We won't be stubborn on this view, but would like some fundamental support (beyond stock prices) before we become more positive on this area.

PORTFOLIO OUTLOOK AND POSITIONING

With so much debt at many levels in the economy, the sensitivity to interest rates is extreme. The market's weakness late last year and the U.S. Fed's about-face make it hard to envisage rate hikes anytime soon. With lower rates, it seems one engine of the global economy, the U.S. consumer, has regained its footing.

The other major pillar in the global economy, China, is also showing signs of stabilization. Here again, China has thrown everything, but the kitchen sink in its efforts to grow by increasing leverage (such as lowering reserve requirements), tax cuts and massive infrastructure spending. While all these measures beg the question of "who will pay the piper?" they are, at least for now, supportive of equities. While we may bring exposures up slightly, we still see challenges in Europe, China and North America that suggest sticking with idiosyncratic ideas with limited economic dependence remains the prudent course.

As the month of March demonstrates (as the Fund made money both long and short) it's encouraging to see the atmosphere change to a more normal "stock-pickers" environment. While our lower-than-normal net positioning typically arises from a reduction in long exposure due to market volatility, our current exposure is as much a reflection of conviction on shorts where we have several strong ideas. One such area, solar power, is discussed in further detail below.

INVESTMENTS HIGHLIGHTS

Solar Power Shorts (GCL-Poly ticker: 3800 HK and JinkoSolar ticker: JKS US)

One industry that has delivered some great ideas for us through multiple cycles is the solar power market. It is a very global market with competitors located in multiple countries and complex global supply chains. Solar power modules – the finished product familiar to most as a black shiny panel mounted on a rooftop or in a big open field – is very much a low-barrier commodity. This is made obvious when considering that virtually no company from ten years ago exists today, and many of the market leaders just five years ago have surrendered their positions to newcomers. Each cycle is kicked off with either a tectonic shift in demand or a similar shock to supply. At the moment, both appear to be underway and the result could be a significant glut in supply resulting in lower prices and losses for companies.

The most significant development in the past few years has been China's insatiable appetite for solar power. From 2013 to 2018, China increased its annual installations from 14 gigawatts ("GW") to 44 GW. This accounted for nearly half of the growth in global installations which increased from 41 GW to 108 GW during that time. The boom was driven by generous subsidies in China which have now resulted in a substantial burden on the government budget, reportedly in the range of $15 billion (representing the difference between what consumers pay and what the subsidy promises to solar operators). A similar dynamic took hold in Spain and Germany years ago where the governments slammed on the subsidy breaks and, in Spain's case, even reneged on previously contracted subsidy rates to the horror of investors. China took a page from this and on May 31st, 2018, announced a dramatic reduction in their subsidy and a limit on the budget shortfall, and possibly more important, they are also expected to move away from a "feed in tariff" (i.e., a fixed rate payment) to an auction system. This auction approach is something India and others have started to embrace strongly.

The initial impact was a significant drop in demand and solar panel prices (down by nearly 1/3rd) in China during the second half of 2018, however that effect was limited as it only reflected the rate reduction. The next shoe to drop will be when China begins to embrace the auction system and prices for panels lurch even lower. This phenomenon is not limited to China; the rest of the world is also looking to the auction system for not only solar, but other alternatives such as wind power. The reason is simple: after nearly two decades of subsidizing these technologies, they are finally near (or at) a cost comparable to fossil fuels and thus, no longer need to be subsidized.

Amazingly, the manufacturers didn't get the memo regarding demand. They have continued to add capacity despite declining prices for panels. The logic is a bit insidious: manufacturers cite the need to expand in order to achieve scale benefits and thus, lower their costs. There's surely a prisoner's dilemma dynamic at work here – the logical conclusion using this reasoning is that the whole industry overbuilds repeatedly until its stopped, probably via bankruptcy. Using this rationale, JinkoSolar, one of the largest panel producers, announced a ~30% increase in capacity after reporting 4Q18 despite expectations (which we think are optimistic) that China will have flat growth in 2019. Raw material suppliers have been even more optimistic, particularly with polysilicon, the key ingredient in solar. The industry will add about 50% capacity growth in 2018 and 2019 despite numerous operators struggling to break even at record low prices. China has incentivized this buildout to reduce reliance on imports of polysilicon from Europe, Korea and Japan. This has been accomplished with subsidized debt, sweetheart power prices and the solar subsidies, among other things.

We have expressed this theme through a few particularly exposed ideas. We have a short position in GCL-Poly, a $1.5 billion market cap Chinese company which controls nearly 1/5th of the global polysilicon market. They are in the midst of adding capacity despite reporting losses. The company has not reported a single year of positive free cash flow in its history and debt levels are severely extended at over 7-8x EBITDA.

JinkoSolar, previously referenced, is an $800 million market cap manufacturer of modules with about 15% of the global market. They are set to invest substantially in order take market share despite a very negative near-term outlook. Jinko's debt situation is similarly unsustainable to GCL-Poly, requiring either a dramatic upturn in profitability or especially generous lenders.

We have built detailed cash flow models for each of the companies above. In each case, divine intervention maybe needed to prevent bankruptcy – the math simply doesn't work with paper thin profits and massive borrowings. But caution is warranted, we've seen this set-up before in China and government intervention is a possibility.