ALMA CAPITAL

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

Eikoh

As of 31 March 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 (%)

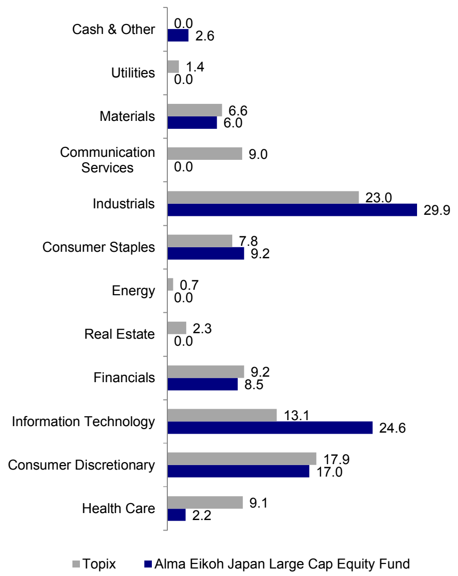
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	8.61	14.12	37.15	14.12	69.85	46.98	150.36	14.44
I GBP C shares	5.78	5.60	22.47	5.60	49.37	44.30	-	-
I EUR Hedged C shares	8.70	14.33	37.05	14.33	69.14	42.86	-	-
I JPY C shares	8.80	14.77	37.67	14.77	70.17	47.64	-	-
I EUR C shares	8.03	11.92	31.37	11.92	56.25	-	-	-
I EUR D shares	8.00	11.86	31.29	11.86	51.82	-	-	-
I USD Hedged C shares	8.60	14.48	37.58	14.48	70.57	53.80	161.16	15.15
Topix (TR)	5.71	9.25	21.48	9.25	42.13	23.03	83.67	9.34

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

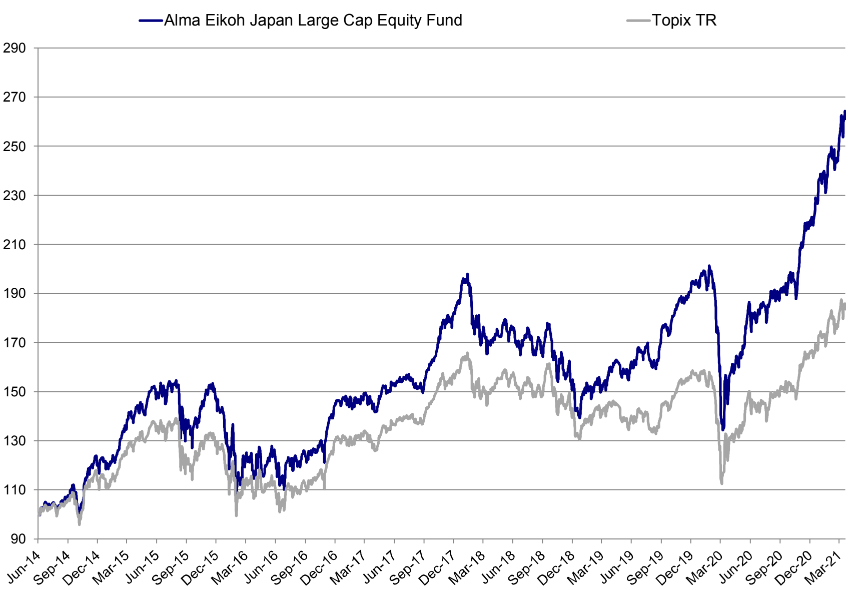
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	39	2 182
Weighted Average Market Cap (¥ bn)	3 960	4 718
Median Market Cap (¥ bn)	1 174	47
Dividend Yield (%)	1.9	1.8
Historical Price / Earnings (x)	34.5	30.5
Historical Price / Cashflow (x)	7.7	9.4
Historical Price / Book (x)	1.5	1.4
Volatility since inception (%)	21.9	20.0
Annualized Sharpe ratio since inception	0.7	0.5
Active share (%)	84.6	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.2	-
Annualized Information ratio since incepti	0.9	-

Sector breakdown (% AUM)



Performance (Indexed - Base 100)



Top 10 positions details

Security name	Sector	% AUM
FANUC CORP	Industrials	6.05
TOYOTA MOTOR CORP	Consumer Discretionary	5.43
TOKYO ELECTRON LTD	Information Technology	4.91
SUMITOMO MITSUI FINANCIAL GR	Financials	4.88
ORIX CORP	Financials	3.57
MITSUBISHI CHEMICAL HOLDINGS	Materials	3.54
NTT DATA CORP	Information Technology	3.38
YAMATO HOLDINGS CO LTD	Industrials	3.38
AGC INC	Industrials	3.29
TAIYO YUDEN CO LTD	Information Technology	3.28
	TOTAL:	**41.70**

Investment manager's commentary

Market Review and Outlook

The Japanese market rose by 5.7% in March in another volatile but positive month as investors continued to price in the outlook for a recovery in economic conditions throughout 2021 and into 2022 driven by an accelerating global vaccine rollout leading reopening and further supportive policy making from governments and central banks. Many of the market trends seen in February continued into March with the US 10 year yield continuing its sharp rise from 1.42% at the beginning of the month to 1.74% at the end of the month reflecting investors' confidence in economic recovery but also increasing inflation expectations with the 10 year breakeven inflation rate reaching 2.37%, its highest level since April 2013. Commodity prices moves over the month were broadly muted though the growing interest rate differential drove a further sharp move in currency markets with the Yen weakening to Y110.7 vs the US$ and Y129.9 vs the Euro. In light of these moves, the Topix value index continued its strong outperformance of the Topix growth index though this was more muted than in February at +2.93% for March. The strongest performing sectors were capital goods, auto's & auto components, materials and banks with telecommunication services, consumer services and media & entertainment lagging. Foreign fund flows were modestly negative over the month.

Covid infection rates rose in March from a low base of around 1,000 per day at the end of February to around 2,500 per day at the end of the month and this was likely due to the modest lifting of some emergency measures in the month. Towards the end of March the government started reversing these relaxation measures and imposed further measures in places such as Osaka where cases were rising more quickly. Vaccinations remain at a low level as the rollout only begun in earnest in February, a ramp up in the rate is expected through April and May as vaccines are offered to non-healthcare workers from April 11th and 60 million doses of the Pfizer vaccine are expected to have been delivered by the end of May.

Domestic economic news maintained a positive tone with the manufacturing PMI continuing its recovery to 52.7, the highest reading in over 2 years. Further evidence of the strong recovery in economic conditions was seen in the quarterly results released throughout February and March where a very strong set of numbers were posted across the board in economically sensitive sectors like machinery, industrials, SPE and others. One such area that was particularly strong was machine tools and the YoY machine tool orders which showed an average YoY reading of +8.6% in the Nov-Dec 2020 quarter and a reading of +36.7% in February. The services PMI showed some level of recovery in March to 48.3 though remains somewhat depressed given the ongoing emergency measures. What is being seen in Japan is in line with the global outlook where the economic recovery continues to show strength and sectors not hampered by lockdown restrictions are enjoying strong conditions. As seen in the strong US non-farm payroll data, the labour market continued its recovery in Japan with the finalised February jobs-to-applicants ratio at 1.09.

Our expectation is that this recovery will continue to play out as COVID related restrictions are gradually relaxed following vaccine roll out and a drop in infection rates in developed economies throughout the remainder of 2021 and into 2022. G7 Governments have so far been reticent to change their tone and remain supportive of stimulative policy and though there have been some musings about central bank policy, their tone also remains dovish. Japan is broadly taking the same path as other major economies in this regard and we believe this should support a full economic recovery over the next two years or so and a continuation of the strong economic conditions we are beginning to see particularly in the industrial sector. The Suga administration remains committed to promoting digital investment and investing for economic growth. Our fund looks to benefit from these themes and is positioned to benefit from ongoing digital transformation domestically and an upturn in the global economic cycle. In order of size, we are overweight semiconductors & semiconductor equipment, capital goods, transportation, technology hardware & equipment and software & services whilst being underweight telecommunication services, pharmaceuticals & biotechnology, media & entertainment, real estate and insurance. The Topix is trading on a PBR of 1.37x, a prospective PER of 21.2x and a dividend yield of 1.81%. Japanese companies remain well capitalised and the very positive trend of improving corporate governance among listed Japanese firms continues with an update to the governance code expected in April. We expect Japanese firms will benefit strongly from a recovery in earnings in fiscal years 2021 & 2022 and we expect improved shareholder returns off the back of this.

Fund

The Fund rose by 8.80% (JPY share class) in March, outperforming Topix which rose by 5.71% (dividends reinvested).

The fund's outperformance of the Topix over the month was driven by stock selection with sector allocation also adding some value. In terms of sector allocation, the zero-weight in telecommunications, overweight in semiconductors and semiconductor manufacturing equipment and underweights in media & entertainment and consumer services all added value. The overweights in transportation and materials and the underweights in utilities and technology hardware & equipment were negative. From a stock selection perspective the biggest contributors to positive performance were the IPO in internet services market Coconala, the shipping company Nippon Yusen, housebuilder Sekisui House, glass maker AGC and Yamaha Motor. In March, similar trends seen in recent months continued with economically geared and cyclical stocks performing strongly as the outlook for economic recovery on reopening continues to play out and naturally this was seen across our portfolio too. The stocks that hurt performance the most were the large position in FA & machinery business Fanuc, component makers Murata & TDK, biotech Modalis Therapeutics and West Japan Railway most of which suffered as part of the wider thematic move described above.

During the month we met many of our holdings and we were very active making changes lead by fundamental stock specific analysis rather than a thematic shift; the style and broad characteristics of the fund remain little changed. We decided to exit the remainder of our position in Nintendo which has had a phenomenal year as a result of the pandemic and impressive new releases on their Switch platform; we are uncertain how much longer such strong conditions and this console cycle can prevail in the light of expected reopening. We sold our small position in precision motor maker Nidec which has had a very strong run and where we feel valuations price in the strong long term growth potential for the e-axle business. We sold our position in JAL after strong price action year to date; a return to 'normal' levels of international flights appears several years out and the scope for further fixed cost reductions appears limited. We retained some of the fund's direct 're-opening' exposure through adding to our position in West Japan Rail which we think has better prospects for demand recovery. We also exited from our position in Fujitsu, where we feel valuations now fully reflect the restructuring they have carried out and the medium term outlook for stable growth. In terms of new positions, we bought a position in Kao Corporation; the company has a long history of compounding capital, dominant market positions across its core businesses and high quality governance and management. Covid-19 has negatively impacted some of their key business areas, most notably in cosmetics where they are heavily reliant on offline trade and inbound tourism however the company is committed to restructuring here and we feel the severe sell off in this stock has left it looking undervalued. We bought a position in SPE business Screen Holdings driven by a significant improvement in outlook for the overall SPE market led by their key client TSMC; we like Screen's strong market position in cleaning and its focus on improving margins. We bought back a position in Taiyo Yuden which remains very well positioned in MLCCs alongside Murata after reassessing its potential to improve margins over the next few years as sales rise driven by 5G and auto electrification. We also bought back a position in industrial gas manufacturer Nippon Sanso after recent underperformance left it looking undervalued; the stock has significantly underperformed global peers by around 30% since 2019 and this seems unjustified. We reduced our position in the department store operator Takashimaya which has rallied strongly since we bought it at the end of 2019, and no longer looks as deeply undervalued. We bought a position in furniture retailer Nitori, a very well managed company, that benefitted from strong home improvement demand in 2020. The shares have underperformed substantially since last summer and we believe now offer attractive upside in light of growth potential in China and from their domestic acquisition of Shimachu where we expect profitability improvement and synergies to be realised. We also bought positions in machinery company CKD, where we expect a recovery in demand for their pneumatics and fluid components businesses to drive an improvement in profitability, and construction company Kyowa Exeo, one of the three major telecoms construction companies. It is a beneficiary of the Government's digital infrastructure spending plans and the accelerating rollout of 5G by the telecoms sector. We reduced some of our position in TechnoPro and have bought a position in competitor BeNext Group, the number 2 IT Engineer Outsourcing business in Japan. Both companies stand to benefit from the very strong demand for IT engineers domestically and are well managed businesses, but the valuation of BeNext looks more attractive and we like their ambitious management strategy.

The fund currently holds more than the targeted 30 names that we aim at in portfolio construction with a number of positions in the process of being bought and sold. We expect that the number of holdings will fall in April and move back towards the targeted level.

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

Fund facts

Fund total net assets: ¥47 617.06 M ($430.03 M) **Base currency:** JPY

Fund domicile: Luxembourg **Management fee:** 0.90% p.a.

Fund type: UCITS SICAV **Fund launch:** 12 June 2014

Depositary, 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

Contacts

Hervé Rietzler (FR / CH / LU / IT) +352 28 84 54 19
Baptiste Fabre (FR / IR / UK) +33 1 56 88 36 55
Sebastian Meissner (DE / AT) +44 207 0099 244
Raluca Alda (CH / IT) +41 78 864 19 07
info.investors@almacapital.com