

As of 30 September 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 (%)

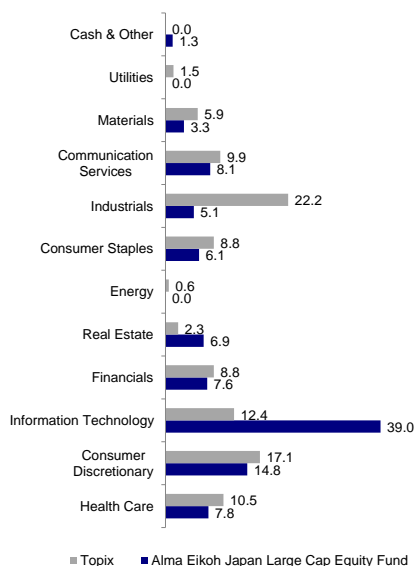
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	1.15	5.61	23.85	-2.15	7.71	12.58	82.55	10.01
I GBP C shares	5.18	3.33	21.97	3.49	6.36	24.82	-	-
I EUR Hedged C shares	1.08	5.40	23.41	-3.07	6.86	9.22	-	-
I JPY C shares	1.10	5.74	23.61	-1.96	8.53	12.75	-	-
I EUR C shares	2.69	3.17	18.94	-3.24	3.38	-	-	-
I EUR D shares	2.67	3.16	18.86	-3.34	3.28	-	-	-
I USD Hedged C shares	1.15	5.75	23.98	-2.37	8.49	17.67	89.83	10.70
Topix (TR)	1.30	5.17	17.00	-3.42	4.87	4.19	51.20	6.77

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

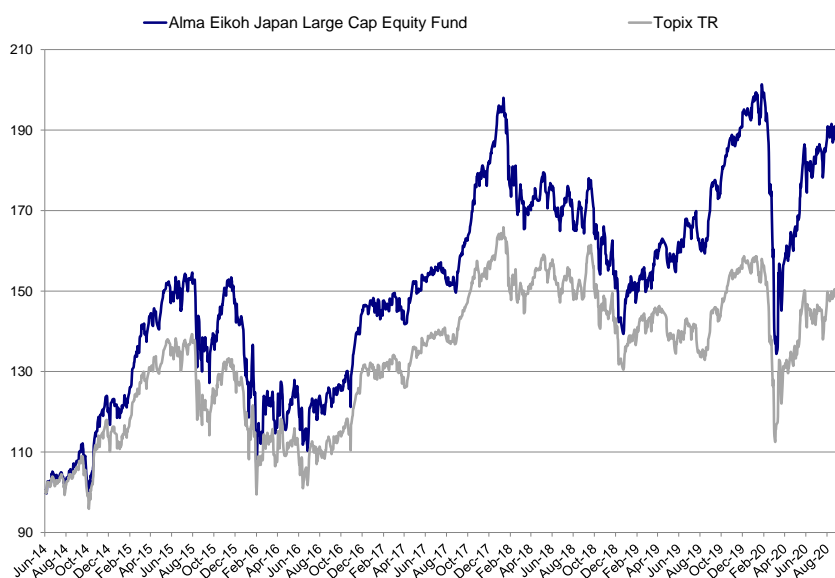
## Portfolio characteristics

Main indicators	Fund	Index
No. of securities	31	2168
Weighted Average Market Cap (¥ bn)	3,512	3,807
Median Market Cap (¥ bn)	1,797	43
Dividend Yield (%)	2.3	2.2
Historical Price / Earnings (x)	18.0	26.0
Historical Price / Cashflow (x)	7.5	8.0
Historical Price / Book (x)	1.3	1.2
Volatility since inception (%)	22.1	20.2
Annualized Sharpe ratio since inception	0.5	0.3
Active share (%)	82.1	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.1	-
Annualized Information ratio since incept	0.6	-

## Sector breakdown (% AUM)



## Performance (Indexed - Base 100)



## Top 10 positions details

Security name	Sector	% AUM
FUJITSU LTD	Information Technology	9.22
TAKEDA PHARMACEUTICAL CO LTD	Health Care	5.53
TOKYO ELECTRON LTD	Information Technology	4.84
SUMITOMO MITSUI FINANCIAL GR	Financials	4.61
TDK CORP	Information Technology	4.56
TOYOTA MOTOR CORP	Consumer Discretionary	4.43
DAIWA HOUSE INDUSTRY CO LTD	Real Estate	3.75
AI INSIDE INC	Information Technology	3.52
TREND MICRO INC	Information Technology	3.45
TAIYO YUDEN CO LTD	Information Technology	3.43
<b>TOTAL:</b>		<b>47.34</b>

## Investment manager's commentary

### Market Review and Outlook

Global equities fell during September led by the US where investors were worried about the possibility of paralysis should there be a contested result in the Presidential election. The Topix bucked the weaker performance of global equities, showing a modest increase of 1.30% over the month on a total return basis and 0.45% on a simple return basis. This outperformance was driven by domestic investors with foreigners substantial net sellers of ¥1.2trn over the month. The main news over the period was the election on September 14th of Mr Suga, the former Chief Cabinet Secretary, as head of the LDP and Prime Minister as the successor to Mr Abe. Investors were encouraged by the smooth transition of power and the continuity of policy that Mr Suga's election implies. The other significant domestic event was the announcement by NTT of a takeover bid for its listed subsidiary NTT Docomo at ¥3,900 per share for a net cost of ¥4.3trn. Growth outperformed value with weakness in financials, oil and metals while strength was shown in shipping, precision and services. Economic news over the period contained few real surprises, industrial production showed growth of 1.7% MoM, for the third consecutive improvement, but still remains down 13.3% YoY. The BOJ Tankan survey showed an improvement over the quarter with the large manufacturers' current business conditions at -27 cf -34 and the outlook at -17 cf -17 while non-manufacturers readings were -12 cf -17 and -11 cf -14 respectively. COVID infections remained stable in Japan over the month and a relaxation of non-tourist visas from October was announced.

While it is early in Prime Minister Suga's administration a number of areas of policy focus are already clear. The most fundamental difference between Suga and Abe appears to be that whereas Abe saw a strong economy as a tool to achieve constitutional reform, Suga's focus is on strengthening the economy to improve the lives of ordinary people. He appears to have little interest in changing the Constitution. His administration will continue the broad framework of Abenomics aiming to stimulate the economy through a combination of aggressive fiscal expansion, quantitative easing and deregulation. It seems likely that a further substantial fiscal support package will be announced in the coming months as the LDP seeks to ensure that the economy is in reasonable health as we approach the Lower House election in the coming year. Specific policy aims of the administration include the promotion of digitalisation of the economy, regional revitalisation, the consolidation of regional banks and greater competition in mobile telecoms.

We continue to aim to strike a balance in portfolio construction between the beneficiaries of a return to normality and the beneficiaries of structural change in the economy driven by the COVID crisis. We are encouraged by Prime Minister Suga's plans to create a Digital Agency to try and accelerate IT investment in digitalisation and expect this to benefit a number of the fund's holdings in the software and tech hardware areas that comprise the core of the portfolio. A significant change in the fund over the last month has been a reduction in telecoms exposure reflecting the change in government policy in this area. The fund's significant sector bets in declining order of magnitude are overweight software, tech hardware, semiconductors, real estate, and retailing including on-line retail, while the fund is underweight capital goods, telecoms, commercial services, consumer durables, and household & personal products. The Topix trades on a PBR of 1.19x, prospective PER of 21.2x and dividend yield of 2.18%. Japanese companies are well capitalised and in a good position to weather the current economic disruption and uncertainty. We still believe that the very positive trend towards better corporate governance among listed Japanese firms is in place.

### Fund

The Fund rose by 1.15% (I JPY C share class) in September, underperforming Topix which rose by 1.30% (dividends reinvested). Over the third quarter the fund rose by 5.74% outperforming Topix which rose by 5.17%.

The fund marginally under-performed the Topix over the month, sector allocation was a slight positive and stock selection negative. The overweight positions in Software & Services, Technology Hardware & Equipment and Semiconductors & Semiconductor Equipment were positive contributors whilst being overweight in Real Estate was a detractor. At the stock level, the biggest positive contribution came from the position in Rakuten as the market became more optimistic about the success of their disruptive mobile telecoms business under new Prime Minister Suga. Component manufacturer Taiyo Yuden and the large position in Fujitsu were also positive contributors as was the small position in Chatwork. The largest detractor to fund performance was the large position in telecoms company NTT which was part of a broad sell off in the mobile telecoms sector due to expected pressure on the industry to cut prices under new PM Suga. Other detractors included the positions in Yamaha, biotechnology stock Modalis Therapeutics and pharmaceutical company Takeda.

Over the quarter the fund outperformed the Topix predominantly driven by sector allocation. Value was added by being overweight in Software & Services and Media & Entertainment and by being underweight Household & Personal Products and Food & Beverages. Value was lost by the large underweight in Capital Goods and to a lesser extent by the underweights in Health Care Equipment & Services and Commercial & Professional Services. From a stock selection perspective, the position that added the most value was medical database company JMDC which stands to be a long term beneficiary of coronavirus as digitalisation of the healthcare sector is accelerated. The large position in Fujitsu also added value as did positions in Rakuten, Nintendo, Shinko Electric and AI Inside. The position that detracted the most was NTT, the telecoms sector sharply underperformed upon the election of Suga, who seems likely to apply increased pressure on the profitable telecoms industry, and the largescale buyout of DoCoMo by NTT for a substantial premium led to further underperformance. Other detractors over the quarter were the position in Yamaha Motor, semiconductor testing device maker Advantest, retailer Seven & I and pharmaceutical company Takeda.

During September we made a number of changes to the portfolio. In pharmaceuticals we sold the small positions in Daiichi Sanko and Modalis Therapeutics, reflecting the limited upside to our price targets for these names after strong share price performance for both names since acquisition, we added to our holding in Takeda. In SPE we sold the position in Advantest reflecting the potential negative impact of recently strengthened sanctions against Huawei on prospects for their logic testing division, we do not expect this to be offset by orders from other Chinese mobile carriers. We sold the position in Ebara after good relative performance left the stock with limited upside to our target price, and sold the position in Medley after further analysis of their telemedicine operations left us concerned that they are vulnerable to competition from M3. We reduced our holding in NTT and bought a position in NTT Data reflecting the expected impact of the new political administration's policy which aims to lower mobile phone charges and stimulate IT investment. We have talked with NTT Data recently and believe that their troubled overseas operations are set to recover strongly in 2021. We bought a holding in the shipping company Mitsui OSK Lines where we are encouraged by the strong improvement in profitability being experienced by the Container operations and ongoing cost reductions across the rest of their operations. We took part in the Asahi Group offering as the company sought to raise equity to strengthen the balance sheet weakened by the acquisition of CUB in Australia. We believe the management team of Asahi are high quality and expect the business to generate further margin improvement and strong free cash flow over the medium term and after weak share price performance the stock looks attractive to us. After meeting the management and conducting research, we bought a small position in the business software company Chatwork who already have a strong market position with their business chat software service. We believe the potential market and growth runway for their product is large and they have a dominant position with strong barriers to entry and are likely to be a meaningful beneficiary of COVID due the acceleration in digital transformation at SMEs in Japan. We also bought a small position in the e-gift company Giftee who offer a disruptive service in the very large domestic gift and promotion market. Again we see strong long term growth potential for a business with high quality management and a leading product that benefits from strong network effects.

## Fund facts

**Fund total net assets:** ¥28 783.93 M (\$272.56 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

## 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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