

As of 29 March 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 (%)

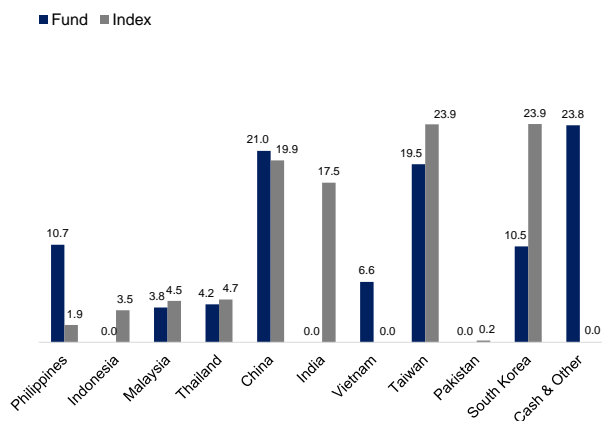
	I USD C shares	MSCI EM Asia SMID TR
1M	1.06%	2.47%
3M	9.50%	8.55%
6M	-0.44%	0.05%
YTD	9.50%	8.55%
1Y	-10.17%	-9.11%
Since inception *	13.99%	15.33%

\*Inception of the UCITS: 9 September 2016

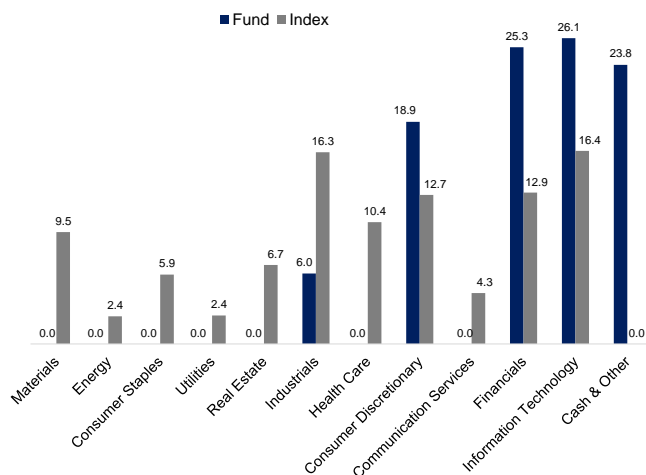
## Portfolio characteristics

Main indicators	Fund	Index
No. of equities	17	1518
Weighted Average Market Cap (\$ bn)	10.7	2.6
Median Market Cap (\$ bn)	3.6	0.9
Dividend Yield (%)	2.7	2.9
Price / Earnings	10.9	12.7
Price / Cashflow	8.1	8.3
Price / Book	1.6	1.4
Volatility since inception (%)	13.2	15.2
Active share (%)	99.3	-
Beta since inception	0.7	-
Tracking error since inception (%)	9.4	-
Sharpe ratio since inception	0.2	0.2
Information ratio since inception	-0.1	-

## Country breakdown (% NAV)



## Sector breakdown (% NAV)



## Top 10 positions details

Security name	Sector	Country	% NAV
SAMSUNG SDI CO LTD	Information Technology	South Korea	6.64
METROPOLITAN BANK & TRUST	Financials	Philippines	6.59
MIDEA GROUP CO LTD-A	Consumer Discretionary	China	6.49
HAITIAN INTERNATIONAL HLDGS	Industrials	China	6.00
MILITARY COMMERCIAL JOINT	Financials	Vietnam	4.56
TAIWAN UNION TECHNOLOGY CORP	Information Technology	Taiwan	4.53
GLOBALWAFERS CO LTD	Information Technology	Taiwan	4.48
NEXTEER AUTOMOTIVE GROUP LTD	Consumer Discretionary	China	4.35
SIAM COMMERCIAL BANK-FOREIGN	Financials	Thailand	4.16
HANGZHOU ROBAM APPLIANCES-A	Consumer Discretionary	China	4.12

51.92

## Investment manager's commentary

### Market Review and Outlook (Mar-2019)

Asian equities sustained the recovery trend and further gained +2.5% in March (as measured by the Fund's benchmark MSCI EM Asia SMID). Similar to the previous two months, the optimism from constructive U.S.-China trade talks and the continuous dovish tone on Fed rate hikes remained the two main factors supporting Asian equities. Yet this upward momentum lagged somewhat on concern over a slowdown in global growth signaled by the recent inversion of the yield curve. With dissipating macro headwinds, individual market performance diverged due to country specific elements.

India rallied in March and delivered an impressive 12.2%, significantly outperforming the broader Asian markets. This bounce was mostly fueled by strong inflows in equities and debt markets following major correction in previous months, also helped boost the INR up by 2.1%. The expectations of lower policy rates given more sustainable and controlled inflation readings, coupled with higher confidence spurred by recent opinion polls indicating the incumbent BJP Government would be further consolidating power in the upcoming elections, all supported Indian equities to deliver the best monthly performance in the region. Further contributing to the Asian equities' performance was China, which sustained the upward momentum so far this year and gained an additional 4% in March. The major driver was the continuous de-escalation on U.S.-China trade war with intense negotiations by representatives of the two nations (high profile meetings held in Beijing at the end of March and further negotiations in Washington in early April). These meetings sent a positive signal to markets, boosting optimism that the two sides were making meaningful progress towards a deal. In addition, China released better-than-expected economic readings and the National People's Congress (NPC) demonstrated an affirmative pro-growth policy stance during its annual meeting. Apart from the two markets, Taiwan and Philippines also posted moderate gains of 2.9% and 2.6% respectively. Taiwan was carried by strong performance of semiconductor related counters, in sympathy with similar rebound seen in their US counterparts as investors increasingly gain conviction that the bottom of the semiconductor cycle is upon us. On the ASEAN front, Philippines benefited from the rapid deceleration of inflation, with recently readings declining to below 4% annualized for the first time in a year. Also helped supporting Philippines equities was the pro-growth stance signaled by the newly appointed central bank governor, and the increasing market consensus that Monetary Board's would soon be loosening monetary conditions through lowering reserve requirements and policy rate cuts. Finally, Malaysia delivered slight gains of 1.4% as Moody's reaffirmed the country's sovereign rating at A3 on expectations of a growth-oriented new economic policy formulation by the government.

Underperforming and diluting the returns for the region were Indonesia, Korea and Thailand, which closed March with declines of -4.8%, -3.2% and -2.4%, respectively. The plunge in Indonesia SMID was mainly driven by the 22% exposure to consumer staples stocks which as a group declined -6.5% in March. Lacking any positive near-term catalysts and with weak earnings guidance for the upcoming quarters, local sentiment towards Korean equities remained weak. Further pressuring returns in US\$ term was the continued downward trend in KRW, which weakened by -1.5% during the month. Thailand's underperformance was mainly driven by increasing political noise and uncertainty as the country approached its first parliamentary elections since the Junta took over almost 5-years ago.

### Fund

The Fund gained 1.1% in March, underperforming its benchmark, despite most of its holdings (12 out of 17) returning positively with only two holdings acting as main detractors in the portfolio.

The largest contributor of the month was Hangzhou Robam Appliances, which is a dominant player in high-end cooking appliances market in China. The Company shot up by 29.2% in March and accounted for a positive contribution of 1.2% to the Fund's returns. Taiwan Union Technology (TUC) sustained its uptrend with another 10.4% increase in March and continued to be one of the top contributors to the Fund. Although having most of our portfolio companies reporting positive returns, two of our core positions, Samsung SDI and Nexteer Automotive, dropped significantly and offset a large part of the gains from the Fund's other holdings. Samsung SDI followed the downward trend of the Korean market and decreased by 10.6%, detracting the Fund performance by 0.7%. The stock has been pressured by its large battery energy storage solutions (ESS), which is expected to slow down this year as new regulatory measures are being put in place to improve safety standards against overheating and fire. We see this pressure as largely temporary and not affecting the long-term demand dynamics of a critical and necessary infrastructure component needed for renewable energy generation and making distribution viable. Another important market for SDI's large battery business is batteries for electric vehicles, its demand remains strong and supportive to SDI's strong earnings growth outlook for the next few years. For Nexteer Automotive, most of the decline took place just before the Company's earnings release, which in our view was reasonably solid with a flattish no growth profile on a yoy basis. While we want to see growth in all of our investee companies, Nexteer's operational performance is considered solid in light of the general slowdown witnessed in China during the 2H18 as well as the supply chain disruptions in the auto sector as a result of being at the center of the on-going trade conflict between the U.S. and the rest of the world. Long-term, we believe the Company's business remains fundamentally strong and its growth profile is intact supported by its technological leadership in steering systems.

While we have been adding to new and existing positions and attempting to reduce our excess cash position, this has been partially offset by the cash raised from several of our larger holdings which continued to perform well. This reflects our dynamic undertaking to properly calibrate all positions in the portfolio, anchored by our valuation discipline. While not visible yet as of the end of March, cash levels have declined considerably by early April on the back of capital deployment into both new and / or recently established positions that have been in build-up mode. One of the new additions was Vietnam Prosperity Bank (VPB), a leading bank in Vietnam with dominant share in retail lending and consumer finance. In 2017, the Bank first attracted our attention with its dominant position in the high margin consumer finance segment, well positioned to benefit from the rise in consumption and the low level of consumer banking penetration in Vietnam. We were also impressed by its prudent management of NPLs reflected in conservative write off and provisioning policies, which added additional buffer to its future earnings growth. The company faced some temporary challenges in its core consumer finance business, stemming from a mispriced new product and poor collection performance as its debt collection team suffered personnel losses to competitors. This year, we see a considerable upside potential with the Company addressed to both issue yet still remained at discounted share prices, we have been keen to establish a position but prevented from doing so due to the stock's foreign ownership limit. Recently a small block from a foreign shareholder became available and gave us an opportunity to initiate a small position in VPB. We will remain on the lookout for future blocks to further build up our exposure in the name. We also added to Security Bank in Philippines and Siam Commercial Bank in Thailand, both are relatively new holdings that up until recently were still in the build-up stage. Our view is that finding undervalued financial institutions with simple operation models (consumer lending being the core business), is often a better channel to capture domestic economic growth in emerging markets compare to expensive consumer brands.

## Fund facts

<b>Fund domicile:</b>	Luxembourg	<b>Fund total net assets:</b>	\$15.58 M	<b>Identifiers:</b>	Institutional USD Capitalisation share class Isin: LU1432386016 Ticker: AVASMIU LX Launch: 9 September 2016
<b>Fund launch:</b>	9 September 2016	<b>Fund type:</b>	UCITS SICAV		
<b>Management fee:</b>	1.00% p.a.	<b>Base currency:</b>	USD		
<b>Performance fee:</b>			15% above the MSCI EM Asia SMID TR Index		
<b>Depository, Administrator, Transfer Agent:</b>	BNP Paribas Securities Services (LU)				
<b>Dealing:</b>	Each day with a 1-day notice. Cut-off time: 12 pm CET				
<b>Management company:</b>	Alma Capital Investment Management (LU)				
<b>Investment manager:</b>	Victoire Asia Investments Ltd (HK)				

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