



# Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



Eikoh

As of 29 March 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\$ 871m in long-short and long-only strategies (subscribed assets)

## Cumulative performance (%)

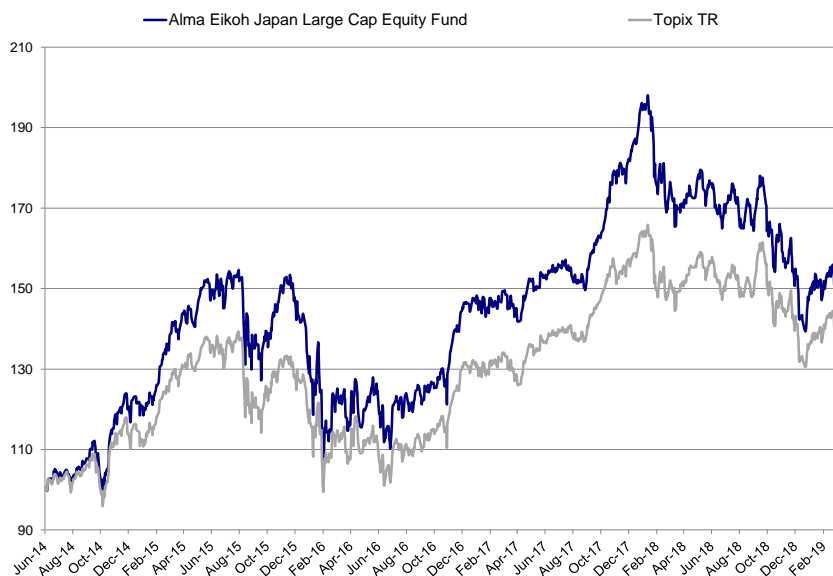
	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I GBP Hedged C shares	0.47	7.79	-13.83	7.79	-11.36	22.90	50.99
I GBP Unhedged C shares	2.00	3.30	-12.67	3.30	-9.19	34.50	-
I EUR Hedged C shares	0.37	7.37	-14.67	7.37	-12.65	19.42	-
I JPY C shares	0.46	7.36	-14.43	7.36	-11.96	21.01	-
I EUR C shares	1.24	-	-	-	-	-	-
I USD Hedged C shares	0.70	8.35	-12.78	8.35	-9.30	25.85	54.01
Topix (TR)	0.09	7.74	-11.23	7.74	-4.35	26.20	42.79

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

## Portfolio characteristics

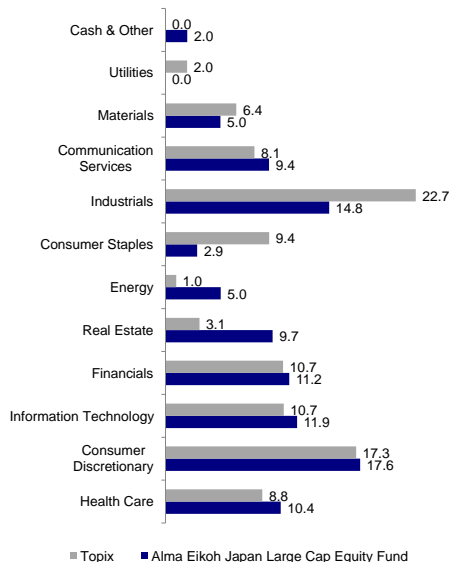
Main indicators	Fund	Index
No. of securities	29	2124
Weighted Average Market Cap (¥ bn)	4 102	3 235
Median Market Cap (¥ bn)	2 499	47
Dividend Yield (%)	2.4	2.4
Historical Price / Earnings	13.3x	13.6x
Historical Price / Cashflow	9x	8.3x
Historical Price / Book	1.1x	1.2x
Volatility since inception (%)	20.6	18.9
Sharpe ratio since inception	2.6	2.3
Active share (%)	82.5	-
Beta since inception	1.05	-
Tracking error since inception (%)	5.6	-
Information ratio since inception	2.0	-

## 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*
MITSUBISHI UFJ FINANCIAL GRO	Financials	6.43
TOYOTA MOTOR CORP	Consumer Discretionary	5.54
MITSUBISHI ESTATE CO LTD	Real Estate	5.43
JXTG HOLDINGS INC	Energy	5.01
SHIN-ETSU CHEMICAL CO LTD	Materials	4.97
SUMITOMO MITSUI FINANCIAL GR	Financials	4.79
MITSUI FUDOSAN CO LTD	Real Estate	4.27
M3 INC	Health Care	4.23
DAIICHI SANKYO CO LTD	Health Care	4.19
KOMATSU LTD	Industrials	3.55
<b>TOTAL:</b>		<b>48.41</b>

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

## Investment manager's commentary

### Market Review and Outlook

Topix posted a disappointing performance in March, broadly flat on a total return basis in contrast to global markets which for the most part posted moderate gains. The poor performance appears to have been driven by increased investor concern over slowing global growth and the potential impact of this on Japan's economy. Bond markets were firm, reflecting these concerns, with the yield on the US 10 year falling from 2.72% to 2.41% and the Japanese 10 year falling from -0.02% to -0.10%; US bond market yields inverted in the second half of the month. The market fall was led by economically sensitive sectors such as shipping, securities, auto's and banks while most defensive sectors outperformed. Foreign investors were significant sellers of the market at ¥1.2trn for the month, more than reversing inflows seen in February and resulting in a small net outflow for the quarter overall. At the beginning of April the government announced the name of the new imperial era, Reiwa, which can be translated as order and harmony.

Domestic economic news announced over the period was relatively downbeat, though broadly in line with expectations. The Japanese PMI was flat at 48.9 in March, marking the second consecutive month below 50.0, and industrial production showed a weak +1.4% MoM rebound from February's fall, representing a -1.0% decline YoY. The March Tankan showed a sharp fall in the large manufacturers' current DI from +19 in December to +12 while SME's in the manufacturing sector saw a slump from +14 to +6. One brighter element of the survey however was that capital spending plans for 3'20 appears resilient and are above the initial estimate for 3'19 made a year ago. The labour market is still very tight with unemployment dipping down 0.2% to 2.3% in February though inflation remains subdued with the CPI ex food and energy up only 0.3% YoY in February.

While global economic momentum has weakened over the past six months led by worsening conditions in China and Europe and the US bond market is warning of recession, there are signs that demand may be bottoming out in Asia. The China Manufacturing PMI improved from 49.2 to 50.5 in March and this improvement was mirrored in Taiwan and Korea. Furthermore the Chinese policy stance remains pro-growth with cuts recently announced in VAT for manufacturing and fiscal policy expected to remain supportive. While signs of recovery in demand are tentative and there remain clear risks to the downside, the most significant of which is the development of trade relations between the US and China, a recovery in global demand would have significant implications for the Japanese stock market. The Topix has sharply underperformed over the past six months reflecting fears over the impact of a global slowdown and despite ongoing positive developments in terms of improving shareholder returns and a supportive pro-growth political administration. We consider it highly likely that Japan would perform strongly were global economic momentum to recover, reflecting its attractive fundamentals and valuation.

Despite further foreign investor selling in Q1, particularly of the cash market, we continue to expect that an easing of the heavy selling that marked last year will engender a better environment for bottom-up stock selection based strategies in 2019. While value continued to underperform growth in Q1 we believe that currently depressed value stocks are likely to outperform the market over the year overall. A clear trigger for this move would be an improvement in prospects for global growth and recent developments in Asia are encouraging in this regard. We consider the large number of recent buyback and cross shareholding unwinding announcements a positive development that reflects an ongoing shift in the attitude of Japanese management towards shareholder returns that is very supportive of the market. The Topix is trading at 1.19x book, on an estimated PER of 13.5x and a dividend yield of 2.37%.

### Fund

The Fund rose 0.46% (I JPY C share class) in March, outperforming Topix which rose by 0.09% (dividends reinvested).

The Fund outperformed Topix during the month with both stock selection and sector allocation contributing positively. Stock selection in pharmaceuticals was the major positive contributor with retailing and materials also adding value; this was offset in part by negative stock selection contributions within technology hardware, media & entertainment, capital goods and transportation. In terms of sector allocation the Fund benefitted from being overweight real estate and retailing while being underweight household & personal products and overweight banks offset some of these gains.

At the stock level the major positive contributor was Daiichi Sankyo, which rose sharply following the announcement of a significant tie-up with AstraZeneca for its oncology compound DS-8201. The holding in Sosei also added value as its partner Novartis announced plans to launch its COPD drugs into China and Rakuten rose following positive news flow regarding its entry into Japan's mobile telecom market as well as the impending listing of Lyft, in which the Company holds a stake. Other notable contributors included Mitsubishi Estate and Mitsui Fudosan as the real estate sector continued to outperform. The largest negative contributors included Mitsui OSK, Seven & I Holdings, Denso, Yahoo! Japan and Persol Holdings, none of which would appear to be linked to any notable deterioration in fundamentals during the month and as such we retain positions and in some cases made modest additions.

Over the month we purchased one new stock for the portfolio, Keisei Railway, which we like because of two aspects to the Company's business. Firstly, Keisei's core railway operations are heavily geared to the lines that service Haneda and Narita Airports; they are thus unusual in Japan in possessing good medium prospects for organic growth. The second unique positive that the Company possesses is its 22% owned affiliate, Oriental Land, which holds the licence for Tokyo Disneyland. Profits from this venture represent about 50% of total net profits and look set to grow strongly over the next 5 years. We judge that the Company's very favourable fundamentals are not properly reflected in its market valuation. The purchase was funded by the sale of the Fund's holding in Mitsui Mining and Smelting. This Company's business performed poorly last year and we are increasingly concerned that prospects for recovery in demand for their key product "Micro-thin" copper foil are weak reflecting the lack of potential growth in the smartphone supply chain. Existing positions in JXTG, Seven & I, and Sony were added to and positions in Murata, TDK and Daiichi Sankyo were reduced. These changes were in response to relative price movements which left the former group looking more attractively valued and the latter less so than had hitherto been the case.

### Fund facts

**Fund total net assets:** ¥27 153.12 M (\$245.12 M) **Base currency:** JPY

**Fund domicile:** Luxembourg

**Management fee:** 0.90% p.a.

**Fund type:** UCITS SICAV

**Fund launch:** 12 June 2014

**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

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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
Institutional EUR Unhedged Distribution share class		
Isin: LU1870374920	Ticker: AEJLIED LX	Launch: 08 March 2019

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