ALMA CAPITAL

Alma Victoire Asia SMID Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

Victoire

As of 31 May 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 (%)

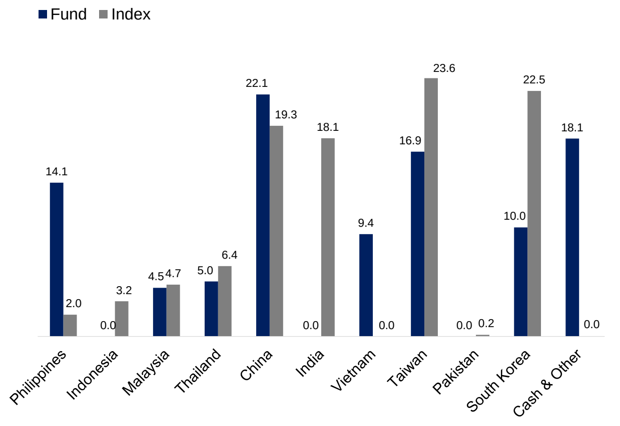
	I USD C shares	MSCI EM Asia SMID TR
1M	-6.65%	-6.59%
3M	-3.36%	-4.35%
6M	0.61%	-0.47%
YTD	4.71%	1.32%
1Y	-8.95%	-16.22%
Since inception *	9.00%	7.65%

*Inception of the UCITS: 9 September 2016

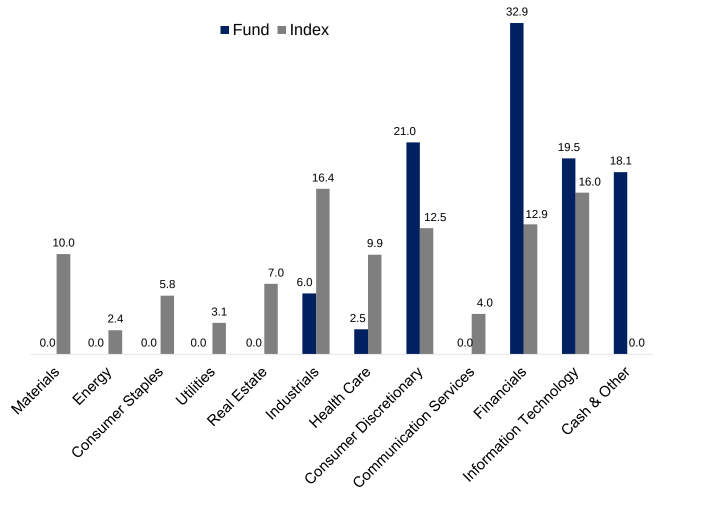
Portfolio characteristics

Main indicators	Fund	Index
No. of equities	16	1540
Weighted Average Market Cap ($ bn)	10.4	2.4
Median Market Cap ($ bn)	3.2	0.8
Dividend Yield (%)	2.8	3.1
Price / Earnings	10.6	12.2
Price / Cashflow	7.5	7.8
Price / Book	1.4	1.3
Volatility since inception (%)	13.4	15.2
Active share (%)	99.3	-
Beta since inception	0.7	-
Tracking error since inception (%)	9.3	-
Sharpe ratio since inception	0.0	0.0
Information ratio since inception	0.1	-

Country breakdown (% NAV)



Sector breakdown (% NAV)



Top 10 positions details

Security name	Sector	Country	% NAV
MIDEA GROUP CO LTD-A	Consumer Discretionary	China	7.95
METROPOLITAN BANK & TRUST	Financials	Philippines	7.37
SECURITY BANK CORP	Financials	Philippines	6.69
HAITIAN INTERNATIONAL HLDGS	Industrials	China	6.03
SAMSUNG SDI CO LTD	Information Technology	South Korea	5.97
GLOBALWAFERS CO LTD	Information Technology	Taiwan	5.52
SIAM COMMERCIAL BANK-FOREIGN	Financials	Thailand	5.04
LUNG YEN LIFE SERVICE CORP	Consumer Discretionary	Taiwan	4.93
MILITARY COMMERCIAL JOINT	Financials	Vietnam	4.71
VIETNAM PROSPERITY JSC BANK	Financials	Vietnam	4.65
			58.87

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Investment manager's commentary

Market Review and Outlook (May-2019)

In May, Asian equities plunged -6.6%, as measured by the Fund's benchmark MSCI EM Asia SMID. Market sentiment swiftly turned negative after a sudden intensification of U.S. China trade tensions. Negotiations between the two super economies unexpectedly turned sour resulting in a collapse in the talks and heightened tariffs by both sides. To make matters worse, the Trump administration announced export restriction of key technology components aiming to de-rail the Chinese telecom equipment giant Huawei. Such actions were in turn, reciprocated by veiled threats by the Chinese government to cut off the supply of rare earths to the U.S.. Against the backdrop of a deteriorating global growth scenario and dashed hopes for near-term settlement of an increasingly costly trade war, it is not surprising that Asian markets led global equities lower during the month of May.

Chinese equities led the region lower with a drop of -10.3%, reporting the worst month since start of the year. Heightened trade tension was unquestionably the main driver but weaker than expected economic readings released in April and CNY depreciation further compounded investors' concerns and contributed to the sell-off. Neighboring Korea declined by similar magnitude (-9.8%) under the shadow of worsening trade talks, macro uncertainties and depreciating KRW. Moving South, Indonesia retreated by -9.0% driven by mixed economic data, negative flow implications from the latest MSCI rebalancing and higher oil prices. The market also suffered from domestic political noise as protest rallies against the presidential election results turned violent. Supporters of General Prabowo Subianto took the street to demonstrate against Jokowi's victory, claiming electoral fraud. Taiwan saw no exception and fell by -7.0%. As an important global hub for manufacturers of electronic components, this IT heavy market started the month on a positive note as Apple announced better than expected 1Q results and 2Q guidance. However, such gains proved fleeting with the escalation of the trade war. Without any obvious favourable drivers, Malaysia and Thailand proved relatively defensive amid the region's declining equity markets, reporting losses of only -3.7% and -2.8% respectively. Philippines proved to be the exception in Asia, delivering a 2.0% gain for the month. This sharp divergence was mainly credited to the country's relatively lower reliance on trades and exports but also favourable domestic monetary policies which delivered interest rate cut and lower reserve requirements. Finally, India closed flattish at +0.5%. mainly due to local investors' excitement over exit polls indicating solid gains and a stronger than expected majority mandate for the incumbent National Democratic Alliance (NDA) government from the recently held general election.

Fund

The Fund declined -6.7% in May, broadly in line with its benchmark. Such performance was indeed disappointing considering the defensive characteristics of the portfolio through its high-quality holdings and strong value support. Despite the disappointment, we are not concerned about this month's performance. We have seen this time and time again: such fundamental support tends not to come through during periods of sharp market movements and especially when these occur over short periods.

The escalation of the trade war punished most export related stocks in an indiscriminate manner. While both Haitian and Nexteer, two of our core holdings in the portfolio, are fundamentally safe from the fallout of the current Sino-American trade conflict, markets have chosen to ignore their fundamentals. Haitian International, the largest manufacturer of plastic injection machines and Nexteer Automotive, the steering column supplier headquartered in Michigan, retreated -21% and -22% respectively in May, resulting in a negative contribution of -1.2% and -1.1% to the total return of the Fund. Haitian's revenue exposure to the US is approximately 5%, so a borderline immaterial exposure to escalating US tariffs and protectionism. We recognize that there is the 2nd derivative impact of weaker investment sentiment delaying capex levels globally, especially in China, which in turn, could negatively impact Haitian's domestic sales. However, the on-going efficiency enhancements offered by Haitian's more advanced series should continue to drive demand for its products. This is a well-capitalized company whose management has historically executed well during downturns and whose valuation levels are now trading near its low at 10.5x P/E19. For Nexteer, despite its American heritage as a spin-off of General Motors and having manufacturing facilities in Mexico supplying to the U.S. markets, the stock continued to be dragged down by prevailing fears of its operations being negatively impacted by a worsening U.S. and China relationship. The weakness in the auto demand across its key geographies (U.S., China and Europe) has been another contributing factor. However, the Company continues to expand its pipeline of new projects and increase its order book. We believe any cyclical downtown in key auto markets can be mostly offset by its growing orderbook with successful project wins on new car models. SK Hynix, the Korean memory semiconductor manufacturer also declined -19% and detracted -0.88% of performance to the Fund. Flexium, the PCB products manufacturer supplying to smartphones and Globalwafers, the 3rd largest global manufacturer of silicon wafers dropped by -20% and -11% respectively and detracting -0.6% each of performance.

In terms of portfolio turnover, we took advantage of low valuations and added to a few high conviction holdings, mainly Flexium, Haitian International and Globalwafers. Since February, we have been systematically adding to Security Bank in Philippines and this month was no exception. We hold a positive view on the company, considering its exposure to high margin retail financing and the fact that it has already absorbed most of the investment costs on branches and IT systems advancement. Additionally, we initiated a position in health care sector with Taidoc Technology, a Taiwanese medical facilities and equipment manufacturer.

Fund facts

Fund domicile:	Luxembourg	**Fund total net assets:**	$12.59 M
Fund launch:	9 September 2016	**Fund type:**	UCITS SICAV
Management fee:	1.00% p.a.	**Base currency:**	USD
Performance fee:			15% above the MSCI EM Asia SMID TR Index
Depositary, 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:			Victoire Asia Investments Ltd (HK)

Identifiers: Institutional USD Capitalisation share class
Isin: LU1432386016
Ticker: AVASMIU LX
Launch: 9 September 2016

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