

# Alma Eikoh Japan Large Cap Equity Fund

Data as of  
30 June 2022

Fund AUM  
\$817,676,809

Fund Launch  
12 June 2014



ALMA CAPITAL

## Investment Strategy

- 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 - Alma Capital<sup>(1)</sup>

- CSSF-authorized Luxembourg-based independent fund management company founded in 2006, with over \$4bn in AUM.
- Portfolio is managed by James Pulsford, who has 30 years of experience managing Japan equities in long only and long/short strategies, and Tom Grew for the past years.
- Offers investors a range of funds across strategies and geographies managed by asset managers.
- Signatory to the United Nations Principles for Responsible Investment and member of LuxFLAG.

## Performance History (12 June 2014 - 30 June 2022)<sup>(2)</sup>



## Fund Awards

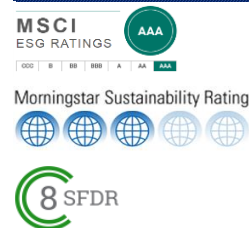
- **CityWire**  
James Pulsford awarded Best Japan Manager
- **Fund Selector Asia Singapore**  
Awarded Platinum within Japanese Equity category
- **Morningstar**  
Rated 5 Stars Overall, 3 and 5 Years
- **L'Agefi**  
Awarded Best Japan Equities Fund
- **Sauren**  
Awarded 2 Gold Medals as one of the Best Japan Equities Funds

## Fund Performance Summary<sup>(2)</sup>

|   | 1M     | 3M     | 6M     | YTD    | 1Y     | 3Y     | 5Y     | ITD     | Annualised ITD |
|---|--------|--------|--------|--------|--------|--------|--------|---------|----------------|
| <b>Alma Eikoh Japan Large Cap Equity Fund</b> | -3.11% | -4.98% | -8.04% | -8.04% | -5.92% | 56.09% | 58.07% | 147.33% | 11.90%         |
| <b>Topix (TR)</b>                             | -2.05% | -3.65% | -4.78% | -4.78% | -1.42% | 29.43% | 30.26% | 80.48%  | 7.61%          |

Please refer to our website to find performances for other shares classes.

## Fund ESG Recognitions



## Annual Fund Performance<sup>(2)</sup>

|   | 2022   | 2021   | 2020   | 2019   | 2018    | 2017   | 2016  | 2015   | 2014    |
|---|--------|--------|--------|--------|---------|--------|-------|--------|---------|
| <b>Alma Eikoh Japan Large Cap Equity Fund</b> | -8.04% | 22.39% | 17.60% | 33.39% | -25.09% | 27.48% | 1.57% | 18.86% | 21.52%* |
| <b>Topix (TR)</b>                             | -4.78% | 12.74% | 7.39%  | 18.12% | -15.97% | 22.23% | 0.31% | 12.06% | 14.79%* |

\*Performance has been calculated since the fund launch: 12 June 2014

## Alma Capital Commitments



## Contact Details

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(1) Represents the views of Alma Capital Investment Management. (2) Fund inception: June 12, 2014. The performance shown is that of the I JPY C share class, except for the period from 12 June 2014 to 10 December 2014 when it is the I USD C share class. The Fund's performance above is shown net of all fund fees. Past performance is not a reliable indicator of future returns. All information as of 30 June 2022 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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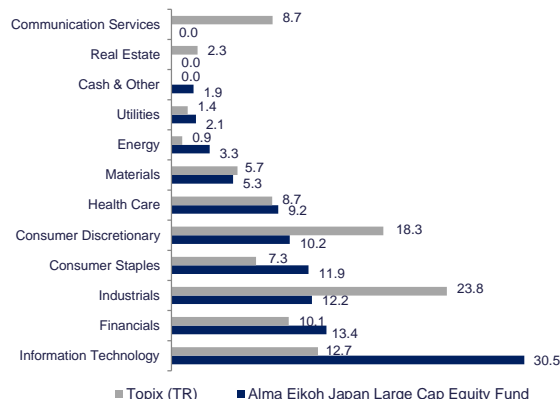


## Fund Characteristics

### Portfolio Characteristics <sup>(3)</sup>

| Main indicators                    | Fund  | Topix (TR) |
|------------------------------------|-------|------------|
| No. of securities                  | 33    | 2,170      |
| Weighted Average Market Cap (¥ bn) | 3,410 | 4,873      |
| Median Market Cap (¥ bn)           | 1,956 | 36         |
| Dividend Yield (%)                 | 2.5   | 2.5        |
| Historical Price / Earnings (x)    | 13.6  | 13.5       |
| Historical Price / Cashflow (x)    | 9.1   | 9.4        |
| Historical Price / Book (x)        | 1.2   | 1.2        |
| Volatility (%)                     | 21.0  | 19.4       |
| Sharpe ratio                       | 0.6   | 0.4        |
| Active share (%)                   | 85.7  | -          |
| Beta                               | 1.0   | -          |
| Tracking error (%)                 | 5.8   | -          |
| Information ratio                  | 0.8   | -          |

### Sector Exposure (% AUM) <sup>(3)</sup>



### Top 10 Issuers <sup>(3)</sup>

| Issuer name                  | Sector                 | % AUM        |
|------------------------------|------------------------|--------------|
| MITSUBISHI UFJ FINANCIAL GRC | Financials             | 7.20         |
| FUJITSU LIMITED              | Information Technology | 4.95         |
| SUMCO CORP                   | Information Technology | 4.11         |
| ROHM CO LTD                  | Information Technology | 4.07         |
| SCREEN HOLDINGS CO LTD       | Information Technology | 4.03         |
| RENESAS ELECTRONICS CORP     | Information Technology | 3.92         |
| KAO CORP                     | Consumer Staples       | 3.64         |
| ASAHI GROUP HOLDINGS LTD     | Consumer Staples       | 3.55         |
| ORIX CORP                    | Financials             | 3.51         |
| ASTELLAS PHARMA INC          | Health Care            | 3.47         |
| <b>TOTAL :</b>               |                        | <b>42.45</b> |

## Key Facts

| Issuer / Manager                          | Alma Capital Investment Funds / Alma Capital Investment Management                           |              |                  |               |                  |                  |              |
|---|--|--------------|------------------|---------------|------------------|------------------|--------------|
| Fund Type                                 | Luxembourg UCITS SICAV   |              |                  |               |                  |                  |              |
| Share Classes                             | I JPY C  | I USD-H C    | I EUR C          | I EUR D       | I EUR-H C        | I GBP C          | I GBP-H C    |
| ISIN-Code                                 | LU1013116519   | LU1013117160 | LU1870374508     | LU1870374920  | LU1013116782     | LU1152097108     | LU1013116949 |
| BBG Ticker                                | AEJPIJA LX   | AEJIUHA LX   | AEJLIEC LX       | AEJLIED LX    | AEJIEHA LX       | AEKJEGC LX       | AEJIGHA LX   |
| Currency                                  | JPY  | USD          | EUR              | EUR           | EUR              | GBP              | GBP          |
| Management Fee p.a. <sup>(4)</sup>        | 0.90%  | 0.90%        | 0.90%            | 0.90%         | 0.90%            | 0.90%            | 0.90%        |
| Tax d'abonnement p.a.                     | 0.01%  | 0.01%        | 0.01%            | 0.01%         | 0.01%            | 0.01%            | 0.01%        |
| Initial Issue Price                       | ¥10,000  | \$100        | € 100            | € 100         | € 100            | £100             | £100         |
| Launch Date                               | 10 December 2014   | 12 June 2014 | 04 February 2019 | 08 March 2019 | 10 December 2014 | 17 February 2015 | 12 June 2014 |
| Subscription and Redemption Cut-Off       | 12:00 p.m. CET (T-1)   |              |                  |               |                  |                  |              |
| Valuation Day (T)                         | Daily  |              |                  |               |                  |                  |              |
| NAV Publication                           | Daily, published on a T+0 basis  |              |                  |               |                  |                  |              |
| Settlement                                | T+3  |              |                  |               |                  |                  |              |
| Depository, Administrator, Transfer Agent | BNP Paribas Securities Services  |              |                  |               |                  |                  |              |
| Registered Countries <sup>(5)</sup>       | Austria, Belgium, France, Germany, Italy, Luxembourg, Singapore, Switzerland, United Kingdom |              |                  |               |                  |                  |              |
| SRRI                                      | 6  |              |                  |               |                  |                  |              |

(3) Source: Alma Capital Investment Management. (4) Management Fee is payable monthly to the Management Company and is calculated on each Valuation Day on the basis of the Net Asset Value of the relevant Share Class. The Investment Manager is remunerated by the Management Company out of the Management Fee. (5) Registered countries where at least one share of the fund is registered. All information as of 30 June 2022 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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## Commentary - Alma Capital - June 2022 <sup>(6)</sup>

### Fund

The Fund fell by 3.11% (JPY share class) in June, underperforming Topix which fell by 2.05% (dividends reinvested).

The core driver of the fund's underperformance during the month was sector allocation whilst stock selection was strongly positive. The large overweight position in Semiconductors & Semiconductor Equipment accounted for more than 100% of the fund's negative attribution as macro concerns once again gripped markets leading to a broad sell off of technology stocks and those geared into the global economy. The overweight in Software & Services and the underweights in Real Estate and Retailing were also mildly negative. There were small positive sector allocation contributions from the overweights held in Technology Hardware & Equipment, Household & Personal Products, Food & Staples Retailing and Banks. Whilst being long the sector hurt the fund, stock selection was good amongst the fund's semiconductor holdings (e.g. owning Rohm and Sumco whilst not owning Tokyo Electron added value vs the benchmark). Other positive stock selection contributions came from Toray Industries, Kao Corporation and Keisei Electric Railway which rallied upon further reopening news in Japan. There were negative contributions from the positions in Fujitsu, oil & gas company Inpex which fell on a drop in the price of crude oil, semiconductor and CDMO specialist JSR and the position in biotechnology company Peptidream which continued its poor run in the absence of any specific news.

During June our trading was relatively limited and we added just one new core position to the fund in MS&AD, the P&C insurer which we think looks undervalued in light of the outlook for a good profits recovery. As one of its three main players, MS&AD have a very solid position within the stable and highly profitable domestic auto insurance market as one of the three major players and are set to see their fire insurance operation turn profitable in the next two years or so; this is after several rounds of price hikes and the expiry of unprofitable long duration contracts. Overseas we expect their Amlin operation to add to profits thanks to the current hardening cycle and after having completed the restructuring of unprofitable business lines. We sold our position in cyber security company Trend Micro whose shares have shown strong outperformance this year thanks to their appeal as a cash generative and economically defensive company. We no longer generate high upside to target price and considering the continued uncertainty over the competitiveness of their US operations we decided to sell our shareholding. We also decided to sell our position in Toray after the shares rallied aggressively in May and June leaving us feeling they were fully valued, especially in light of the impact of current high oil prices which present a headwind for the company. After having met twice with the company, we decided to participate in the IPO of a small tech enabled M&A advisory firm M&A Research Institute whose use of technology and hiring of quality employees leaves them well positioned to take advantage of the large (and growing) domestic M&A market driven by business succession challenges. The listing price appeared very attractive in light of the growth prospects, the quality of the management team and the attractiveness of the business model which already generates margins in excess of 40%.

### Market Review and Outlook

The market started June on a positive note with investors cheered by the relaxation of COVID restrictions in China and the positive impact of the rapid depreciation of the Yen on manufacturing profits. The mood changed sharply however on concerns that rising inflationary pressures in the US would cause the Fed to tighten policy more rapidly and sharply than previously envisaged, increasing the probability of recession rather than soft landing. A catalyst for this shift was the announcement of May CPI figures showing a 1.0% MoM increase, up 8.6% YoY, and this was followed by PPI data showing an increase of +10.8% YoY ex-food and energy. In their June meeting the Fed responded with a 75bp increase lifting the target range to 1.50% - 1.75%, the first increase of this magnitude since 1994. While the US and European central banks moved towards tightening the BOJ reaffirmed its highly accommodative policy with the deposit rate remaining at -0.1% and the 10 year target yield at about 0%. Reflecting the darkening economic mood the decline in the market was led by economically sensitive sectors such as shipping, mining, iron & steel, electric appliances and precision while defensive areas outperformed with utilities, food, land transport, real estate and pharmaceuticals all rising significantly. Topix Value outperformed Topix Growth by 3.35% over the month and has outperformed it by 17.2% over the first half of the year. Foreign investors were significant sellers over the month realising Y1.0trn and bringing the total to a disinvestment of Y3.0trn over the first half of the year. The Yen closed at 135.7 to the US\$, a fall from 128.7 over the month with 10 year Government bond yields little changed at 0.225% and falling within the BOJ's target 0.25% range. Commodity prices weakened with Brent slipping from \$122.8 a barrel to \$114.8 and copper from \$9,445 to \$8,254/MT.

Economic news announced over the period was consistent with the picture of slowing global growth. The US Conference Board consumer confidence index fell from 106.4 in May to 98.7 in June, a 16 month low while the European June PMI fell to 51.9 down from 54.8 in May. In Japan, industrial production in May fell 7.2% MoM and -2.8% YoY led by machinery related sectors with the impact of the lockdowns in China on parts supply a key factor behind this. The Economy Watchers Survey showed only a small decline of 1.1 to 52.9 in current conditions but a fall of 4.9 to 47.6 in future conditions with concerns about the effect of rising costs heightened compared to the previous assessment. At the end of the month the BOJ Tankan survey was released and showed a fall in large manufacturers current conditions DI from +14 to +9 but the forecast DI was actually marginally better at +10 cf +9 and for large non-manufacturers improved from +9 to +13 for current conditions and +7 to +13 for forecast conditions. The non-manufacturing sector improvement reflects the easing of domestic COVID measures and the recovery of domestic travel while for the manufacturing sector, weakening in demand needs to be set against the positive impact of the weaker Yen for exporters. Domestic inflationary pressures remain muted at the consumer level with the Tokyo June CPI up +2.3% YoY and excluding energy and fresh food up +1.0%. Producer Price inflation is much higher however with the most recent figure in May showing growth of +9.1% YoY.

Turning to the outlook for the market and the portfolio, news within Japan has been dominated by the shock assassination of former Prime Minister Shinzo Abe, Japan's leading political figure so far this century, and the subsequent Upper House election. In the election the ruling LDP and its smaller partner Komeito secured 76 of the available 125 seats and the LDP alone won 63. This leaves the coalition with 146 seats, comfortably ahead of the majority threshold of 125, and the LDP alone with 119. Post the election, parties in favour of revising the constitution now hold 177 seats in the Upper House, in excess of the 2/3rds threshold of 166 votes required for this to pass into law. The key question now following their election success is what will the Kishida administration choose to prioritise in legislative terms? While constitutional reform is a potentially achievable aim, it would dominate Diet proceedings as well as foment a national debate and leave little time or political capital to address economic issues. At this stage we believe it is more likely that the Kishida administration will focus on economic policy and further fleshing out his concept of "new capitalism". This is unlikely to involve a complete rejection of the tenets of Abenomics but a change of emphasis designed to attract a greater flow of foreign capital into Japan and to stimulate a more equitable sharing of the fruits of Japan's economic renaissance through higher wage growth for salaried workers. A policy priority seems likely to be measures to help households deal with inflation. A major decision that awaits Kishida in the autumn is the choice of successor for BOJ Governor Kuroda whose term expires at end March/23. While future changes in BOJ policy are expected to be evolutionary rather than revolutionary, the direction of travel is likely to be one of a very gradual normalisation of policy away from its current ultra-accommodative state.

Globally it remains the case that economic conditions continue to worsen and it is still unclear to what extent this is priced in to markets and to what extent company fundamentals will be impacted both on the cost side and on the demand side with both consumers and businesses squeezed by higher costs. While the recent decline in commodity prices is on the face of it good news, the fact that the driver of this is a much weaker demand outlook is not. A sharp slowdown in demand is clearly upon us and the only question is how deep and sustained this fall is and whether key constituents of the global economy such as the US can avoid recession. We continue to focus on individual company fundamentals with the portfolio much more defensively positioned than it was at the start of the year. We believe our portfolio companies are attractively priced in light of their medium growth prospects and their ability to weather current uncertain economic conditions. In order of magnitude the portfolio is overweight in Semiconductors & Semiconductor Technology, Software & Services, Food & Staples Retailing, Energy, and Banks. We are underweight Capital Goods, Telecommunication Services, Consumer Durables & Apparel, Technology Hardware & Equipment and Media & Entertainment. We continue to believe that Japanese companies offer attractive fundamentals with the Topix trading at a prospective PER of 12.0x, a PBR of 1.15x and a dividend yield of 2.53%. Recent year-end financial results were impressive and encouragingly these profits flowed through to shareholders with 74% of companies hiking their dividend and share buybacks up 63% to \$32bn, a post financial crisis high, as corporate governance continues to advance.

(6) Information provided by Alma Capital Investment Management.  
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