



Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



Eikoh

As of 30 December 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 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 (%)

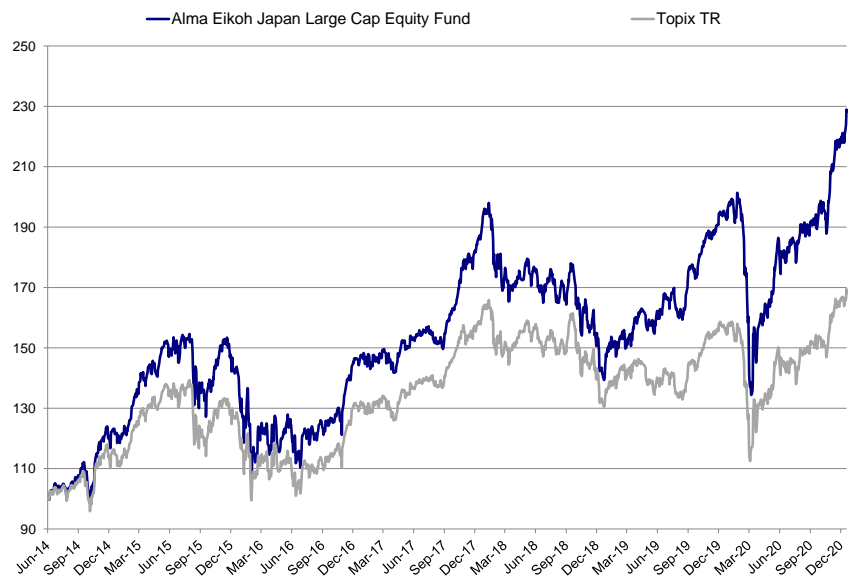
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	5.71	20.18	26.91	17.59	17.59	17.73	119.38	12.73
I GBP C shares	4.94	15.97	19.83	20.03	20.03	26.81	-	-
I EUR Hedged C shares	5.60	19.88	26.35	16.19	16.19	13.98	-	-
I JPY C shares	5.71	19.95	26.83	17.60	17.60	17.50	-	-
I EUR C shares	4.24	17.38	21.10	13.58	13.58	-	-	-
I EUR D shares	4.27	17.37	21.08	10.37	10.37	-	-	-
I USD Hedged C shares	5.74	20.17	27.08	17.32	17.32	22.66	128.12	13.40
Topix (TR)	2.97	11.19	16.94	7.39	7.39	6.58	68.12	8.25

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

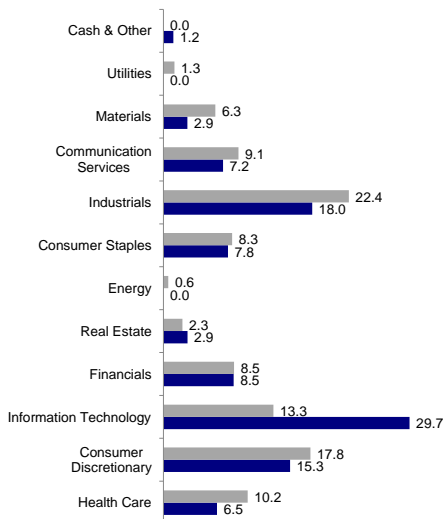
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	33	2172
Weighted Average Market Cap (¥ bn)	4,112	4,512
Median Market Cap (¥ bn)	2,014	44
Dividend Yield (%)	2.2	2.0
Historical Price / Earnings (x)	25.8	31.6
Historical Price / Cashflow (x)	9.2	8.7
Historical Price / Book (x)	1.4	1.3
Volatility since inception (%)	22.1	20.1
Annualized Sharpe ratio since inception	0.6	0.4
Active share (%)	80.4	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.2	-
Annualized Information ratio since incept	0.8	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

Top 10 positions details

Security name	Sector	% AUM
FUJITSU LTD	Information Technology	6.41
TOKYO ELECTRON LTD	Information Technology	5.46
TDK CORP	Information Technology	5.30
TOYOTA MOTOR CORP	Consumer Discretionary	4.84
SUMITOMO MITSUI FINANCIAL GR	Financials	4.73
HITACHI LTD	Information Technology	4.22
ORIX CORP	Financials	3.76
MURATA MANUFACTURING CO LTD	Information Technology	3.59
SEVEN & I HOLDINGS CO LTD	Consumer Staples	3.58
MITSUBISHI HEAVY INDUSTRIES	Industrials	3.43
TOTAL:		45.32

Investment manager's commentary

Market Review and Outlook

Global markets remained firm during December continuing to benefit from recent vaccine developments and improving economic data and also helped by fiscal support packages enacted during the month in both Japan and the US. While global COVID infection rates rose, which for example in Japan in mid-December necessitated the suspension of the "Go To Travel" campaign, investors tended to look past these negative developments. Instead the focus of investors remained the beneficiaries of economic recovery with non-ferrous metals, paper, shipping and autos leading the market while services, real estate, pharmaceuticals and banks lagged. Value outperformed growth by about 2% over the month, a small rebound from the very dramatic underperformance over the rest of the year; Topix Value underperformed Topix Growth by 24.5% over 2020. Foreign investor flows remained positive but at a much lower level than November with a net inflow of +¥0.4trn.

The major domestic news in December was the announcement of a third large scale stimulus package to support the economy in the face of the COVID pandemic. The ¥30.6trn package, larger than earlier media reports, is worth about 6% of GDP and includes not just money to fight Covid-19, but trillions of yen aimed at investment in new digital and green technologies. The first two supplementary budgets of the year amounted to ¥25.7trn and ¥31.9trn, taking the total stimulus for this year to almost 17 per cent of GDP. Whereas the earlier packages concentrated on direct support for business and household incomes, the new stimulus is mainly investment. The total package includes a further ¥1.7trn in local government spending, ¥7.7trn in borrowing for infrastructure investment and ¥33.6trn in loans and guarantees for a total headline of ¥73.6trn. Economic data announced over the month was on balance strong but contained some conflicting signals; the economy watchers survey for November showed a sharp fall in outlook from 48.4 to 36.1 reflecting concern over rising infection rates. The Tankan showed a substantial improvement in large manufacturers current conditions from -27 to -10 while large non-manufacturers also improved from -12 to -5. The survey of future business conditions shows only a marginal improvement over current conditions however suggesting a short term peak in recovery momentum. The December PMI rose from 49.0 to 49.7 for the seventh successive improvement since bottoming in May while industrial production was flat MoM in November showing a -3.4% decline YoY.

In response to recent news on vaccine development, we have shifted the balance of the fund more towards beneficiaries of a return to normality, aiming to run a portfolio that captures the positive impact of the strong recovery in economic activity that seems likely to develop during 2021. This remains the strategy however we recognise that the emergence of more infectious strains internationally may depress demand in the early part of 2021. From late spring we expect conditions to ease as vaccination rates rise in developed economies and from then activity should progressively strengthen over the course of the rest of the year. Japan seems likely to follow the same script as other developed economies and we remain encouraged by Prime Minister Suga's commitment to economic support and stimulus as well as his moves to promote digital investment and carbon neutrality by 2050. The fund exhibits a clear procyclical gearing though retains exposure to the less economically sensitive areas of gaming and health care equipment. Significant sector bets in declining order of magnitude are overweight software, tech hardware, transportation, semiconductors, and media & entertainment while the fund is underweight capital goods, telecoms, pharmaceuticals, materials and household & personal products. The Topix trades on a PBR of 1.29x, prospective PER of 22.1x and dividend yield of 2.03%. Japanese companies remain soundly 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 and that the recovery in earnings we expect in fiscal 2021 and 2022 will flow through to improved shareholder returns.

Fund

The Fund rose by 5.71% (JPY share class) in December, outperforming Topix which rose by 2.97% (dividends reinvested).

The fund's outperformance of the Topix over the month was driven by stock selection with sector allocation broadly flat. Stock selection was strong in capital goods, materials, consumer durables, banks and autos while value was lost in retailing. The stock that added most to performance was the recent acquisition, MHI, and this was the driver of the outperformance achieved in capital goods. The new listing WealthNavi was the second largest contributor over the month reflecting the popularity of the stock with retail investors in the secondary market. Toyota was the third largest contributor bouncing back smartly from its dull performance during November and helped by solid global retail sales figures. Tokyo Electron again performed strongly on positive semiconductor industry news, adding value for the fund as did the position in Nintendo with game software sales continuing to show firm momentum. Other significant contributors include 7&I, Sekisui House and Asahi Kasei, three stocks that benefited from the rotation back into value seen during December. The largest negative contributor over the month was the position in Rakuten which falls within the retailing area. While their core internet retailing and financial services operations look solid, prospects for their entry into mobile telecoms look less secure following a series of rate cuts by the current incumbents in response to government pressure. Daiwa House also lost value as it gave up the gains recorded in November as investors turned away from companies exposed to the real estate sector.

During the month we bought a position in the very cheaply rated heavy industrial manufacturer Mitsubishi Heavy industries. The stock has performed very poorly over recent years reflecting its broad economic sensitivity and heavy investment in its troubled regional jet program, but we believe it offers good prospects for a strong recovery in margins and cashflow. The decision to freeze new investment in the regional jet program will limit further cash outflow in this area and there is good scope for cost reduction in their core energy operations. We purchased a position in Minebea where longer term prospects for their core micro-ball bearing business look solid helped by growth in demand from autos and data centres. This is a great business where they earn about 30% return on capital employed and an improvement in factory utilization should drive a strong increase in margins in 3'22 after a dull performance in 3'21. In Electronic Components they expect the motors business to offer double digit sales growth and rising margins tapping into some of the same areas (eg auto's) that drive Nidec's business and the HDD motor business in particular looks promising next year. In the food area we purchased a holding in Fuji Oil, a manufacturer of specialist oils and processed foods, particularly chocolate, supplying the commercial food sector. We expect COVID disruption exhibited in Q2 results to ease from here and are excited by the potential to improve earnings over the medium term at their US operation Blommer. The last new acquisition made during the month was of the department store Takashimaya. The company has been hit hard by the slump in customers caused by COVID-19 but has responded effectively with impressive cost reductions leaving it in a strong position to reap the rewards of an expected return in customers later in 2021. With a solid balance sheet and trading on a price book ratio of 0.36x the stock looks too cheap to us. We sold the position in the software application provider Chatwork following disappointing Q3 results that failed to show the acceleration in uptake of their services that we had anticipated. We also sold the position held in MLCC maker Taiyo Yuden, consolidating some of the proceeds into competitor Murata. We still like long term prospects for both companies however strong performance has reduced the potential upside in this area of the market. In other moves of note we reduced our positions in Rakuten and also Takeda and added to our holding in the shipper Nippon Yusen where earnings are booming in container shipping, air freight and logistics. During the month we participated in the new listings of WealthNavi, Yapli and Plaid, all of which subsequently traded at substantial premiums to our estimates of fair value and so were sold.

Fund facts

Fund total net assets:	¥33 730.11 M (\$326.56 M)	Base currency: JPY	Countries where the fund is registered: Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore
Fund domicile: Luxembourg		Management fee: 0.90% p.a.	
Fund type: UCITS SICAV		Fund launch: 12 June 2014	Identifiers:
Depository, Administrator, Transfer Agent: BNP Paribas Securities Services (LU)			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
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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