

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 (%)

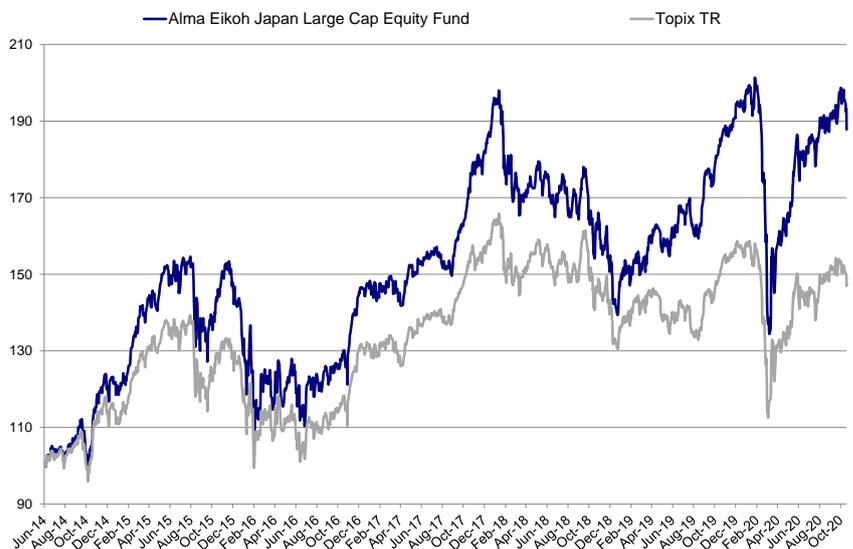
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	-1.05	5.12	14.01	-3.18	1.44	4.96	80.63	9.70
I GBP C shares	-0.70	7.14	12.41	2.77	6.09	15.53	-	-
I EUR Hedged C shares	-1.13	4.88	13.59	-4.17	0.37	1.63	-	-
I JPY C shares	-1.00	5.39	14.16	-2.94	1.82	4.95	-	-
I EUR C shares	0.70	7.33	8.72	-2.56	1.51	-	-	-
I EUR D shares	0.68	7.29	8.63	-2.69	1.36	-	-	-
I USD Hedged C shares	-1.05	5.40	14.12	-3.40	1.69	9.50	87.83	10.37
Topix (TR)	-2.84	6.47	8.95	-6.16	-2.95	-4.00	46.91	6.21

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

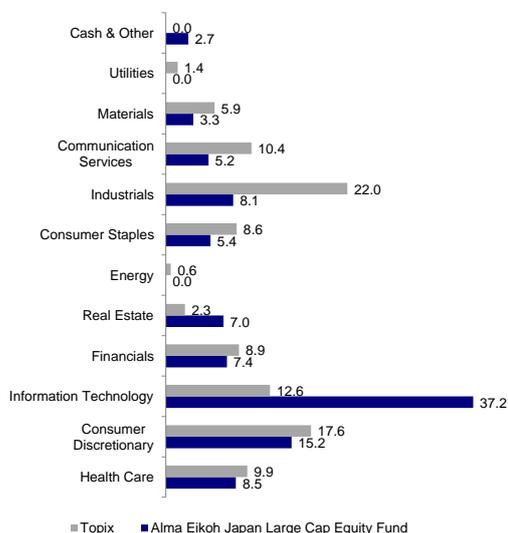
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	32	2170
Weighted Average Market Cap (¥ bn)	3 339	3 831
Median Market Cap (¥ bn)	1 641	41
Dividend Yield (%)	2.4	2.3
Historical Price / Earnings (x)	17.8	26.6
Historical Price / Cashflow (x)	7.6	7.8
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 (%)	82.0	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.2	-
Annualized Information ratio since inception	0.7	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



Top 10 positions details

Security name	Sector	% AUM
FUJITSU LTD	Information Technology	7.10
TOKYO ELECTRON LTD	Information Technology	5.01
TDK CORP	Information Technology	4.95
TAKEDA PHARMACEUTICAL CO LTD	Health Care	4.85
SUMITOMO MITSUI FINANCIAL GR	Financials	4.62
TOYOTA MOTOR CORP	Consumer Discretionary	4.41
AI INSIDE INC	Information Technology	4.11
DAIWA HOUSE INDUSTRY CO LTD	Real Estate	3.85
MITSUBISHI ELECTRIC CORP	Industrials	3.45
HITACHI LTD	Information Technology	3.33
TOTAL:		45.68

Investment manager's commentary

Market Review and Outlook

Global markets were weak during October with sentiment hit by two major factors. First the COVID-19 pandemic situation steadily deteriorated in Europe and the US as rates of infection steadily rose with the onset of colder weather; new lockdown measures were announced in France, Belgium and Germany among other countries. Secondly it gradually became clear that Democrats and Republicans in the US would fail to reach agreement on a new fiscal stimulus package before the US elections leading to fears that the economic recovery in the US might stall before the newly elected President is in a position to pass new support measures. Investors in the US were also cautious of committing new capital to the market ahead of the election reflecting uncertainty over both the result and whether a smooth transition of power could be achieved in the event of a Democrat victory. While the Japanese market was affected by the above factors, falling -2.84%, its performance was relatively resilient reflecting stable domestic COVID-19 infection rates, confidence in the new Suga administration, and an encouraging start to the Q2 earnings season with Murata amongst others reporting a strong recovery in demand over the quarter. Of note during the month was the very weak performance of the pharmaceutical sector which fell -12.7% reflecting investor fears that a new Democrat administration might introduce measures to significantly reduce US drug pricing.

Domestic economic news over the month continued to point to a recovery in demand centred on the industrial sector. Industrial Production was up 4.0% MoM marking the fourth consecutive improvement from the nadir in May; on a quarterly basis this represents a recovery of +8.8% in Q3 after the -16.9% slump in Q2. The manufacturing flash PMI for October came in at 48.0 up +0.3 points on September's finalised reading and marking five months of successive strengthening though at a rather slower pace than hitherto. With the potential for a slowing in demand from Europe and the US there is growing political consensus in Japan that further stimulatory measures will need to be deployed. The Suga administration is thought to be working on a supplementary budget worth around ¥10trn to be approved by cabinet in mid-December. Longer term policy aims of the administration include the promotion of digitalisation of the economy, regional revitalisation, the revival of inbound tourist demand, the consolidation of regional banks and greater competition in mobile telecoms.

We continue to aim to strike a balance in portfolio construction both between growth and value and between the beneficiaries of a return to normality and the beneficiaries of structural change driven by the COVID crisis. The outlook for global growth in 2021 is hard to call with the timing and efficacy of vaccines currently under development and the nature and effectiveness of the next US political administration both unclear at the time of writing. Domestically we have fewer concerns and consider Japan a relative safe haven in a rather uncertain world. We remain 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 the fund's holdings in the software and tech hardware areas that comprise the core of the portfolio. We made no major change to the fund's shape over the last month and significant sector bets in declining order of magnitude are overweight software, tech hardware, real estate, semiconductors, and retailing including on-line retail, while the fund is underweight capital goods, telecoms, household & personal products, materials and consumer durables. The Topix trades on a PBR of 1.15x, prospective PER of 20.7x and dividend yield of 2.35%. 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 fell by -1.00% (I JPY C share class) in October, outperforming Topix which fell by -2.84% (dividends reinvested).

The fund's outperformance of the Topix over the month was driven primarily by stock selection and sector allocation also added value. Being overweight in both Semiconductors & Semiconductor Equipment and Technology Hardware & Equipment added value as did the underweights in Pharmaceuticals and Transportation to a lesser extent. Value was lost by the heavy overweight in Software & Services and the underweight in Telecommunication Services. Looking at stock selection, the largest positive contribution came from business services firm AI Inside. The other large positive contributions came from component makers Taiyo Yuden and TDK, medical data services company JMDC and shipping company Mitsui OSK Lines though during the month there was little major stock specific news on these names. The worst stock selection contribution was from the large position in IT service firm Fujitsu which continued to slightly lag the market after a strong performance so far this year. Other negative contributions came from pharmaceutical manufacturer Takeda, e-voucher provider Giftee, brewer Asahi Group and Rakuten.

At the beginning of October we sold the remainder of our position in NTT after their decision to buy out their listed subsidiary and mobile business NTT DoCoMo at a substantial premium. We view this decision as a poor allocation of capital and think that NTT are paying too high a valuation for a mobile business which is likely to come under heavy pressure from the Suga administration rather than focusing on strong shareholder returns from a position of balance sheet strength. During the month we entered into two positions in staffing business TechnoPro and optics product maker Hoya. TechnoPro is a very well managed staffing and BPO company focused on engineering with a heavy weighting in software engineering. We expect the company to continue to benefit from the very tight labour market in Japan, especially in software engineering, and after two sets of contract renewals since the pandemic the company has shown excellent resource management with utilisation rates and profit margins on a strong upward track. We think that Hoya offers very strong long-term growth prospects driven by its dominant positions in both EUV photomask blanks and glass substrates for datacentre storage. The remainder of its businesses including eyeglass lenses and contact lenses have high profitability and are strongly cash generative; the company offers both strong growth and a high rate of shareholder return.

During the month we reduced our position size in Nexon after strong price action following its inclusion into the Nikkei225 Index. We also reduced the position size in Asahi in light of the resurgence in measures taken across Europe to combat the rise in coronavirus cases as well as trimming the Fujitsu and Trend Micro positions. We added to positions in TDK and Murata.

Fund facts

Fund total net assets: ¥28 391.31 M (\$271.99 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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