



Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



As of 30 June 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 (%)

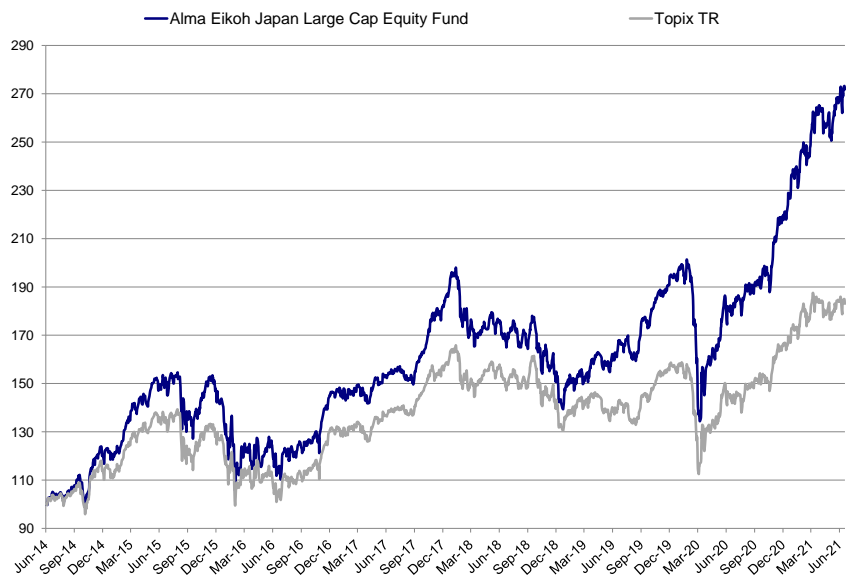
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	3.22	4.07	18.76	18.76	50.72	52.90	160.54	14.54
I GBP C shares	4.99	3.70	9.51	9.51	31.23	45.01	-	-
I EUR Hedged C shares	3.16	3.89	18.78	18.78	50.08	48.72	-	-
I JPY C shares	3.21	4.23	19.62	19.62	51.72	53.83	-	-
I EUR C shares	4.94	2.91	15.18	15.18	39.48	-	-	-
I EUR D shares	4.94	0.73	12.67	12.67	36.43	-	-	-
I USD Hedged C shares	3.22	4.15	19.23	19.23	51.52	59.32	171.99	15.24
Topix (TR)	1.19	-0.33	8.90	8.90	27.34	20.48	83.07	8.95

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

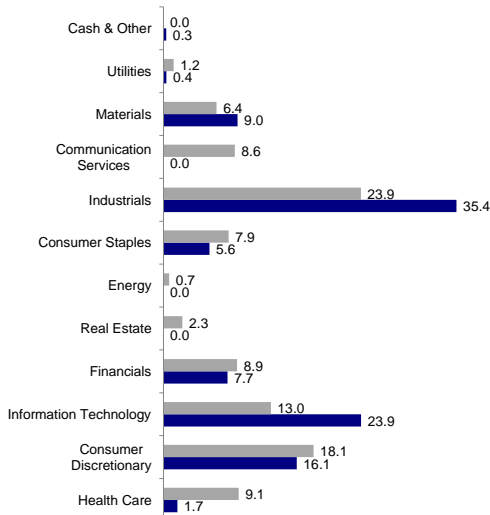
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	34	2,185
Weighted Average Market Cap (¥ bn)	4,372	4,792
Median Market Cap (¥ bn)	1,229	46
Dividend Yield (%)	2.0	2.0
Historical Price / Earnings (x)	24.0	20.5
Historical Price / Cashflow (x)	7.3	9.0
Historical Price / Book (x)	1.6	1.3
Volatility (%)	21.6	19.7
Sharpe ratio	0.7	0.5
Active share (%)	84.6	-
Beta	1.05	-
Tracking error (%)	6.1	-
Information ratio	1.0	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

Top 10 positions details

Security name	Sector	% AUM
FANUC CORP	Industrials	6.10
TOYOTA MOTOR CORP	Consumer Discretionary	6.08
NEC CORP	Information Technology	5.42
TOKYO ELECTRON LTD	Information Technology	4.74
SUMITOMO MITSUI FINANCIAL GR	Financials	4.36
TDK CORP	Information Technology	4.09
YAMATO HOLDINGS CO LTD	Industrials	3.66
MITSUBISHI CHEMICAL HOLDINGS	Materials	3.54
ROHM CO LTD	Information Technology	3.51
ORIX CORP	Financials	3.38
TOTAL:		44.88

Investment manager's commentary

Market Review and Outlook

The Topix rose by 1.19% in June helped by the downtrend in domestic COVID cases, at least for the majority of the period. Japan maintained a high rate of COVID vaccinations over the period at a little over 1m per day and has now administered 62m doses, enough to have vaccinated 24.5% of the population on a two dose basis. It is now on track to fully vaccinate 10% of the population every 3-4 weeks. It became clear during the month that the Olympics would definitely go ahead however on very restricted terms. Tokyo's state of emergency restrictions will now extend to August 22nd meaning that the event will play to empty stadiums in Tokyo at least. It was a mixed performance in terms of sector moves; value gave back some of this year's outperformance relative to growth slipping 1.7% but this still leaves it 12.0% ahead for the year to date. Leading sectors were predominantly economically sensitive including shipping, mining, rubber, oil and autos but that was also true of the worst performing sectors which included steel, non-ferrous metals, brokers, banks and machinery. The Yen weakened further against the US\$ slipping from 109.6 to 111.1. Foreign investors were modest net sellers over the period and have also been so over the first six months of the year.

Global economic news of note included the results of the US Fed meeting suggesting that the first rate hike might come in 2023 rather than 2024. This initially caused some market weakness but markets recovered in response to more dovish comments from chair Jerome Powell indicating that the Fed had no intention of taking pre-emptive measures. Domestic economic news was mixed indicating both the broad trend towards recovery and the negative impact of the recent surge in virus cases and the actions taken to suppress them. On a positive note the BOJ Tankan business survey showed a +9 point improvement to +14 for current conditions for large manufacturers, the fourth straight quarterly improvement, while for non-manufacturers an improvement of +2 to 1 was recorded, the first positive reading in 5 quarters. One feature that stood out in the survey was robust capital spending plans that bodes well for the future. May industrial production fell sharply by -5.9% MoM underperforming expectations, with the auto sector (-16.6%) hit hard by semiconductor shortages following the fire at the Renesas plant in March. A sharp recovery in activity is however forecast in June. The Economy Watchers Survey showed a sharp improvement in June with current conditions rebounding 9.0 points to 45.4 and the outlook improving by 5.8 to 52.6. One caveat however is that this was taken before the announcement of Tokyo's fourth state of emergency.

The last month has been mixed in terms of global economic news with rising COVID case counts driven by the Delta variant in many regions to be set against continuing underlying improvement in economic activity and steady vaccination progress in the leading industrial economies. We retain a broadly positive view of the global economic outlook and whilst accepting that restrictions put in place to control infections will have a short term negative impact they don't change the big picture. Current vaccines provide good protection against the various COVID variants and by the late autumn vaccination rates should allow the return of many of the aspects of pre-COVID life. G7 Governments remain supportive of loose and stimulative fiscal policy and central banks including the Fed are keeping their broadly dovish tone for now. Japan has lagged other industrial nations in its vaccine rollout but is now catching up fast. The manufacturing sector in Japan has demonstrated a robust recovery from the COVID shock of a year ago and profitability is benefiting from both recovering demand and the maintenance of many of the cost control measures that helped them weather the storm during 2020. While the non-manufacturing sector remains depressed, conditions should improve markedly in the second half of the fiscal year and many of these companies are also recording impressive cost savings. We remain focused on individual stock attributes and are positioned to benefit from broad economic strengthening; heavily represented in areas of the market with strong overall economic sensitivity such as industrials and IT and underweight the key defensive sectors.

In order of size, we are overweight semiconductors & semiconductor equipment, capital goods, retailing, transportation and software & services. We are underweight pharmaceuticals, telecoms, media & entertainment, tech hardware, and real estate. The Topix appears reasonably attractively valued in historical terms, trading on a PBR of 1.30x, a prospective PER of 15.6x and a dividend yield of 1.98%. 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 rose by 3.21% (JPY share class) in June, outperforming Topix which rose by 1.19% (dividends reinvested). Over the second quarter the fund rose by 4.23%, outperforming Topix which fell by 0.33%.

The fund's outperformance of the Topix over the month was driven by stock selection, sector allocation had a negligible impact. The underweight in telecommunication services added value but was offset by the negative impact of the underweight in pharmaceuticals. The position in Mercari, the internet based flea market operator, was a strong contributor as was the medical services business JMDC. In the chemicals area both Mitsubishi Chemical and its subsidiary Nippon Sanso rose over the month helped by hopes for structural reform led by the company's new President. Hitachi rose reflecting investor interest in prospects for their smart grid business and the Shipping company Nippon Yusen, which continues to benefit from the strength of the container market, also gained. The fund's component holdings added value with Ibiden and Taiyo Yuden performing well. On the negative side the performance of Neural Pocket was dull.

Over the quarter the fund's outperformance of the Topix was primarily driven by stock selection though sector allocation also had a modest positive impact. The value added in sector allocation was driven by the fund's overweight in semiconductors and the underweight in telecoms. At the stock level a lot of value was added in capital goods with strong performances shown by Hitachi, Fanuc, Asahi Glass, Marubeni and Minebea Mitsumi. Another area of strength was autos where Yamaha Motor rose strongly on confirmation of its strong cyclical recovery and Toyota performed well helped by its smooth navigation of the global chip shortage. Other names of note include the shipping firm Nippon Yusen and chemical stocks Mitsubishi Chemical and Nippon Sanso. Growth stocks JMDC and Mercari added value however on the negative side the positions in Benext-Yumeshin and Neural Pocket underperformed the market.

We bought a position in NEC, funding this through the sale of our shares in software developer NTT Data. NEC shares have fallen sharply post the announcement of full year results that revealed substantial upfront costs as they attempt to win a significant share of the 5G equipment market. We believe the fall in the share price fully discounts these costs while not allowing for the possibility that they will succeed in this regard. We are encouraged by their recent 5G equipment contract wins from Vodaphone and Deutsche Telecom. After a period of strong performance we sold our position in the SPE company Screen Holdings and reinvested it in the construction machinery firm Komatsu. The primary driver for this move was relative valuation with the sharp relative performance differential between the two making the switch very attractive. Komatsu has fallen sharply over the past couple of months even as its business continues to exhibit a steady recovery. It is a well managed business with a strong global franchise. We were active in the components area selling the position in Taiyo Yuden and switching this back into TDK following its recent underperformance. We still like long term prospects for Taiyo Yuden however we are concerned that profitability may be constrained by heavy expansion costs over the next couple of years. TDK looks attractively valued after recent underperformance and we like long term prospects in their core battery and components businesses and expect their sensors and heads operations to recover sharply over the next few years. In chip packaging we retain our position in Shinko but sold our shares in Ibiden after recent strong performance, choosing to reinvest this in the semiconductor maker Renesas. We are encouraged by recent improvements in profitability and consistency here and consider the company to be in a very strong position to take advantage of the current semiconductor shortage to forge new client relationships and expand share. Lastly we purchased a small position in the rail and real estate conglomerate Tokyu which we expect to show a strong recovery in 2022 as COVID restrictions finally ease reflecting strong progress being made in vaccinating the population.

Fund facts

Fund total net assets:	¥52 719.68 M (\$476.91 M)	Base currency: JPY	Countries where the fund is registered:
Fund domicile: Luxembourg		Management fee: 0.90% p.a.	Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore
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
Dealing:	Each day with a 1-day notice. Cut-off time: 12 pm CET		Isin: LU1013117160 Ticker: AEJIUHA LX Launch: 12 June 2014
Management company:	Alma Capital Investment Management (LU)		Institutional GBP Hedged Capitalisation share class
Investment manager:	Alma Capital Investment Management (LU)		Isin: LU1013116949 Ticker: AEJIGHA LX Launch: 12 June 2014
Fund managers:	James Pulsford Tom Grew		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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