FOR PROFESSIONAL INVESTORS ONLY

ALMA CAPITAL

Alma Hotchkis & Wiley Global Value Equity Fund

Hotchkis & Wiley

A sub-fund of Alma Capital Investment Funds SICAV

As of 30 April 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 an 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
- Total firm AUM is $30 billion across 11 value investment equity and income strategies

Cumulative performance (%)

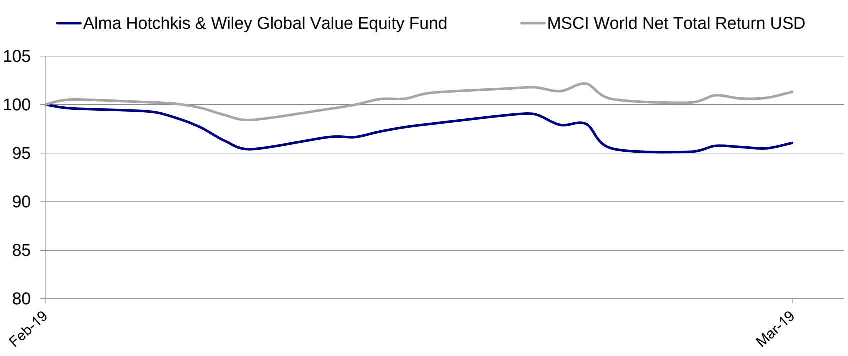
	1 M	3 M	6 M	YTD	1Y	3Y	ITD
I USD C shares	-3.95						-3.95
MSCI World Net Total Return USD	1.31						1.31

Fund launched on 28 February 2019

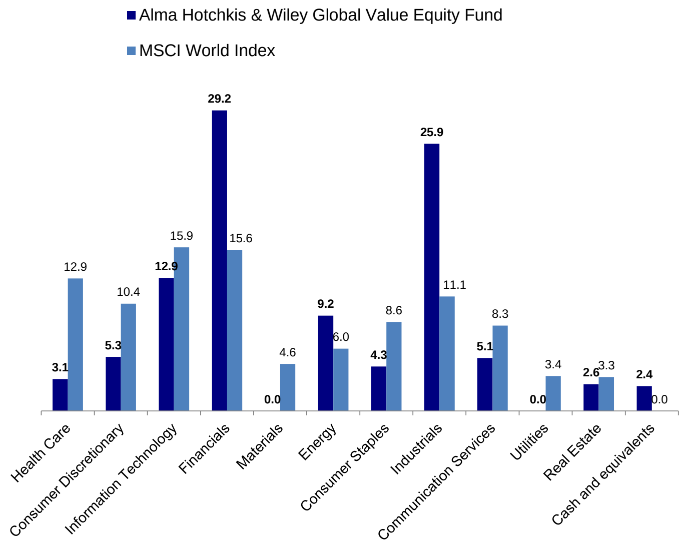
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	54	1635
Weighted Average Market Cap ($ bn)	75.5	159.4
Median Market Cap ($ bn)	24.8	13.0
Projected P/E Ratio	9.7x	14.2x
Price / Normal Earnings	6.6x	15.8x
Price / Cash Flow	5.3x	9.8x
Price / Book	1.0x	2.3x
Price / Sales	0.8x	1.6x
Earnings Yield (%)	10.3	7.0
Dividend Yield (%)	3.0	2.5

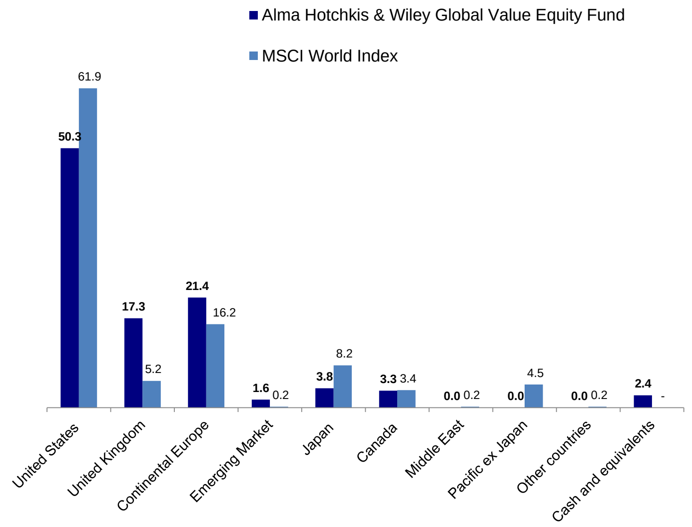
Performance (Indexed - Base 100)



Sector Weights (% NAV)



Regional Allocation (% NAV)



Alma Hotchkis & Wiley Global Value Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

Top 10 positions details

Security name	Sector	Country	% NAV
AMERICAN INTERNATIONAL GROUP	Financials	United States	5.07
GENERAL ELECTRIC CO	Industrials	United States	4.34
MICROSOFT CORP	Information Technology	United States	3.44
WESTJET AIRLINES LTD	Industrials	Canada	3.30
GOLDMAN SACHS GROUP INC	Financials	United States	3.28
BAE SYSTEMS PLC	Industrials	United Kingdom	3.15
WELLS FARGO & CO	Financials	United States	3.02
SOCIETE GENERALE SA	Financials	France	2.95
ORACLE CORP	Information Technology	United States	2.80
DISCOVERY INC-C	Communication Services	United States	2.75
		TOTAL:	**34.10**

Investment manager's commentary

Market:

After falling -13.4% in 4Q 2018, the MSCI World Index returned +12.5% in the first quarter of 2019. The swift decline and equally rapid recovery appear to have both been triggered by changes in investor sentiment as opposed to changes in underlying economic or business fundamentals. Investor concerns emerged late in 2018 regarding trade tensions and hawkish central bank action/language; this combination created fears of impending global economic recession. These concerns appeared to fade somewhat during the first quarter of 2019 due to positive progress on US/China trade talks and dovish central bank commentary that moved interest rates lower. All MSCI World sectors were positive in the first quarter, with the best returning +20% (technology) and the worst returning +8% (healthcare). The MSCI World's forward P/E ratio increased from 14.3x at the end of 2018 to 15.7x at the end of the first quarter, which matches the index's median valuation over the past ~20 years. While the valuation is now about average, it is considerably lower than the 18x level where it began 2018.

We view the overall global equity market as fairly valued, but believe that there is a large valuation disparity between certain segments of the market. Banks in our opinion remain a particularly attractive value. Banks in the MSCI World Index trade at 9.6x forward earnings. The median multiple for this group since 2002 (earliest data available) is 11.3x, so the group currently trades at about 85% of its historical average. Considering that banks' balance sheets are as strong as they have been in decades, and the majority of earnings are being returned to shareholders via dividends and share repurchases, we view banks' risk/reward tradeoff as especially compelling. The portfolio's banks trade at an even lower valuation (7.8x consensus earnings and 6.0x normal earnings) with a payout yield of 7% (dividends + share repurchases as a percentage of total equity). Less attractive to us at current prices are utilities. The MSCI World's utility sector trades at 17.2x forward earnings. The median multiple for utilities since 2002 is 15.4x, so the group currently trades at 112% of its historical average. Unlike banks global utilities have added financial leverage, increasing net debt to EBITDA by 25% over the past decade from 3.6x to 4.5x. Utilities can support higher debt levels than most other businesses, but paying high multiples for slow growing businesses with increased leverage is not an attractive proposition in our view. Reflecting these considerable valuation dispersion across sectors, the portfolio exhibits large sector deviations from the benchmark.

The MSCI World Growth Index outperformed the MSCI World Value Index in the quarter by about 4.6 percentage points (+14.8% vs. +10.2%); since the beginning of 2017, global growth has outperformed global value by 22 percentage points (+37% vs. +15%). Interestingly, the combination of earnings growth plus dividends paid has been similar for the underlying growth and value companies over this period. The performance difference, therefore, is almost entirely explained by changes in price multiples. The P/E ratio for the Value index has contracted by more than 20% while the P/E ratio for the Growth index has contracted by about 5%. This repricing has contributed to not only the large valuation differences across sectors but also to notable spreads within sectors. Given this backdrop, we have been able to build a portfolio that trades at a large discount to the market. The portfolio's forward price-to-earnings ratio is just 82% of the MSCI World Value's P/E compared to the long term average of 88%; the portfolio's forward price-to-earnings ratio is just 53% of the MSCI World Growth's P/E compared to the long term average of 67%. As active investors with a commitment to long-term fundamental valuation, we view this environment as conducive to our approach and we are optimistic about the portfolio's prospects.

Attribution:

The portfolio underperformed the MSCI World Index for the month. Relative to the broad benchmark, the portfolio's overweight in financials detracted from performance. The outsized position in European banks hurt; the group now trades at valuation levels not seen since the financial crisis, despite dramatically improved balance sheets, improved profitability, and payout yields in the mid-to-upper single digits. Stock selection in industrials and consumer discretionary also detracted from performance.

The largest individual detractors to relative performance in the quarter were Royal Mail, Cairn Energy, WestJet Airlines, Adient PLC, and Danieli; the largest positive contributors were Hitachi, Whiting Petroleum, Unilever, Microsoft, and Oracle.

Fund facts

Fund total net assets:	$9.6 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

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

info.investors@almacapital.com