

As of 29 May 2020

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

Investment manager: ACIM (Alma Capital Investment Management)

- Alma Capital Investment Management is a Luxembourg based asset management company and holds a branch office in London
- ACIM manages assets of \$4bn and is regulated by the Luxembourg regulator the CSSF
- The portfolio managers, led by James Pulsford, worked together at Eikoh Research Investment Management managing the portfolio before joining ACIM in January 2020
- Naohiko Saida based in Tokyo at Milestone Asset Management provides a dedicated research service to the team at ACIM, Naohiko and James have worked together for the last twenty years

Cumulative performance (%)

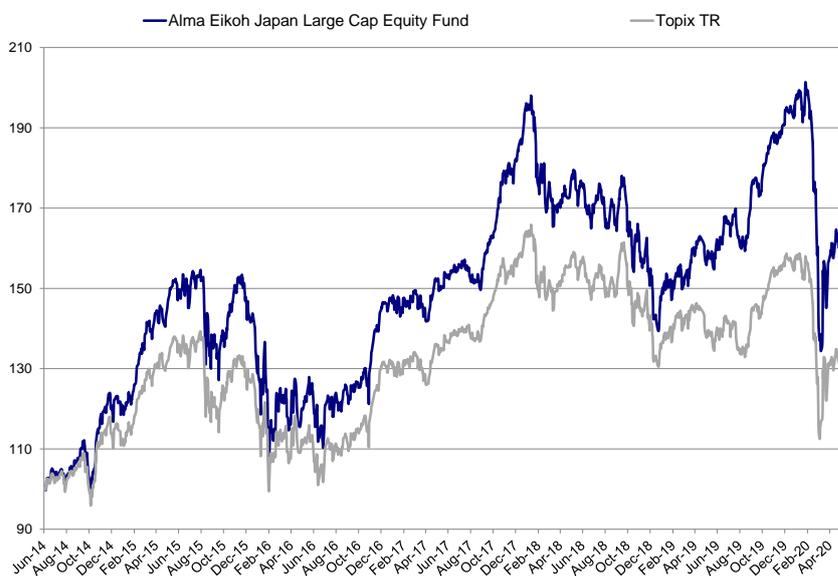
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	6.89	1.38	-6.15	-9.23	5.99	11.54	69.35	9.23
I GBP C shares	7.41	7.57	0.52	-1.80	16.43	19.36	-	-
I EUR Hedged C shares	6.76	0.98	-6.91	-9.94	4.92	8.35	-	-
I JPY C shares	6.74	1.51	-6.11	-9.25	6.72	11.58	-	-
I EUR C shares	4.01	2.25	-4.84	-6.78	11.66	-	-	-
I EUR D shares	3.96	2.17	-4.94	-6.88	11.45	-	-	-
I USD Hedged C shares	6.80	0.79	-6.26	-9.59	7.87	17.08	75.79	9.92
Topix (TR)	6.82	4.78	-6.66	-7.99	-0.77	7.03	44.04	6.31

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

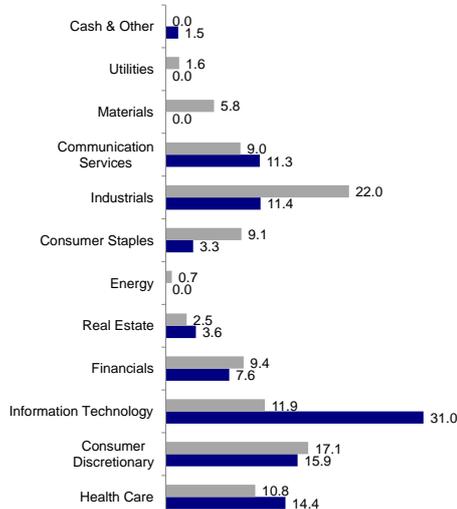
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	31	2166
Weighted Average Market Cap (¥ bn)	3 865	3 510
Median Market Cap (¥ bn)	1 983	43
Dividend Yield (%)	2.3	2.5
Historical Price / Earnings (x)	17.1	18.7
Historical Price / Cashflow (x)	6.8	7.5
Historical Price / Book (x)	1.3	1.1
Volatility since inception (%)	22.4	20.4
Annualized Sharpe ratio since inception	0.4	0.3
Active share (%)	81.1	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.1	-
Annualized Information ratio since incept	0.6	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



Top 10 positions details

Security name	Sector	% AUM
NIPPON TELEGRAPH & TELEPHONE	Communication Services	5.96
FUJITSU LTD	Information Technology	5.64
TOKYO ELECTRON LTD	Information Technology	5.24
SUMITOMO MITSUI FINANCIAL GR	Financials	5.13
TOYOTA MOTOR CORP	Consumer Discretionary	4.75
TAIYO YUDEN CO LTD	Information Technology	4.39
TDK CORP	Information Technology	4.30
TAKEDA PHARMACEUTICAL CO LTD	Health Care	4.17
HITACHI LTD	Information Technology	3.98
JMDC INC	Health Care	3.69
TOTAL:		47.25

Investment manager's commentary

Market Review and Outlook

The market showed a further substantial rise in May recovering from initial weakness as the number of new COVID-19 cases fell both in Japan and overseas and in response to moves to restart economic activity in Europe and the US. Domestically the state of emergency was lifted in stages and on the 25th May the government announced the lifting for the whole of Japan followed two days later by the announcement of a further substantial economic support package. Reports on possible progress towards the development of a vaccine further encouraged investors and conversely negative news on weak corporate earnings, US China trade friction and the possible imposition by China of a national security law on Hong Kong had limited market impact. Foreign investors remained sellers of the market for the first half of the month but turned buyers in the second half helping drive the strong market rally. The rise in the market was fairly broad-based with only Pulp and Paper showing a decline. Many of the leading stocks were previously very depressed cyclical such as glass, non-ferrous metals, airlines and retail but pharmaceuticals continued their outperformance of the market with a strong +15% rise.

Economic statistics announced during May now reflect the damage done to many economic sectors by COVID-19 and the measures taken to suppress it. The US ISM manufacturing index at the start of the month came in at 41.5, its lowest level for 11 years while US non-farm payrolls showed their largest ever decline at -20.5m with the unemployment rate surging to 14.7%. Domestically, industrial production slumped by 9.1% MoM and 14.4% YoY in April while department store sales slumped by 72.8%. Corporate profits in Q4 FY'19 showed a near 60% fall with both manufacturing and non-manufacturing hit hard. However, while conditions remain very severe, forward looking indicators now point to recovery from the very severe trough in economic activity. The economy watchers survey for May showed continuing very tough current conditions with a reading of 15.4 but the outlook index recovered from 17.7 in April to 37.3 in May; still depressed but back within the range of "normal" readings. Asian PMI statistics for May, announced early in June, show a similar picture with recovery shown in many markets from April's extraordinarily depressed levels while China's recovered back above the boom-bust line of 50.

The negative economic impact of the measures being taken globally to control the spread of the virus continue to be met with very aggressive stimulus policies designed to support demand and stimulate recovery. Central banks have made substantial increases in their balance sheet commitments and governments have followed this with huge fiscal stimulus packages. The Japanese administration is doing all that it can to promote recovery and following on from last month's Y108trn headline package incorporating Y39trn in fiscal support measures announced a further huge stimulus in May with a second supplementary budget of Y117trn in measures including Y31.9trn of additional new government spending.

While we have modestly increased the economic gearing of the portfolio over the last month there has been no major change in strategy; we aim to ensure that the fund constituents are in a good position to weather the economic shock of COVID-19 but offer the potential for growth and capital appreciation as the disruption caused by the virus eases. We believe that the crisis will accelerate the secular shift of the economy to 'on-line' and that technology investment will follow this. We have chosen to build exposure to SPE, software & services and technology geared to 5G and this represents the core of the portfolio. We have also invested in stocks in less economically sensitive areas, such as gaming and food & staples retailing, where valuations and prospects for growth look attractive. At the end of May the fund's significant sector bets in declining order of magnitude are overweight semiconductors, software, technology hardware, media & entertainment, and food & staples retailing, while the fund is underweight capital goods, materials, food & beverages, household & personal products, and commercial services. The valuation of the market remains modest despite the recovery over the last two months on a PBR of 1.15x, prospective PER of 16.8x and dividend yield of 2.51%. Looking through the crisis, prospects for the Japanese market and the fund look strong. Japanese companies start from a position of financial strength to weather this shock and Abe and Kuroda have taken the right choices so far to support the economy. We believe that the companies within the portfolio are well positioned to take advantage of the opportunities that the next year or two will bring.

Fund

The Fund rose by 6.74% (I JPY C share class) in May, close to the return of the Topix which rose by 6.82% (dividends reinvested).

The fund's performance broadly matched that of the Topix over the month with sector allocation a slightly negative factor and stock selection a positive factor. Value was added by the heavy overweight in software and services and the underweight in insurance whilst the large overweight position in semiconductors & semiconductor equipment and the underweight in commercial & professional services both lost value, as did the small cash position. The largest positive contributor in terms of stock selection was medical data and telemedicine firm JMDC followed by the pharmaceutical company Daiichi Sankyo, the gaming company Nexon, Toyota Motor and Daikin Industries. The largest negative contributors were SPE firms Tokyo Electron and Screen Holdings, telecoms firm NTT, component maker Taiyo Yuden and Sony. In mid-May the US announced rules aimed at curbing chip supplies to Huawei Technologies and as such stocks of manufacturers in the Huawei supply chain reacted negatively to the news. Many portfolio companies announced full year financial results and forecasts for fiscal year 2020 during May and various positions had minor reactions to these amidst what was a volatile month as the Topix continued its recovery from March lows.

Trades made during May reflected bottom up fundamental work carried out over the period and the consideration of individual stock performance so far this year and to what degree it discounts our judgement of future prospects. We sold the holding in Fuji Oil the food manufacturer ahead of its full year results. The stock has performed well this year reflecting its perceived defensive characteristics however we are a little concerned that with a substantial element of B2B business its exposure to the currently shuttered cakeshop and restaurant industry might be greater than generally appreciated. The proceeds from this were invested in the house builder and commercial real estate developer Daiwa House. The stock has performed poorly so far this year reflecting concern over prospects for their housebuilding and mixed use development operations which will be impacted by the virus but the outlook remains very strong for their core logistics development operations. We sold the holding in the pharmacy chain Sugi Holdings following recent strong outperformance; its valuation is not as attractive as was the case before and we are concerned that while existing store sales remain robust, product mix may have deteriorated sharply in April/May as consumers move from panic buying of high margin pharmaceuticals/masks to low margin food and daily goods. The proceeds from this were invested in the Department store Marui which has been heavily sold by investors so far in 2020. This business makes most of its money from its credit card operations and this gives it an earnings stability that is benefiting it in 2020 and has not, we judge, been fully appreciated by investors. We took profits in Kubota after it recovered from the oversold position when it was acquired for the portfolio and switched this into another stock in the capital goods sector, Mitsubishi Electric. We like the company's strong balance sheet, stable earnings, and prospects for medium term growth offered by their core factory automation operations. In addition to the above trades we reduced position sizes in Sony, Screen Holdings, Daiichi Sankyo and Nintendo after strong recent performance and used this cash to add to positions in NTT, Tokyo Electron and Rakuten.

Fund facts

Fund total net assets: ¥24 613.33 M (\$229.59 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: Alma Capital Investment Management (LU)

Fund managers: James Pulsford
Tom Grew

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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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