

Alma Eikoh Japan Large Cap Equity Fund

Data as of
31 August 2022

Fund AUM
\$845,613,662

Fund Launch
12 June 2014



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⁽¹⁾

- CSSF-authorized Luxembourg-based independent fund management company founded in 2006, with \$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 - 31 August 2022)⁽²⁾



Fund Awards

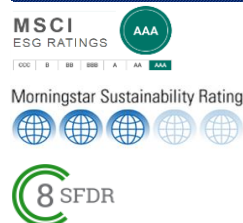
- **CityWire**
James Pulsford awarded Best Japan Manager
- **Fund Selector Asia Singapore**
Awarded Platinum within Japanese Equity category
- **Morningstar**
Rated 5 Stars Overall, 3 and 5 Years
- **L'Agefi**
Awarded Best Japan Equities Fund
- **Sauren**
Awarded 2 Gold Medals as one of the Best Japan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

Fund Performance Summary⁽²⁾

	1M	3M	6M	YTD	1Y	3Y	5Y	ITD	Annualised ITD
Alma Eikoh Japan Large Cap Equity Fund	0.16%	0.98%	3.02%	-4.16%	-0.37%	63.66%	67.07%	157.78%	12.20%
Topix (TR)	1.21%	2.82%	5.49%	-0.04%	2.55%	39.35%	36.23%	89.46%	8.08%

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

Fund ESG Recognitions



Annual Fund Performance⁽²⁾

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Alma Eikoh Japan Large Cap Equity Fund	-4.16%	22.39%	17.60%	33.39%	-25.09%	27.48%	1.57%	18.86%	21.52%*
Topix (TR)	-0.04%	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 31 August 2022 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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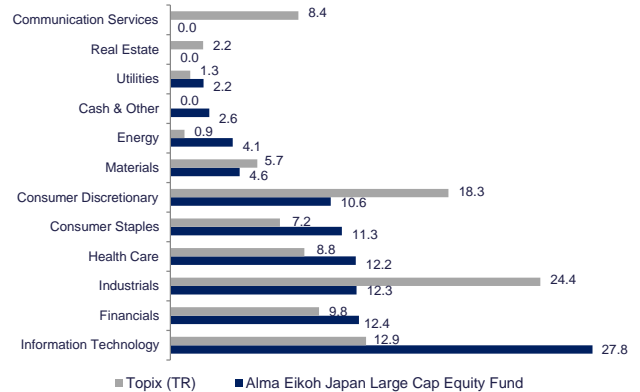
Portfolio Characteristics ⁽³⁾

Main indicators	Fund	Topix (TR)
No. of securities	35	2,169
Weighted Average Market Cap (¥ bn)	3,702	4,984
Median Market Cap (¥ bn)	2,317	38
Dividend Yield (%)	2.25	2.43
Historical Price / Earnings (x)	15.97	14.79
Historical Price / Cashflow (x)	12.44	9.98
Historical Price / Book (x)	1.28	1.18
Volatility (%)	20.89	19.24
Sharpe ratio	0.61	0.42
Active share (%)	83.14	-
Beta	1.04	-
Tracking error (%)	5.82	-
Information ratio	0.79	-

Top 10 Issuers ⁽³⁾

Issuer name	Sector	% AUM
mitsubishi ufj financial gro	Financials	6.15
KAO CORP	Consumer Staples	4.78
FUJITSU LIMITED	Information Technology	4.59
RENESAS ELECTRONICS CORP	Information Technology	4.34
ROHM CO LTD	Information Technology	4.30
INPEX CORP	Energy	4.11
ASTELLAS PHARMA INC	Health Care	3.47
ORIX CORP	Financials	3.37
FUJIFILM HOLDINGS CORP	Information Technology	3.34
SUMCO CORP	Information Technology	3.34
TOTAL :		41.79

Sector Exposure (% AUM) ⁽³⁾



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	AEJJIUA LX	AEJLIEC LX	AEJLIED LX	AEJIEHA LX	AEKJEGC LX	AEJIGHA LX
Currency	JPY	USD	EUR	EUR	EUR	GBP	GBP
Management Fee p.a. ⁽⁴⁾	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 ⁽⁵⁾	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.

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Commentary - Alma Capital - August 2022 ⁽⁶⁾

Fund

The Fund rose by 0.16% (JPY share class) in July, underperforming Topix which rose by 1.21% (dividends reinvested).

The fund's underperformance during the month was driven by a combination of stock selection and sector allocation. The overweight positions held in Software & Services and Commercial & Professional Service lost value as did the underweight held in Capital Goods while the underweights held in Media & Entertainment and Telecoms added value partially offsetting these negatives. Stock selection was poor in Materials as JSR underperformed the market in response to dull quarterly results with the company choosing to slowdown the pace of ramp up of its new CDMO facilities and bring forward the timing of maintenance at an existing plant key factors in this. Having met recently with management we retain a position and think that the company should show a strong recovery in these operations in fiscal 2023. Stock selection was also disappointing in Capital Goods with the position in Lixil underperforming as investors grew concerned over their exposure in Europe and the US through brands such as Grohe and American Standard. We retain a position in the stock and consider the management team led by Kinya Seto as highly capable and expect them to be successful in boosting domestic margins through ongoing restructuring and controlling costs effectively overseas. Lastly stock selection was poor in Software & Services due to the underperformance of Fujitsu following quarterly results which were above internal forecasts but shy of consensus analyst estimates. We have not changed our earnings expectations for Fujitsu, are encouraged by the healthy order environment it reports, and have subsequently added to our position in the stock which we believe looks very good value at current depressed levels. Stock selection was good in the portfolio's semiconductor holdings as both Renesas and Rohm rose over the month after solid results in each case.

During the month we sold our position in Screen Holdings and used part of these proceeds to buy a position in Tokyo Electron. We continue to like long term prospects for the semiconductor production equipment industry but recognise that a correction in demand is possible in 2023. Screen Holdings is a more narrowly focused company than Tokyo Electron and is planning to invest in expanding capacity next year, we are concerned that this will raise the risk associated with the stock and feel that the range of leading technological expertise and broader market exposure offered by Tokyo Electron will prove a better investment at this stage of the cycle. We made one other trade of significance for the portfolio, the sale of Yamaha Motor and the purchase of a position in Denso. Yamaha Motor is a well-run business, but we are concerned that the strength in demand that it has experienced in its marine engine and emerging market motorcycle businesses may not be sustained in 2023 and it lacks a secular growth driver to help offset the impact of a more sluggish economic environment. The automotive parts company Denso has a strong position in components and systems used in hybrids, the electrification of the drive train, and ADAS. Together with its integral position in the Toyota Group, these strengths leave it well positioned to show sustained organic growth. With automotive production set to increase sharply in the second half of the year as chip shortage problems ease, we expect an acceleration in its business momentum as we move into fiscal 2023.

Market Review and Outlook

The rally that occurred during July, driven by investors starting to discount the possibility that slowing demand might mean that the Fed wouldn't need to raise rates as much as previously feared, continued during the first half of August. This was despite heightened tension between China and the US following Nancy Pelosi's visit to Taiwan at the start of the month, a rise in domestic COVID cases, and a fall in the approval ratio of the Kishida cabinet from 59% to 36% due to publicity over links between LDP politicians and the Unification Church following the assassination of the former leader Abe. The mood changed in the second half of the month following a series of hawkish comments from Fed officials culminating in statements made by Mr Powell at Jackson Hole at the end of August. Mr Powell made it clear that policy is shifting towards a period of higher interest rates for longer as the Fed seeks to ensure that inflation does not become further entrenched. He noted that the lessons of the 70's and 80's cautioned against premature easing of policy and that a period of negative growth and higher unemployment may be necessary to restore price stability. The US bond market weakened in response with the 10 year yield rising to 3.19%, a recent high, from 2.65% at end July. The Japanese bond market weakened in tandem but remains within the limits defined by BOJ policy with the benchmark yield rising from 0.18% to 0.22%. This marked difference in monetary policy and market yields put the Yen under further pressure, falling against the Dollar from 133.3 to 139.0 over the month. While inflation remains high, there is clear evidence of slowing global demand and this weighed on the oil price which fell back below \$100 a barrel and the container shipping market where rates fell sharply in Asia. Despite the weakness in the second half of the month the market closed higher over the period with Yen weakness an important supporting factor. Topix Value outperformed Topix Growth by 1.25% with air transport, wholesale trade, metals, autos and land transport leading the market while real estate, banks, services and technology underperformed.

Economic news over the period was mixed but remains broadly consistent with the picture of slowing global growth with the situation clearly more severe in Europe than is the case in the US. The US ISM manufacturing index fell from 53.0 to 52.8, its lowest level since June'20 however US employment data remains firm with 528k new jobs created in July and the unemployment rate falling from 3.6% to 3.5%. Japan's flash manufacturing PMI for August came in at 51.0 down 1.1 from the finalised reading for July and marking the fifth straight month of decline. The Economy Watchers Survey showed some recovery from the slump in data recorded in July; the reading of 45.5 was up 1.7 month on month though still much lower than 52.9 recorded in June, however the outlook index jumped from 42.8 to 49.4 reversing the previous month's losses. Industrial Production recovered by a further 0.8% MoM in July but remains -2.0% lower than where it was a year ago. Japan's unemployment rate remained stable at 2.6% in July with the jobs offers to applicant ratio improving from 1.27x to 1.29x. Inflationary pressures are slowly increasing in Japan, driven by higher food and energy prices. The CPI rose by +2.6% in July however excluding both energy and fresh food the increase falls to +1.2% compared to +1.0% in June.

Over the last month there have been several policy announcements from the government and as anticipated these have focused on strengthening the economy. The government is moving steadily towards a full reopening of the economy and at the end of August the cap on daily visitors was raised from 20,000 to 50,000 people and permission for entry was extended to non-guided package tours. The government is also reported to be considering another "GoTo" travel campaign as an additional stimulatory measure for the hospitality industry. Prime Minister Kishida announced his government's intention to restart more of Japan's nuclear reactors and as a new policy will now consider building new nuclear power plants, this represents a significant change in attitude. Lastly Japan's Financial Services Agency is reported to be planning to raise the limit on the tax exempt Nippon Individual Savings Program which would be a move in support of Mr Kishida's "New Capitalism" policy which aims to double the wealth of all households. A major decision that awaits PM Kishida shortly is the choice of successor for BOJ Governor Kuroda whose term expires at end March'23. While consumer price inflation remains moderate at 2.6% further Yen weakness might possibly accelerate the decision as to when to move away from the BOJ's current ultra-accommodative policy.

While Japan's corporate performance has remained buoyant so far, demonstrated by the strong recent fiscal 2022 first quarter results, there is clearly a slowing in global demand in response to higher energy, food prices and rising interest rates. This is likely to show up in weaker demand over the rest of the year in a number of different product and service areas. We are prepared for this and incorporate a duller demand outlook in our modelling of the various businesses that we analyse and invest in. We remain focused on the long-term outlook for growth in our analysis however and continue to try and capitalise on the opportunities for expansion afforded by areas such as automotive electrification and the digital transformation of much of the corporate sector. It is this that underpins the overweight positions held in both Semiconductors, with stocks such as Renesas or Rohm, and Software & Services, where Fujitsu is a major holding in the fund. These more economically geared investments are balanced by positions in companies in more stable areas of structural growth including healthcare and consumer goods. Taken overall 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, Healthcare, Energy, and Household & Personal Products. 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 12.4x, a PBR of 1.18x and a dividend yield of 2.42%. Improvements in corporate governance continue to be seen and we expect further growth in dividends and share buybacks across the corporate sector in fiscal 2022.

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Disclaimer

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Alma Capital Investment Management S.A. acts as the management company. It is governed by chapter 15 of the law of 17 December 2010 and supervised by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg under number S00000930. It is incorporated under the form of a société anonyme and has its registered address at 5, rue Aldringen, L-1118 Luxembourg, Grand-Duchy of Luxembourg. It is registered with the Luxembourg Trade and Companies' Register under number B171608 and its website is: www.almacapital.com

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