FOR PROFESSIONAL INVESTORS ONLY

Alma Recurrent Global Natural Resources Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 30 April 2020

Fund description

- Investment objective: the fund seeks total return by investing in global natural resource-related companies.
- Typical industries in which the fund invests: energy, basic materials, infrastructure, transportation and logistics
- The fund may invest in companies of any market size capitalization, including IPOs
- The investment process incorporates macroeconomic and commodity supply/demand factors with fundamental company analysis

Investment manager: Recurrent Investment Advisors, LLC (US)

- Recurrent Investment Advisors is focused on understanding and profiting from commodity cycles to make differentiated natural resource investments
- Formed in April 2017. Registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC)
- Primarily owned by its co-founders Mark Laskin and Bradley Olsen, who both have extensive experience in energy investing
- Based in Houston, Texas (US)

Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I EUR C shares	18.19	-20.51	-22.71	-27.46	-26.76	-	-29.06	-17.04
I USD C shares	17.99	-21.43	-24.12	-29.21	-28.43	-	-33.30	-19.77
Index*	13.75	-17.48	-18.07	-23.78	-20.91	-	-25.40	-14.73

Fund launched on 29 June 2018

*S&P Global Natural Resources Net Total Return Index USD

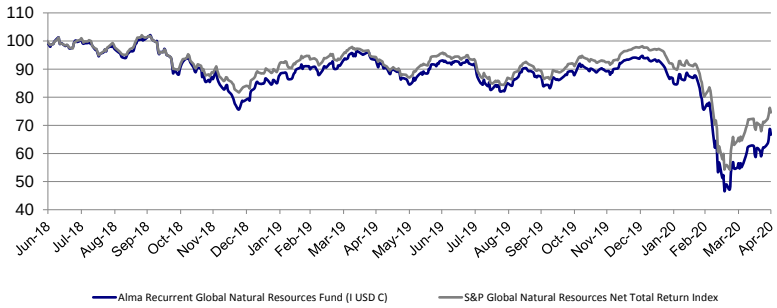
Portfolio characteristics

Main indicators	Fund	Index*
No. of securities	38	90
Weighted Average Market Cap ($ bn)	35.3	44.6
Median Market Cap ($ bn)	15.9	14.1
Estimated Price/Earnings (x)	14.5	15.7
Price/Book (x)	0.9	1.1
Price/Sales (x)	0.5	0.7
Estimated Long Term Growth (%)	1.1	7.4
Active Share (%)	63.4	-

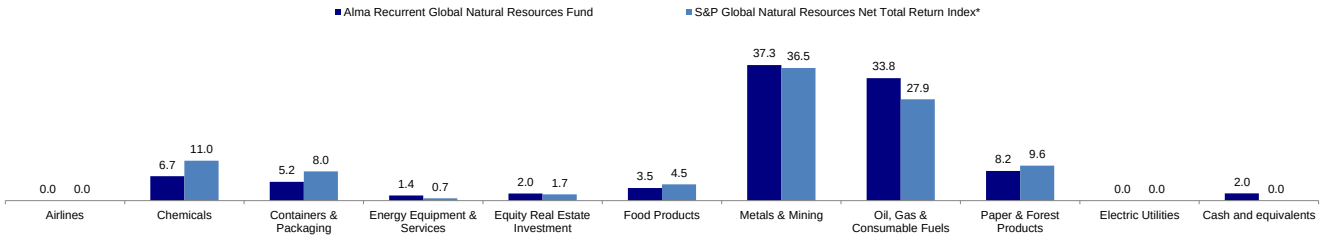
*S&P Global Natural Resources Net Total Return Index

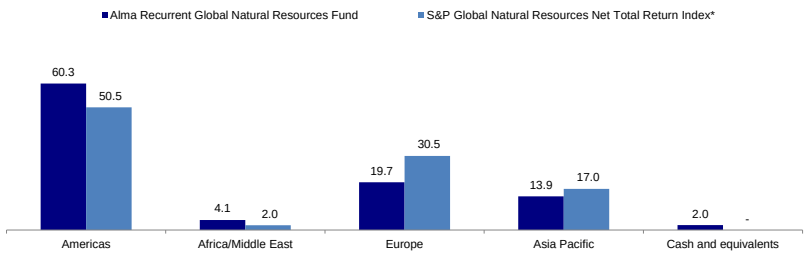
Except number of securities, using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

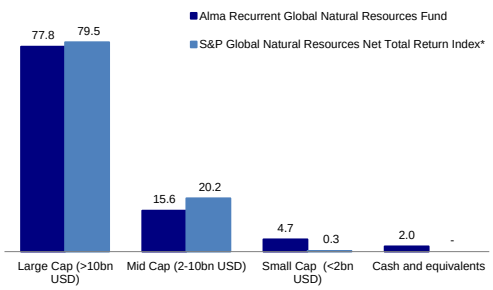
Performance (Indexed - Base 100)



Industry, region and market cap breakdown (% NAV)







*Using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

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ALMA CAPITAL

RECURRENT INVESTMENT ADVISORS

Top 10 positions details

Security name	Industry	Country	% NAV
BARRICK GOLD CORP	Metals & Mining	Canada	6.49
BHP GROUP LTD-SPON ADR	Metals & Mining	Australia	4.96
NUTRIEN LTD	Chemicals	Canada	4.54
ANGLO AMERICAN PLC	Metals & Mining	South Africa	4.12
TOTAL SA-SPON ADR	Oil, Gas & Consumable Fuels	France	4.10
FREEPORT-MCMORAN INC	Metals & Mining	United States	4.06
RIO TINTO PLC-SPON ADR	Metals & Mining	Australia	4.01
KINDER MORGAN INC	Oil, Gas & Consumable Fuels	United States	3.78
UPM-KYMMENE OYJ	Paper & Forest Products	Finland	3.61
CONOCOPHILLIPS	Oil, Gas & Consumable Fuels	United States	3.27
		TOTAL:	**42.94**

Investment manager's commentary

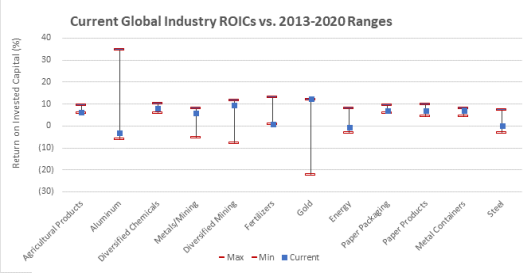
During the month of April, the Alma Recurrent Global Natural Resources fund rose by 17.99%, significantly outpacing the S&P Global Natural Resources' 13.75% return. During the month, stock selection in Exploration and Production companies added value relative to the index, with Marathon Oil (MRO) and Diamondback Energy (FANG) all rising more than 66% in the month. Additionally, with shelter-in-place mandates being loosened, early signs of increased driving demand boosted the portfolio overweight in refining sector, which rose more than 45% in April.

Portfolio Discussion

The impacts of Covid-19 have impaired corporate profitability in the short-term, but how does this compare to the normalized long-term outlook? We examine where differences between short-term and long-term profitability may offer investment opportunities

Since the widespread onset of COVID-19 earlier in 2020, economic activity slowed greatly as shelter-in-place orders proliferated globally. While in some cases, demand rose for necessary items like cleaning supplies and personal hygiene, for other goods, demand fell dramatically. In many segments of the natural resources universe, demand fell in an unprecedented and synchronized way. Markets quickly became oversupplied and prices fell along with volumes.

Stock volatility during the months of March and April reached historic levels, as the portfolio fell by -37.5% in March and rose by +32.3% in April. As we have outlined in previous monthly commentaries, our investment process focuses on companies' return-on-invested-capital (ROIC) compared to a ratio of enterprise value vs. invested capital (EV/IC). Given the recent volatility, it helps to take a snapshot of current ROICs as outlined by recent quarterly earnings reports, and compare those to historical ROICs to frame investment opportunities.



Source: Recurrent research, Bloomberg estimates and company guidance, public filings.

Interestingly, as can be seen in the chart above, there is a wide divergence of outcomes on a sub-industry basis. Certain industries, like metals/mining, gold and paper, have not yet proven to be broadly impacted by COVID-19. On the other hand, aluminum, steel, fertilizer and energy have seen ROICs fall to well below average levels.

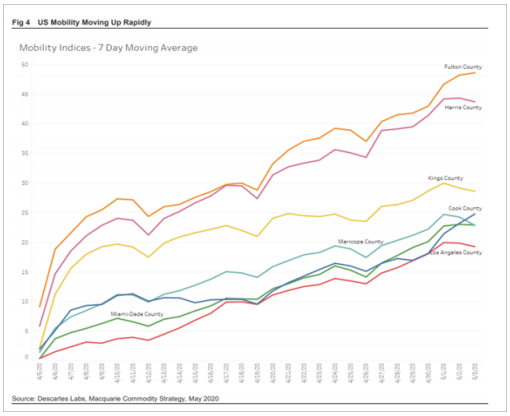
Unsurprisingly, sector performance has proven to be correlated with evolutions in ROIC. Industries with ROICs well below average as a result of COVID-19 have underperformed, and those which have shown less of a negative COVID-19 impact have outperformed. Going forward, what "normalized" post-Covid profitability looks like remains to be seen. To the degree that "normal" looks like the pre-Covid economy, then the forward-looking risk/reward warrants additional capital. Conversely, for those companies already implying normalized ROICs, the risk/reward is less favorable, and is used as a source of cash.

Reviewing the status of the oil market after a historically volatile month

In our recent monthly commentaries, we outlined why we expected oil prices to fall sharply, and why we believed prices would cause US oil production to fall by a greater magnitude, and more rapidly, than many market analysts expected. This outcome was highlighted by oil prices briefly turning negative on April 20th, accelerating the pace of declines and triggering economic shut-ins across North America. Over the course of the month, oil producing companies not only reduced capital spending plans, but prominent oil producers in the Bakken Shale in North Dakota announced that they would be turning off production more or less entirely, further exacerbating production declines. While many estimates had expected natural oil production declines to reach 2 million barrels/day over the course of 2020, April's sharp fall in oil prices accelerated these production cuts, both from a size and timing perspective. Currently we expect oil production to fall approximately 1 million barrels/day within May alone, largely as a result of price, greatly reducing concerns that oil inventories would overwhelm storage capabilities.

At the same time, as oil supply is rapidly falling, early signs of US demand improvement have emerged. As numerous regions have relaxed shelter-in-place regulations, mobility and driving have notably increased, a large component of lost US oil demand. The chart below highlights the increased mobility in US metropolitan areas – as a brief note, Recurrent is based in Harris County, and increased traffic patterns are easily observable.

To the degree that this trend continues, oil demand will increase to the point that the oil market will function "normally". Already, by mid-May, WTI (US) oil prices have rebounded to roughly $25/bbl, and will remain at similar levels to disincentivize new wells to be drilled, until such time that US oil demand reverts closer to normalized levels. At that point, refined product and oil inventories will be drawn, and the oil price will continue to firm, until OPEC spare capacity returns to the market. While oil prices will soften at that time, the "normalizing" of the market will ultimately be a further sign of long term health.



Fund facts

Fund total net assets:	$21.37 M	**Dealing:**	Each day with a 1-day notice	Cut-off time : 12 pm CET
Fund domicile:	Luxembourg	**Identifiers:**		
Countries where the fund is registered:	Luxembourg, France	Institutional USD Capitalisation share class		
Fund type:	UCITS SICAV	Isin: LU1823602369	Ticker: ARGNIUC LX	Launch: 29 June 2018
Base currency:	USD	Institutional EUR Capitalisation share class		
Management fee:	0.95% p.a.	Isin: LU1845388146	Ticker: ARGNIEC LX	Launch: 29 June 2018

Depositary, Administrator, Transfer Agent:	BNP Paribas Securities Services (LU)
Management company:	Alma Capital Investment Management (LU)
Investment manager:	Recurrent Investment Advisors (US)
Fund managers:	Mark Laskin
	Bradley Olsen

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