



# Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



Eikoh

As of 30 July 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 (%)

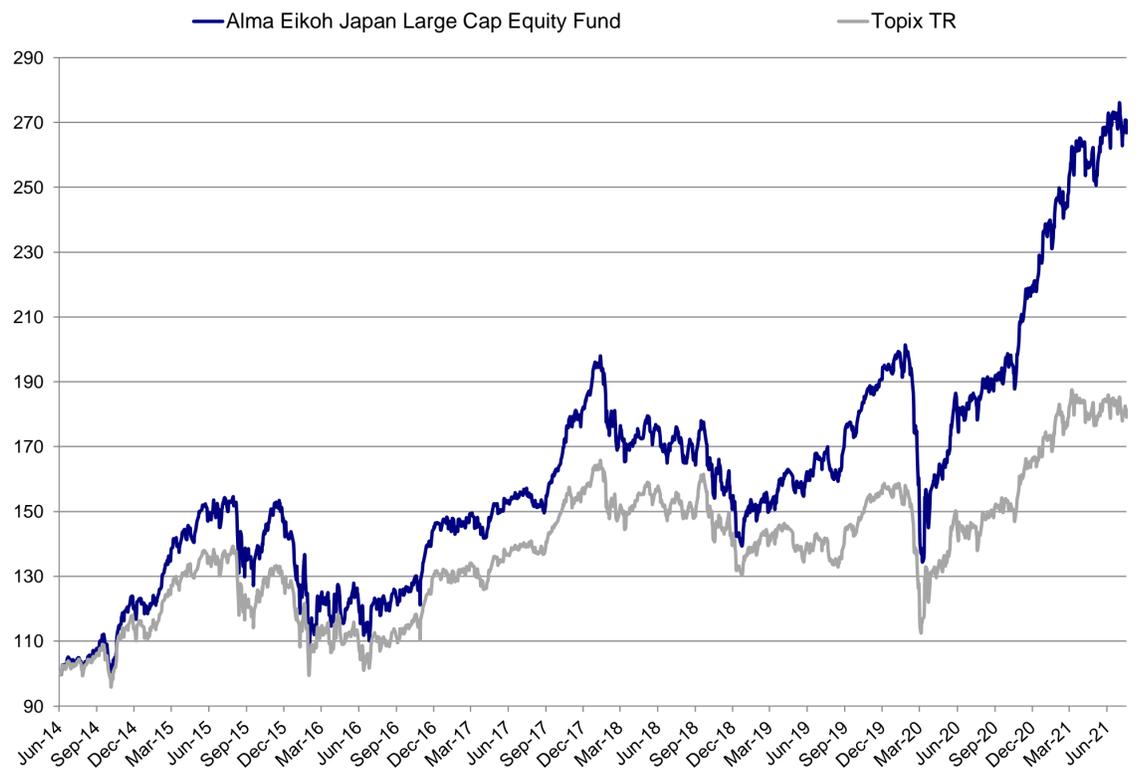
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	-2.00	4.00	14.93	16.38	48.58	47.33	155.32	14.04
I GBP C shares	-1.95	3.27	8.56	7.38	34.36	41.06	-	-
I EUR Hedged C shares	-2.04	3.86	15.00	16.35	47.97	43.40	-	-
I JPY C shares	-1.93	4.28	15.91	17.32	49.80	48.39	-	-
I EUR C shares	-0.96	5.47	12.84	14.07	42.72	-	-	-
I EUR D shares	-0.94	3.25	10.41	11.61	39.61	-	-	-
I USD Hedged C shares	-1.92	4.17	15.47	16.94	49.69	53.47	166.77	14.74
Topix (TR)	-2.18	0.35	6.28	6.52	29.79	16.34	79.08	8.51

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

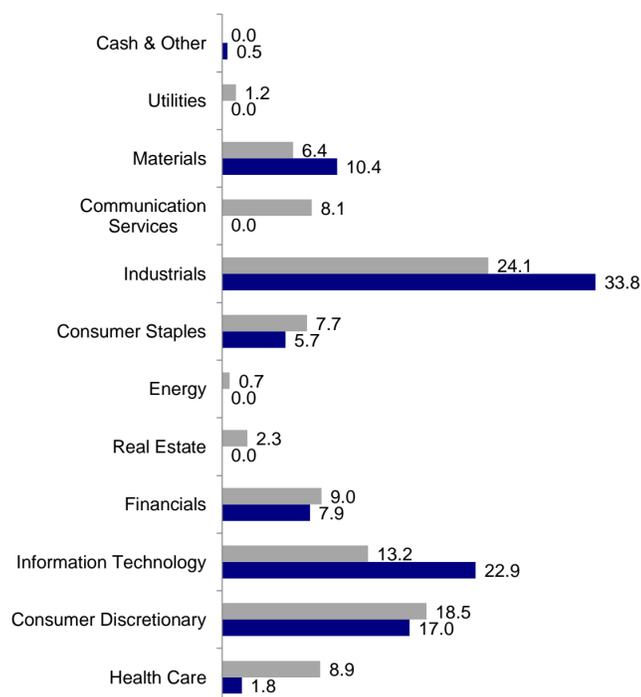
## Portfolio characteristics

Main indicators	Fund	Index
No. of securities	34	2 189
Weighted Average Market Cap (¥ bn)	4 393	4 761
Median Market Cap (¥ bn)	1 239	45
Dividend Yield (%)	2.0	2.0
Historical Price / Earnings (x)	22.0	18.3
Historical Price / Cashflow (x)	7.4	8.6
Historical Price / Book (x)	1.5	1.3
Volatility (%)	21.5	19.6
Sharpe ratio	0.7	0.4
Active share (%)	83.8	-
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
TOYOTA MOTOR CORP	Consumer Discretionary	6.01
NEC CORP	Information Technology	5.48
FANUC CORP	Industrials	4.82
TOKYO ELECTRON LTD	Information Technology	4.62
MITSUBISHI UFJ FINANCIAL GRO	Financials	4.35
ROHM CO LTD	Information Technology	3.99
LIXIL CORP	Industrials	3.68
ORIX CORP	Financials	3.59
KOMATSU LTD	Industrials	3.50
YAMATO HOLDINGS CO LTD	Industrials	3.49
<b>TOTAL:</b>		<b>43.53</b>

## Investment manager's commentary

### Market Review and Outlook

The Topix fell by 2.18% in July sharply lagging US and European bourses. Asian markets overall were sluggish, unsettled by conspicuous weakness in China caused at least in part by regulatory tightening concerns. Further factors behind Asian weakness were high rates of COVID cases in the region and some fears over the strength and sustainability of global economic momentum as indicated by bond market strength with the yield on US 10 year treasuries falling from 1.47% to 1.22%. COVID cases were a factor in Japan's dull performance with the 7 day average case count rising from 1,500 to 8,700 over the month with no sign of peaking in infections. The Japanese vaccination effort continues to make good progress however with about 100m doses having been administered, enough to have fully vaccinated close to 40% of the population on a two dose basis, and continuing to run at a pace equivalent to 10% of the population every 3-4 weeks. The Olympics got underway on July 23rd and with Japanese athletes making a strong start to proceedings public perception of this hitherto very unpopular event has showed clear signs of improvement. There was again no clear thematic trend within the market with economic sensitives both amongst the sector leaders and laggards over the period and value only very narrowly outperforming growth. The shipping sector was the top performer buoyed by further strength in container rates. Foreign investors were heavy net sellers during July liquidating close to Y1trn of assets and have sold Y2.2trn since the start of the year.

Global economic news over the month was mixed with slightly weaker than consensus Q2 GDP growth in China that came in at +7.9% cf a +8.0% consensus and down from +18.3% in Q1 on a much higher base level. On a brighter note US employment and housing statistics remain very strong though Q2 GDP at +6.5% annualised was also below market expectations. Eurozone Q2 GDP growth of +8.3% was the first positive figure in three quarters and indicative of the strong recovery that this region has shown. Domestically, June industrial production showed a sharp recovery of +6.2% MoM from the weakness shown in May and was up 22.6% from the depressed levels of last year. Machinery orders are firm and machine tool orders in particular continue to show a very robust recovery. The Economy Watchers Survey showed a sharp recovery from the weakness of May and June with the current index rebounding 9.0 points MoM to 45.4 and the outlook up by 5.8 points to 52.6. It is encouraging that recent additional COVID control measures do not appear to have dented sentiment. Q1 results announcements are still underway but appear very encouraging so far. A survey by Nomura of 334 large companies showed sales up 26.5% YoY and profits up 188%; compared to FY'19 Q1, sales were down 0.8% but profits up 18.0%. The number of companies exceeding consensus expectations has substantially exceeded those falling short with the net positive surprise ratio the highest since FY'10 at 68%.

We are approaching the Lower House election for the Japanese parliament in October and ahead of this a potential LDP leadership election in September if a challenger emerges to Prime Minister Suga. The approval rating of Mr Suga fell to 35.9% in a poll conducted by Kyodo News in mid-July, this is the lowest level since he took office last year and the disapproval rating rose to a high of 49.8%. This was however ahead of the Olympics with public opposition to the games high and Mr Suga is gambling that a successful Olympics, albeit without spectators, will restore his electoral fortunes. Based on the strong performance of Japan's athletes this now appears credible and it will be interesting to see how perceptions have changed when the next poll is carried out.

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 negative impact don't believe that they change the big picture driven by vaccine facilitated reopening, government stimulus and central bank support. 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. Non-manufacturing sector conditions should improve markedly in the second half of the fiscal year as rising vaccination rates allow greater freedom. We remain focused on individual stock attributes and are positioned to benefit from broad economic strength; heavily represented in areas of the market with 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 materials. We are underweight pharmaceuticals, telecoms, tech hardware, media & entertainment, and automobiles. The Topix appears reasonably attractively valued in historical terms, trading on a PBR of 1.24x, a prospective PER of 14.8x and a dividend yield of 2.03%. 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 fell by 1.93% (JPY share class) in July, outperforming Topix which fell by 2.18% (dividends reinvested).

During the month both stock selection and sector allocation added a small amount of value and drove minor outperformance of the Topix. The underweights in Telecommunication Services, Pharmaceuticals & Biotechnology and Media & Entertainment added value whilst the heavy overweight in Semiconductors & Semiconductor Equipment detracted, as did the underweights in Technology Hardware and Consumer Durables & Apparel. At the stock level, retailer Nitori was a strong contributor to value, as were the positions in Nippon Sanso, the industrial gas business, semiconductor manufacturer Rohm and the engineer staffing business BeNext-Yumeshin though there was no major news in any of these names. Not owning Softbank Group was also positive. On the negative side, the large position in FA manufacturer Fanuc was poor and other detractors were electronic components maker TDK, the position in SPE maker Tokyo Electron and the position in Sony Group though again on no major news.

July was a relatively quiet month from a trading perspective though we continue to research our existing holdings and actively look for new opportunities. The main change made in the month was switching our position in Sumitomo Mitsui Financial Group into Mitsubishi UFJ Financial Group. On an absolute basis we feel that both banks look attractively valued and offer compelling upside but feel that Mitsubishi UFJ is now the more attractive of the two. After having purchased large stakes in Asian banks in their previous mid term plan and reduced share buyback activity in pursuit of expansion, the management of MUFJ seems to have changed perspective to focus more on efficiency and profitability and we feel their capital policy is likely to reflect this over the coming years. On the other hand, SMFG has recently announced a spate of acquisitions in Asian non-bank finance companies in a search for growth and this somewhat diminishes the prospects for increased shareholder returns over the medium term which we would view as a better allocation of capital. MUFJ furthermore has good exposure to the US through MUAH and its stake in Morgan Stanley where economic conditions and prospects for rate hikes are strong. At the end of the month we also purchased a position in Toray where we feel the share price overly discounts a number of negative factors such as increased raw material prices and customer inventory and production adjustments. Despite this, the business is likely to generate strong profits as automobile and industrial production ramps up and over the medium to long term they have strong gearing to environmental themes like wind turbines, battery separators and PET recycling.

## Fund facts

<b>Fund total net assets:</b>	¥50 535.56 M (\$461.41 M)	<b>Base currency:</b> JPY	<b>Countries where the fund is registered:</b> Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore
<b>Fund domicile:</b> Luxembourg		<b>Management fee:</b> 0.90% p.a.	
<b>Fund type:</b> UCITS SICAV		<b>Fund launch:</b> 12 June 2014	<b>Identifiers:</b>
<b>Depository, Administrator, Transfer Agent:</b>	BNP Paribas Securities Services (LU)		Institutional USD Hedged Capitalisation share class Isin: LU1013117160 Ticker: AEJIUHA LX Launch: 12 June 2014
<b>Dealing:</b>	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
<b>Management company:</b>	Alma Capital Investment Management (LU)		Institutional EUR Hedged Capitalisation share class Isin: LU1013116782 Ticker: AEJIEHA LX Launch: 10 December 2014
<b>Investment manager:</b>	Alma Capital Investment Management (LU)		Institutional JPY Capitalisation share class Isin: LU1013116519 Ticker: AEJPIJA LX Launch: 10 December 2014
<b>Fund managers:</b>	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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