ALMA CAPITAL

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

英光 Eikoh

As of 30 April 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 (%)

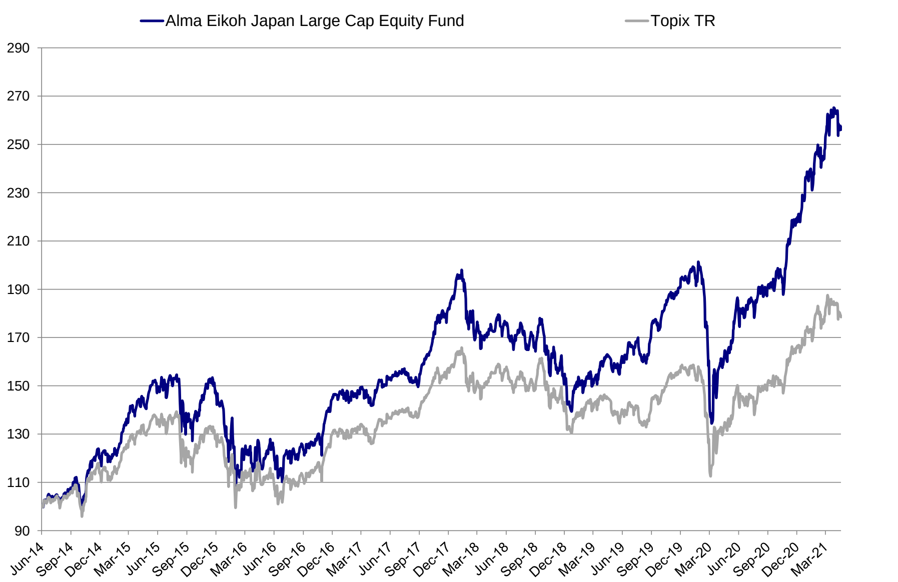
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	-1.94	10.52	35.92	11.91	54.96	41.49	145.51	13.93
I GBP C shares	-1.54	5.12	21.43	3.98	36.51	41.47	-	-
I EUR Hedged C shares	-2.01	10.73	35.84	12.03	54.30	37.51	-	-
I JPY C shares	-1.98	11.16	36.31	12.50	55.61	42.10	-	-
I EUR C shares	-3.36	6.99	26.07	8.16	37.07	-	-	-
I EUR D shares	-3.37	6.94	26.02	8.09	33.18	-	-	-
I USD Hedged C shares	-1.94	10.86	36.35	12.27	55.60	47.79	156.10	14.63
Topix (TR)	-2.84	5.91	21.48	6.15	32.34	14.61	78.46	8.77

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

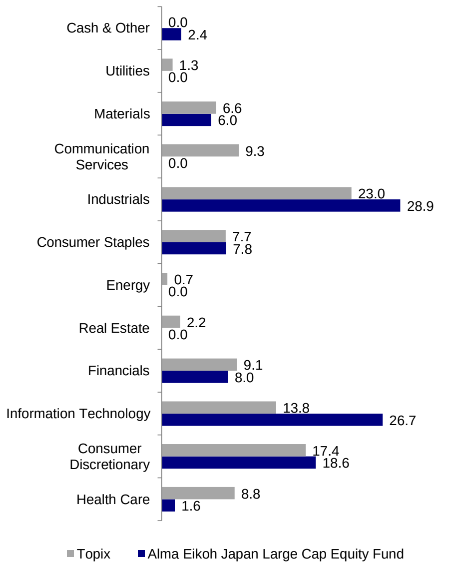
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	32	2 188
Weighted Average Market Cap (¥ bn)	3 899	4 681
Median Market Cap (¥ bn)	1 144	45
Dividend Yield (%)	1.9	1.9
Historical Price / Earnings (x)	29.5	28.4
Historical Price / Cashflow (x)	8.1	9.0
Historical Price / Book (x)	1.6	1.3
Volatility since inception (%)	21.8	19.9
Annualized Sharpe ratio since inception	0.7	0.4
Active share (%)	86.7	-
Beta since inception	1.05	-
Tracking error since inception (%)	6.2	-
Annualized Information ratio since incept	1.0	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



Top 10 positions details

Security name	Sector	% AUM
TOYOTA MOTOR CORP	Consumer Discretionary	6.19
FANUC CORP	Industrials	6.14
TAIYO YUDEN CO LTD	Information Technology	5.25
TOKYO ELECTRON LTD	Information Technology	5.10
SUMITOMO MITSUI FINANCIAL GR	Financials	4.63
YAMATO HOLDINGS CO LTD	Industrials	3.82
MITSUBISHI CHEMICAL HOLDINGS	Materials	3.49
ORIX CORP	Financials	3.39
NTT DATA CORP	Information Technology	3.38
YAMAHA MOTOR CO LTD	Consumer Discretionary	3.22
	TOTAL:	**44.61**

Investment manager's commentary

Market Review and Outlook

The Topix fell by 2.84% in April lagging global markets that remained firm over the period despite evidence of a deterioration in global COVID infection rates centred on developing countries and India in particular. Global and domestic economic news announced over the period remained supportive of recovery, however investors grew concerned about rising domestic COVID infection rates and the measures that may be required to suppress them. Japan has lagged behind other developed nations in its vaccination program with only 2% of the population now vaccinated and domestic infection rates matched the level of the January peak at end April with Osaka particularly badly hit earlier during the month. On the 23rd April Tokyo, Osaka, Kyoto and Hyogo prefectures were placed under a state of emergency. Dissatisfaction with the performance of the Suga administration is illustrated by the fact that the opposition won all three seats in by elections held towards the end of the month and this setback also helped depress the market. There was no clear pattern to sector performance over the month with some cyclical areas such as shipping and steel performing well but others such as oil, auto's, banks and real estate underperforming. Topix Growth marginally outperformed Topix Value in April, in sharp contrast to the dramatic rebound in value seen during the first quarter. Net investor flows remain modest in scale with no significant movement by foreign investors.

Economic data out of the US continues to point to a strong recovery with jobless claims, non-farm payroll numbers and retail sales all encouraging and Q1 GDP growing by an annualised +6.4%. Likewise, growth in China is booming with Q1 GDP up 18.3%, retail sales +34.2% and industrial output +14.1% in March. Domestic indicators released so far continue to improve with Japan's flash PMI for April +0.6 to 53.3, up for the last three months and continuing the broad improvement seen since June 2020. The March Tankan business survey showed a +15 point improvement to +5 for current business conditions for large manufacturers while non-manufacturers showed a +4 point improvement to -1. March industrial production showed +2.2% MoM growth with Q1 overall +3.0% QoQ, the third straight quarter of production rises and showing clearly how the manufacturing sector is driving the economy. The labour market continues to tighten with the March jobs-to-applicants ratio marking a further small improvement to 1.10.

The last month has given mixed signals to investors with the positive news of booming growth in the economic power houses of the US and China offset by a deterioration in global COVID infection rates. The key question is to what degree should recent developments cause us to reassess our outlook for a strong and broad based economic recovery? Growth in the second quarter will be negatively impacted in Europe, Japan and affected emerging markets but the bigger picture still appears positive to us. Europe is now making steady progress in its vaccination program and will be in a strong position to steadily relax restrictions as the summer progresses and the US is moving towards a position where it will be able to export vaccines globally having looked after its own population. Japan has been tardy in its response but with substantial vaccine supplies now arriving from Pfizer should make rapid progress from here. While very recent developments have been disappointing, there are still good grounds to believe that the negative impact of COVID on global activity will progressively ease in the second half of the year and that prospects in 2022 look bright. G7 Governments remain supportive of stimulative policy and central banks dovish, even in the US. Japan looks set to follow the same path and this should support a broadening out of the recovery from the industrial sector in the second half of the year. While remaining very focused on individual stock attributes we are positioned to benefit from such strengthening and are heavily represented in areas of the market with strong economic sensitivity and underweight many more defensive sectors. In order of size, we are overweight semiconductors & semiconductor equipment, transportation, technology hardware & equipment, retail, and capital goods. We are underweight telecoms, pharmaceuticals, media & entertainment, real estate and insurance. The Topix appears reasonably attractively valued in historical terms, trading on a PBR of 1.32x, a prospective PER of 16.2x and a dividend yield of 1.90%. Japanese companies remain well capitalised and the very positive trend of improving corporate governance among listed Japanese firms continues to be in place. We expect Japanese firms will benefit strongly from a recovery in earnings in fiscal years 2021 & 2022 and expect sharply improved shareholder returns in response to this.

Fund

The Fund declined by -1.98% (JPY share class) in April, outperforming Topix which fell by -2.84% (dividends reinvested).

The fund's outperformance of the Topix over the month was driven by sector allocation whilst the contribution from stock selection was marginally negative. The overweight in semiconductors & semiconductor equipment added significant value with the underweights in pharmaceuticals, biotechnology & life sciences and utilities and the overweights in technology hardware & equipment and software & services also adding value. Being underweight telecommunication services, media & entertainment and food & staples retailing hurt performance as did being overweight automobiles & components and retailing.

The biggest contributors to stock selection were the shipper Nippon Yusen, which continued its strong run buoyed by the incredibly tight global shipping market, the positions in SPE manufacturers Tokyo Electron and Screen Holdings, Hitachi and glass maker AGC. The trend seen so far this year of industrial and economically geared stocks performing relatively strongly was not present in April across the wider market though the fund's holdings in these areas broadly performed well. The stocks that hurt performance were the staffing company BeNext-Yumeshin which declined after very strong price action following the completion of the merger in March, auto maker Toyota Motor, the bank SMFG, the large position in factory automation and robotics maker Fanuc and the retailer Nitori.

After a very active March, we made fewer changes to the fund in April and as expected ended up reducing the number of holdings in the portfolio towards our target of around 30 names; as of the end of the month there were 32 positions. After a reasonably strong rally, we exited our reduced position in department store operator Takashimaya reflecting the reduced upside we generate for the stock. We also continued to reduce our holdings in TechnoPro, the engineer staffing firm as we completed our switch into peer company BeNext-Yumeshin which we believe is more attractively valued and offers exposure to the same very strong operating environment. We exited from our small position in Modalis Therapeutics after a meeting with the company and further analysis dampened our expectations as to the timing and size of potential deals for their key treatments MDL-101 and MDL-104. After a period of under-performance we bought a position in the retailer Ryohin Keikaku which we believe has good growth prospects both domestically and in China which are not reflected in the current share price. We also switched our position in the brewer Asahi Holdings into peer Kirin Holdings after a significant sell off in the stock left it looking undervalued. Kirin has an extremely well managed domestic beer franchise and decent prospects overseas in Australia in particular, and they are working aggressively to exit their relationship in Myanmar with MEHL. After a strong run of performance we decided to exit from our position in glass maker AGC which no longer looks undervalued and where we are not convinced of the sustainability of current strong PVC related profits. Within components, we decided to consolidate our positions by selling our position in Murata and adding to our Taiyo Yuden position as we feel the latter offers more upside from a valuation perspective and represents a purer play on the key earnings driver of MLCCs. Within the area we also exited our position in TDK; while we believe the core battery business continues to represent an area of long term growth it has become apparent that investment in the newer areas of micro-batteries and those for power tools, scooters and bikes will depress margins at a time when demand for mobile phone batteries is slowing. We bought a position in semiconductor packaging company Ibiden; packaging is becoming an increasingly important and highly value added part of the semiconductor supply chain and Ibiden is the industry leader both in terms of quality and breadth of technology in this area. The long term prospects look good for their business and while capital spending will be heavy over the next few years we believe that they will earn a good return on this investment.

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Fund facts

Fund total net assets: ¥49 230.68 M ($452.09 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