



# Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV



Eikoh

As of 30 December 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
- The fund is classified under article 8 of the European Regulation on sustainability-related disclosures in the financial services sector (SFDR)
- The strategy has been awarded a rating of AAA from MSCI ESG Rating, which is the top 1% of its peer group and is rated by Morningstar/Sustainalytics with the score of 4 globes
- The strategy has 5 Stars from Morningstar
- News: the Alma Eikoh Fund has been recognised as Best Japan Equities Fund of the year at the "Grand Prix de la Gestion d'Actifs" by I'AGEFI and James Pulsford has been recognised as Best Japan Manager by Citywire

## 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, a Tokyo-based senior analyst who has been working with James for over 20 years, provides a dedicated research service under contract to the portfolio management team
- Alma Capital Investment Management is a signatory to the Principles for Responsible Investment (PRI) and a member of LuxFLAG.

## Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	1.69	-1.34	1.73	20.82	20.82	89.22	165.06	13.77
I GBP C shares	-1.09	-3.98	0.94	10.54	10.54	71.84	-	-
I EUR Hedged C shares	1.64	-1.49	1.42	20.47	20.47	85.01	-	-
I JPY C shares	1.73	-1.06	2.31	22.39	22.39	91.99	-	-
I EUR C shares	0.12	-1.33	3.38	19.07	19.07	-	-	-
I EUR D shares	0.11	-1.40	3.61	16.75	16.75	-	-	-
I USD Hedged C shares	1.70	-1.14	2.19	21.84	21.84	95.54	177.94	14.49
Topix (TR)	3.45	-1.69	3.53	12.74	12.74	43.01	89.54	8.83

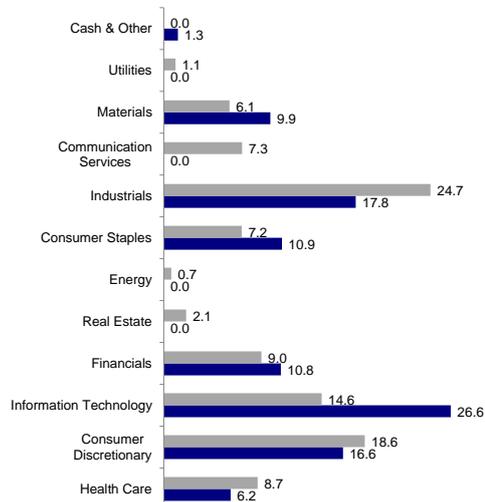
Fund launched on 12 June 2014 (I USD Hedged C and I GBP Hedged C shares)

## Portfolio characteristics

### Main indicators

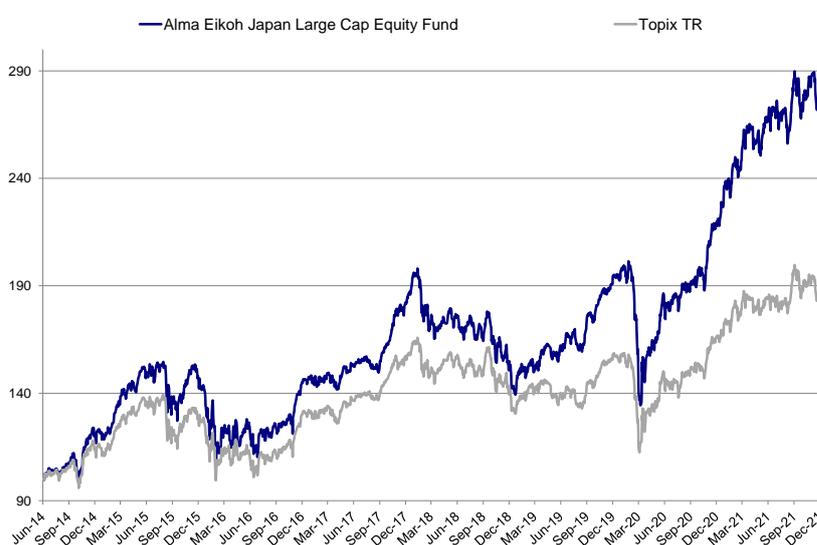
	Fund	Index
No. of securities	34	2,180
Weighted Average Market Cap (¥ bn)	3,813	5,391
Median Market Cap (¥ bn)	1,478	46
Dividend Yield (%)	1.9	2.2
Historical Price / Earnings (x)	17.5	15.0
Historical Price / Cashflow (x)	8.8	9.6
Historical Price / Book (x)	1.5	1.3
Volatility (%)	21.3	19.4
Sharpe ratio	0.7	0.5
Active share (%)	84.4	-
Beta	1.05	-
Tracking error (%)	6.0	-
Information ratio	0.9	-

## Sector breakdown (% AUM)



■ Topix ■ Alma Eikoh Japan Large Cap Equity Fund

## Performance (Indexed - Base 100)



## Top 10 positions details

Security name	Sector	% AUM
MITSUBISHI UFJ FINANCIAL GRO	Financials	5.86
SUMCO CORP	Information Technology	4.40
RENESAS ELECTRONICS CORP	Information Technology	4.00
KOMATSU LTD	Industrials	3.79
SCREEN HOLDINGS CO LTD	Information Technology	3.62
TOYOTA MOTOR CORP	Consumer Discretionary	3.56
YAMAHA MOTOR CO LTD	Consumer Discretionary	3.55
NEC CORP	Information Technology	3.48
ASAHI GROUP HOLDINGS LTD	Consumer Staples	3.43
FANUC CORP	Industrials	3.37
<b>TOTAL:</b>		<b>39.06</b>

## Investment manager's commentary

### Market Review and Outlook

After a severe sell off on concerns of the new rapidly spreading Omicron coronavirus variant in the last days of November, the Topix recovered its poise in common with other global markets and rebounded by 3.45% during December. The sell-off in November was led by COVID sensitive stocks and economic cyclicals and these areas led the recovery in December. Marine transport, steel, airlines, machinery and banks all rose sharply helped by incrementally positive economic news flow and suggestions that the new Covid variant, though significantly more infectious, may lead to less severe health outcomes. Strong economic data and inflation numbers in the US prompted a more hawkish stance from the Fed with accelerated tapering. Other central banks matched this sentiment, the Bank of England raised the base rate to 0.25%, the first major economy to conduct a rate hike since the onset of the pandemic. Over the month the Yen continued to depreciate, standing at ¥115.1 to the dollar at the month end vs ¥113.1 at the end of November and representing the weakest level in over 5 years. This provided further support to those leading cyclical sectors where Japan's main exporters lie. The final thing of note to mention during the month was the poor performance of the Mothers index and highly rated small growth stocks which suffered heavily as investors rotated more towards cyclical and value names and as retail investors sold positions in order to participate in the large raft of year end IPOs.

Economic news in Japan over the period contained few surprises; the estimate for Japanese annualized GDP growth in Q3 was revised down slightly from -3.0% to -3.6% though after upward revisions for Q2 and the supply chain shortages and disruptions seen in the previous months this was expected. The Tankan survey was also in line with expectations and presented a more positive picture with the large and medium manufacturers current conditions showing levels unchanged at 18 and 6 respectively and improvements across the board in the large and medium non-manufacturer conditions from 2 to 9 and -6 to 1. The manufacturing PMI for December also remained strong at 54.2 (54.5 the month prior) though there was a slight downward move in the service PMI from 53.0 to 51.1 perhaps reflecting some hesitancy around the new variant. Industrial production in November showed a sharp +7.2% MoM recovery led by a snap back in auto production as component constraints eased. Forward looking data continues to look incrementally positive with the Japanese government raising its forecast for 2022 real GDP growth to 3.2% from 2.2%. We expect the government and BOJ to remain supportive of economic recovery with concerns about overheating unlikely in a country where policymakers have actively pursued inflation for over a decade. The stimulus package announced in November is an example of this and furthermore the government has announced additional support for businesses continuing to be impacted by the pandemic as well as discussions around tax breaks and cash handouts designed to help poorer sections of society, a key focus of the Kishida government.

Heading into 2022 it seems the major themes of coronavirus and the economic recovery will continue to dominate market behaviour and investor positioning as seen throughout 2021. The Omicron variant casts doubt over the timing of the end of the pandemic and the full reopening of society though data showing a reduction in severity has led some governments such as those in the US and the UK to refrain from re-deploying emergency restrictions despite record high numbers of cases. In Japan and other Asian countries, the latest wave is still at an early stage and it remains to be seen how governments will react. Despite COVID disruption the underlying global economic recovery has continued to progress however and aided by improving medical treatment and rising vaccination rates we expect this to continue. A concern is what happens to inflation over the next year as illustrated by the hawkish comments from the Fed in December and proposed rate hikes in 2022. We retain a broadly pro-cyclical positioning in the fund which has been selected on a stock by stock basis and we are geared into technology and cyclical areas with compelling long term growth outlooks within this. The fund is overweight in Semiconductors & Semiconductor Equipment, Materials, Diversified Financials and Retailing and underweight Telecommunication Services, Consumer Durables, Media and Entertainment and Capital Goods. The Topix appears attractively valued, trading at a PBR of 1.27x, a prospective PER of 14.3x and a dividend yield of 2.2%. Japanese companies remain well capitalised and the positive trend of improving corporate governance among listed Japanese firms continues to be in place. We remain encouraged by the sharp recovery in share buybacks carried out by Japanese companies in the first three quarters of fiscal 2021 and expect this to continue as earnings recover.

### Fund

The Fund rose by 1.73% (JPY share class) in December, underperforming Topix which rose by 3.45% (dividends reinvested).

The underperformance during December was driven stock selection whilst sector allocation was a positive contributor. The large overweight in Semiconductors & Semiconductor Equipment was a positive as were the underweights in Telecommunication Services, Media & Entertainment and Pharmaceuticals & Biotechnology. Being overweight Retailing cost performance and there were also small negative contributions from the underweights in Insurance and Capital Goods. The building material company Lixil was the top contributor to stock selection in the month; the restructuring story continues to play out though there was no specific news in December. Other positive contributions came from the Fanuc, the new position in Screen Holdings, brewer Asahi Group and not owning Softbank Group. Robo-advisor Wealthnavi was the worst contributor in terms of stock selection; it sold off heavily in a month that saw highly rated growth stocks underperform significantly. Online fleamarket operator Mercari also underperformed in this environment and detracted from performance. Other detractors of stock selection were wafer maker Sumco, retailer Nitori Holdings which released weaker than expected Q3 numbers, and semiconductor manufacturer Renesas Electronics.

Following analysis and a recent meeting with the company we decided to purchase a position in the pharmaceutical company Shionogi where we believe the future looks bright driven by both their existing HIV franchise and COVID products under development. S-217662 is undergoing clinical results and may offer a once-a-day, standalone treatment for virus reduction in COVID patients that compares favourably with the two competing therapies recently launched in the market. We adjusted our auto positioning by reducing our large position in Toyota after another strong year of relative performance and purchasing a position in Suzuki Motor which has excellent long term growth prospects in its core Indian franchise and has been hit hard by shortages in fiscal 2021. We think the company should experience a strong recovery in 2022 and should also benefit from a favourable model cycle following the launch of three new Indian models from November 2021 into 2022. During the month we also made further changes to our retail exposure by selling our small position in J Front Retailing, replacing it with a position in the drugstore chain Sugi Holdings. While it is the case that we expect department store operator J Front Retailing to benefit from an upturn in 2022 as reopening and economic recovery continue in Japan, prospects for longer term growth are less clear and we took the opportunity to reinvest in an area with clearer structural growth. Sugi Holdings holds a strong position in the prescription pharmacy business and we expect the ongoing move away from hospital and hospital gate pharmacies to general pharmacies in the local community to continue to drive healthy organic growth in this high margin area of their business. After rather uninspiring quarterly results and a meeting with the president of Yamato holdings, we decided to sell our holding. The stock is well positioned within the growing parcel delivery market but we have become less convinced of their ability to deliver further improvement in margins after the strong performance of the last two years. We consolidated our rail operator exposure by selling our position in Tokyu after strong relative performance within the sector buoyed by their announcement of a 2022 price hike. The stock looks unattractive to us in comparison to JR West where we retain our position in expectation of a recovery in passenger numbers and fundamentals in 2022. The final change we made was to switch our long-held position in Tokyo Electron into peer company Screen Holdings. Tokyo Electron has been a core holding of the fund and performed extremely well over the last 3 years, enjoying a particularly sharp run of outperformance over the last six months. Screen Holdings looks less extended and more attractively valued. The company holds the top market share in cleaning equipment and should continue to benefit from an improvement in product mix and manufacturing efficiency driven by growth from logic foundries. We expect this to meaningfully bolster margins into 2022 and beyond.

## Fund facts

<b>Fund total net assets:</b>	¥85 378.90 M (\$741.36 M)	<b>Base currency:</b> JPY	<b>Countries where the fund is registered:</b>
<b>Fund domicile:</b> Luxembourg		<b>Management fee:</b> 0.90% p.a.	Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore
<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
<b>Dealing:</b>	Each day with a 1-day notice. Cut-off time: 12 pm CET		Isin: LU1013117160 Ticker: AEJIUHA LX Launch: 12 June 2014
<b>Management company:</b>	Alma Capital Investment Management (LU)		Institutional GBP Hedged Capitalisation share class
<b>Investment manager:</b>	Alma Capital Investment Management (LU)		Isin: LU1013116949 Ticker: AEJIGHA LX Launch: 12 June 2014
<b>Fund managers:</b>	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: Launch: 04 February 2019
			Institutional EUR Unhedged Distribution share class
			Isin: LU1870374920 Ticker: AEJLIED LX Launch: 08 March 2019

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