

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 26 April 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\$ 665m in long-short and long-only strategies (subscribed assets)

Cumulative performance (%)

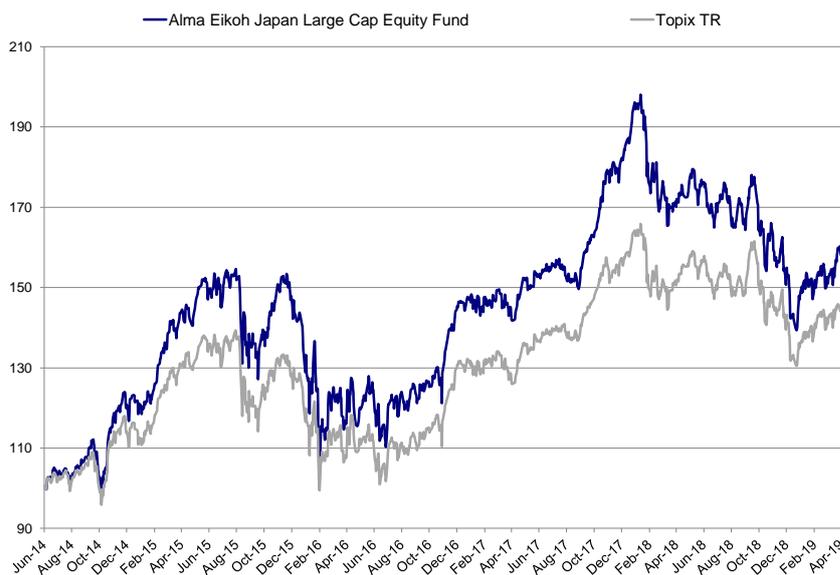
	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I GBP Hedged C shares	5.82	6.97	0.45	14.06	-7.92	32.38	59.78
I GBP Unhedged C shares	5.75	5.02	-0.64	9.24	-4.39	42.28	-
I EUR Hedged C shares	5.67	6.63	-0.28	13.46	-9.32	28.52	-
I JPY C shares	5.65	6.76	-0.04	13.43	-8.66	30.30	-
I EUR C shares	5.65	-	-	-	-	-	-
I EUR D shares	5.62	-	-	-	-	-	-
I USD Hedged C shares	5.82	7.37	1.53	14.65	-5.96	35.65	62.97
Topix (TR)	1.65	4.39	-0.38	9.52	-6.78	28.92	45.16

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

Portfolio characteristics

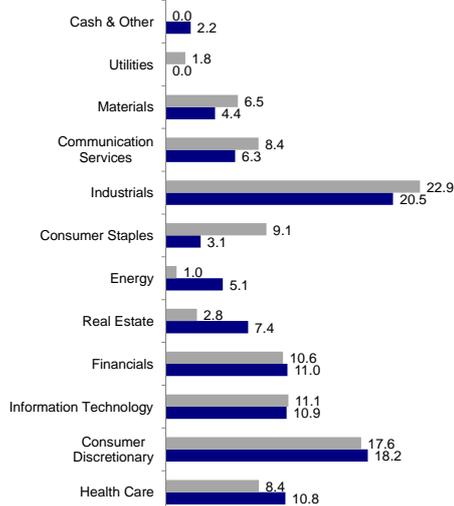
Main indicators	Fund	Index
No. of securities	28	2136
Weighted Average Market Cap (¥ bn)	4 179	3 382
Median Market Cap (¥ bn)	2 188	47
Dividend Yield (%)	2.4	2.4
Historical Price / Earnings (x)	12.5	13.7
Historical Price / Cashflow (x)	8.8	8.4
Historical Price / Book (x)	1.1	1.2
Volatility since inception (%)	20.5	18.8
Sharpe ratio since inception	3.1	2.4
Active share (%)	83.2	-
Beta since inception	1.05	-
Tracking error since inception (%)	5.7	-
Information ratio since inception	3.1	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM*)

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



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

Top 10 positions details

Security name	Sector	% AUM
MITSUBISHI UFJ FINANCIAL GRO	Financials	6.19
TOYOTA MOTOR CORP	Consumer Discretionary	5.67
JXTG HOLDINGS INC	Energy	5.15
SUMITOMO MITSUI FINANCIAL GR	Financials	4.78
SHIN-ETSU CHEMICAL CO LTD	Materials	4.44
DAIICHI SANKYO CO LTD	Health Care	4.33
M3 INC	Health Care	4.32
KOMATSU LTD	Industrials	4.04
MITSUBISHI CORP	Industrials	3.93
MITSUI OSK LINES LTD	Industrials	3.88
TOTAL:		46.73

Investment manager's commentary

Market Review and Outlook

In tandem with the positive performance of global equity markets, the Topix registered a gain of 1.65% in April. Investors were encouraged by evidence of economic recovery in China coupled with the apparent progress of trade talks between the US and China resulting in rising hopes of a settlement. The oil price strengthened as did the Baltic Freight Index, jumping from 689 to 1011, but currency markets were relatively stable and the Yen showed only marginal weakness. Cyclical stocks led the recovery with shipping, machinery, electronics and autos all rising strongly while utilities, pharmaceuticals and land transport all declined. A feature of the month was a surge in investment from overseas investors with a net inflow of ¥1.8trn and looking at the cash market alone an inflow of ¥1.6trn and the first cash net buying since July last year.

Domestic economic news announced over the period remained poor, though not unexpectedly so. Following on from the weak Tankan the March Economy Watchers Survey showed a fall of 2.7 to 44.8 for current conditions and the future conditions index slipped 0.3 to 48.6 for the second successive monthly decline. The Consumer Confidence Index also fell in March, falling from 41.5 to 40.5 marking six consecutive falls and reaching the lowest level since Feb'16. Industrial Production fell -0.9% MoM in March somewhat below market expectations of a flat result; on the bright side however a survey of manufacturers production forecasts indicates a strong rebound of +2.7% and +3.6% respectively in April and May. April PMI data was also supportive of potential recovery from recent weakness with a reading of 49.5 up 0.3 compared to the month before.

While global economic conditions remain weak, illustrated by the fact that the IMF cut its 2019 global growth forecast from 3.7% to 3.3% in April, there were further signs that demand appears to be bottoming out in Asia. The March China Manufacturing PMI strengthened further to 50.8 and the composite PMI came in at 54.0 ahead of expectations. Chinese GDP growth in Q1 grew a robust 6.4% YoY and Industrial Production surprised on the upside in March accelerating to +8.5% growth YoY. There remain clear risks to the downside, the most significant of which remains the development of trade relations between the US and China, but we retain our view that a recovery in global demand would have significant implications for the Japanese stock market. The Topix has sharply underperformed over the past six months or so in tandem with the slowdown in global growth and despite ongoing positive domestic 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.

The strong return achieved by the Fund in April is very encouraging. The switch from foreign selling to net inflows is supportive of our expectation 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 has underperformed the market so far this year we believe that currently depressed value stocks are likely to outperform the market over the year. A clear trigger for this move would be an improvement in prospects for global growth and recent developments in Asia remain 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 12.6x and a dividend yield of 2.39%.

Fund

The Fund rose 5.65% (I JPY C share class) in April, outperforming Topix which rose by 1.65% (dividends reinvested).

The Fund outperformed Topix during the month with stock selection the main driver. Stock selection in transportation, pharmaceuticals, media & entertainment and materials all made significant positive contributions while the Fund also benefitted from stock selection and being overweight semiconductors & semiconductor equipment. Negative contributions included being overweight real estate as the sector posted losses over the month, while underweights and stock selection in capital goods and telecoms also detracted from performance.

At the stock level positive contributors were dominated by global cyclicals which showed signs of recovery amid a more constructive market outlook and evidence of a value reversal. These included Mitsui OSK, Shin-etsu Chemical, Rohm and Komatsu while the temporary staffing company Persol Holdings also outperformed after recent underperformance left it look very cheap relative to peers. Rakuten continued to outperform on positive news flow around its entry to the domestic mobile market and internet investments while Nintendo jumped in response to an announcement regarding their planned entry to the Chinese console market. The largest negative contributors included Mitsubishi Estate and Mitsui Fudosan as real estate stocks declined as well as Seven & I Holdings and Zozo. Not holding any Softbank also detracted as the stock outperformed ahead of the planned IPO of its investee company Uber.

During the month we initiated a new position in Hitachi High-Tech, switching from the existing long in Screen Holdings as we see the former as a higher quality operation that benefits from a significant medical business in addition to the SPE operations. The ongoing restructuring of the Hitachi Group is also seen as a potential catalyst here. We initiated a position in IHI following a period of sustained share price weakness. Here we like the long term outlook for their aircraft engine operations and we are encouraged by the progress they have made in reducing risk in their engineering contracting business. We sold the remaining position in Fujitsu following it having performed well leaving it showing limited upside. The long position in Nintendo was sold after news of their entry into the Chinese market drove the stock to recent highs and left us with limited upside given what we see as limited potential for consoles in this market and the likely impending peak of the Switch console cycle. We continued to add to the position in Keisei Electric Railway and Mitsui OSK Lines initiated over the past few months and took advantage of share price weakness to add to positions in Mitsubishi Corp and Seven & I Holdings. After a period of strong performance we took profit on Mitsubishi Estate and Shin-Etsu Chemical reducing the size of these positions.

Fund facts

Fund total net assets: ¥28 239.46 M (\$252.87 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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