

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 29 January 2021

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 (%)

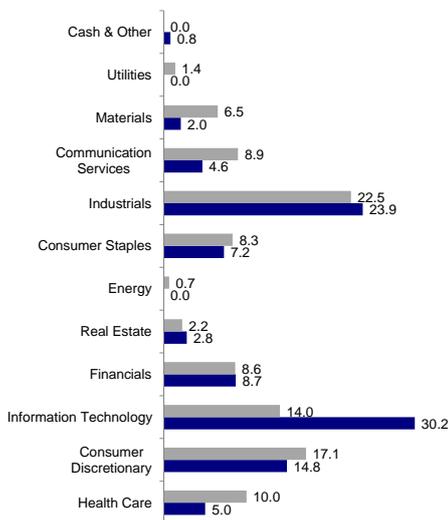
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	1.26	22.99	29.28	1.26	19.42	17.16	122.15	12.78
I GBP C shares	-1.09	15.52	23.77	-1.09	19.41	25.00	-	-
I EUR Hedged C shares	1.17	22.67	28.66	1.17	18.06	13.45	-	-
I JPY C shares	1.21	22.63	29.24	1.21	19.45	16.92	-	-
I EUR C shares	1.09	17.83	26.48	1.09	13.27	-	-	-
I EUR D shares	1.08	17.85	26.44	1.08	10.07	-	-	-
I USD Hedged C shares	1.27	22.99	29.63	1.27	19.05	22.12	131.02	13.44
Topix (TR)	0.23	14.70	22.13	0.23	9.99	5.71	68.51	8.18

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

Portfolio characteristics

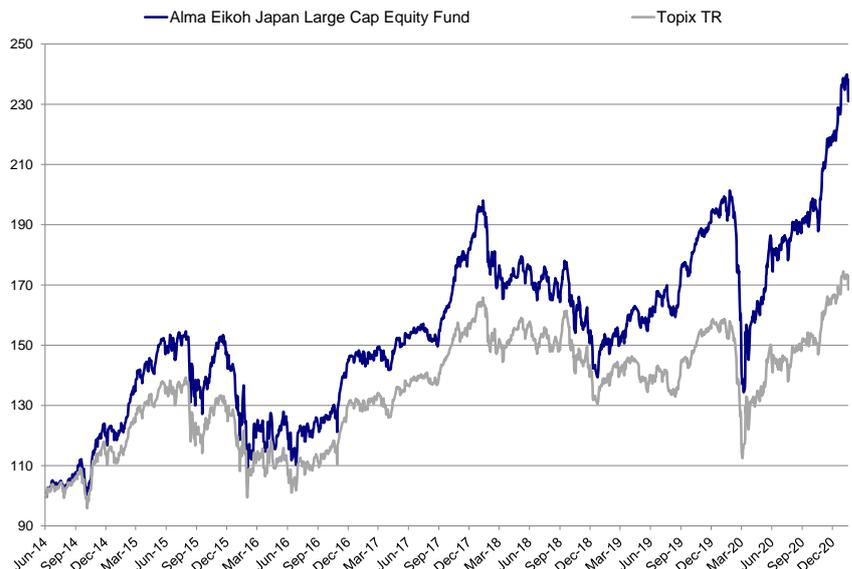
Main indicators	Fund	Index
No. of securities	35	2184
Weighted Average Market Cap (¥ bn)	3 905	4 295
Median Market Cap (¥ bn)	1 975	43
Dividend Yield (%)	2.1	2.0
Historical Price / Earnings (x)	26.1	32.8
Historical Price / Cashflow (x)	9.7	8.7
Historical Price / Book (x)	1.4	1.3
Volatility since inception (%)	22.0	20.0
Annualized Sharpe ratio since inception	0.6	0.4
Active share (%)	81.3	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.2	-
Annualized Information ratio since incept	0.8	-

Sector breakdown (% AUM)



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

Performance (Indexed - Base 100)



Top 10 positions details

Security name	Sector	% AUM
TDK CORP	Information Technology	5.92
TOKYO ELECTRON LTD	Information Technology	5.58
SUMITOMO MITSUI FINANCIAL GR	Financials	4.74
MURATA MANUFACTURING CO LTD	Information Technology	4.41
HITACHI LTD	Information Technology	4.40
TOYOTA MOTOR CORP	Consumer Discretionary	4.37
FUJITSU LTD	Information Technology	4.12
ORIX CORP	Financials	3.91
YAMAHA MOTOR CO LTD	Consumer Discretionary	3.70
NIPPON YUSEN KK	Industrials	3.34
TOTAL:		44.49

Investment manager's commentary

Market Review and Outlook

The Japanese market was little changed during January, the Topix rising just 0.23% with positive and negative factors over the period broadly cancelling each other out. The market started the year on a firm tone helped by hopes of further stimulus in the US following the victory of the Democrats in the two run-off Senate seats early in the month. There were also several items of news over the month indicating very strong demand for semiconductors and components driven both by the auto and mobile phone sectors and this lifted technology names in anticipation of earnings upgrades in these areas. Dampening market sentiment, however, was the waning popularity of Prime Minister Suga, whose approval rating has fallen to 39% on concerns about his handling of the pandemic, leading investors to fear for the longevity of his administration. While infection rates fell back at the end of January, they remain elevated following the surge in December and the Tokyo and Osaka areas are now under state of emergency restrictions. There were several news stories suggesting that the Olympic Games may be postponed again or even cancelled and surveys suggest that 80% of Japanese people would support this move. Volatility and weakness in global markets also impacted the market at the end of the month though the phenomenon of "Reddit traders" upending hedge fund positioning had little direct read across to Japan. Sector performance was mixed over the month with some economically sensitive areas such as oil, rubber and mining leading the market while others including precisions, shipping, steel and auto's fell sharply. Value outperformed Growth by 2.2% over the month helped by hopes of US stimulus and the firm oil price. Foreign investor flows remained modestly positive with a net inflow of +¥0.4trn.

In the US President Biden announced a \$1.9trn pandemic relief bill including more than \$1trn in direct relief spending, the package is more than twice the value of the bipartisan bill approved in December. The most significant domestic event concerned COVID-19 with the government announcing a state of emergency in the Tokyo and then Osaka regions of the country in response to the surge in infections that occurred at the end of the year. While these measures have been extended beyond their initial one month term until March 7th, they have resulted in a sharp fall in infection rates and so are very likely to be lifted then. Economic statistics announced over the period contained few surprises; industrial production fell 1.6% MoM and -3.2% YoY in December, in line with economists' expectations. The manufacturing PMI dipped 0.3 to 49.7 in January, the first MoM decline in eight months; weakness probably reflecting the impact of the imposition of the state of emergency. While the Economy Watchers Survey current conditions reading remains very depressed falling from 36.5 in December to 30.1 in January, encouragingly the outlook improved from 36.1 to 41.5. Third quarter corporate results have now largely been released and have consistently surpassed analyst expectations, particularly in the manufacturing sector; companies benefited from a recovery in end demand while continuing to keep a very tight rein on costs. The decline in net profits narrowed to -15% YoY, a substantial improvement compared to the second quarter.

The structure of the fund continues to be tilted towards beneficiaries of an expected return to normality, we aim to capture the positive impact of the strong recovery in economic activity that seems likely to develop during 2021 and 2022. While the emergence of more infectious strains internationally may delay reopening and depress demand in the first half of 2021 we don't believe that it will be sufficient to knock the global recovery off course. From late spring we expect conditions to ease as vaccination rates rise in developed economies and from then on 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 the administration's commitment to economic support and stimulus as well as moves to promote digital investment and carbon neutrality by 2050. The fund exhibits a clear pro-cyclical gearing though retains some 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 diversified financials while the fund is underweight telecoms, pharmaceuticals, materials, capital goods and household & personal products. The Topix trades on a PBR of 1.27x, prospective PER of 21.7x and dividend yield of 2.02%. Japanese companies remain soundly capitalised and in a good position to weather the current economic disruption. 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 1.21% (JPY share class) in January, outperforming Topix which rose by 0.23% (dividends reinvested).

The fund's outperformance of the Topix over the month was driven by stock selection with sector allocation broadly flat. In terms of sector allocation, overweight positions in technology hardware and semiconductors & semiconductor equipment were positive contributors and being underweight capital goods and overweight transportation were negative. The stocks that added the most to performance were TDK; the electronic component manufacturer, Fujitsu, the new position in ball bearing maker Minebea Mitsumi, Yamaha Motor and Toyota Motor. Many of these stocks were the beneficiary of a widespread rally in economically geared stocks as expectations of a recovery continued to play out across markets globally and among the recent Q3 results announcements there are several signs of this beginning to take effect. The largest negative contributor over the month was the position in medical data company JMDC which underperformed the market on no stock specific news but as part of a wider sell off of highly valued growth stocks. The small positions in AI Inside and Giftee, two more highly rated growth stocks also hurt fund performance though again on no specific news. Other positions that negatively impacted performance included TechnoPro and Mitsubishi Heavy, both of which gave up some of their recent gains.

During the month we bought a bought back a position in Yamato holdings after previously having exited in August. After a patch of sustained underperformance we do not feel that valuations are reflective of the combination of the ongoing boom in parcel deliveries driven by e-commerce growth and the reforms the company are taking in order to improve profitability over the medium to long term. After recent underperformance we also bought back a position in Modalis Therapeutics, the IPO of which we took part in in 2020 as again valuations don't seem to reflect the immense growth potential of their highly advanced gene modulating technology. We also bought positions in Asahi Glass and Fanuc during the month. We expect the chemical operations and display glass business of Asahi Glass to benefit from a post COVID demand recovery whilst also appreciating the long term growth outlook for their more exciting EUV mask blanks and life science businesses which are both attractive in their own right. Fanuc is a global leader in robotics with a very strong presence in China and we like the long term prospects for growth that the company offers reflecting the widening use of automation in manufacturing. They are seeing a sharp upturn in demand in 2021 which we expect to drive a significant increase in profitability. We also bought a small position in BASE, the EC platform whose business has been propelled off the back of the coronavirus epidemic; the company has an extremely customer friendly e-commerce solution for small businesses and a very positive growth outlook from here. Over the month we also sold 3 positions in Giftee, Rakuten and Takeda. Giftee, despite having a dominant position in the rapidly growing e-gift market, will be heavily impacted by the worsening outlook for coronavirus cases and new emergency measures as people are less able to go out and about and enjoy the majority of their e-gifts which revolve around food and drink tokens. We decided to sell our Rakuten position due to the continued aggressive discounting of the other major mobile carriers in the light of further pressure from the government and this makes Rakuten's discount mobile operation, which has been a huge investment for the company, look rather less attractive. Finally, we exited from our position in Takeda primarily reflecting the stable and defensive nature of its business in the face of what we expect to be a year or two of stock market returns driven by strong economic recovery.

Fund facts

Fund total net assets:	¥34 232.30 M (\$327.16 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
Dealing:	Each day with a 1-day notice. Cut-off time: 12 pm CET		Institutional GBP Hedged Capitalisation share class Isin: LU1013116949 Ticker: AEJIGHA LX Launch: 12 June 2014
Management company:	Alma Capital Investment Management (LU)		Institutional EUR Hedged Capitalisation share class Isin: LU1013116782 Ticker: AEJIEHA LX Launch: 10 December 2014
Investment manager:	Alma Capital Investment Management (LU)		Institutional JPY Capitalisation share class Isin: LU1013116519 Ticker: AEJPIJA LX Launch: 10 December 2014
Fund managers:	James Pulsford Tom Grew		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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