

Alma Eikoh Japan Large Cap Equity Fund

Data as of
30 December 2022

Fund AUM
\$974,994,789

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.

Performance History (12 June 2014 - 30 December 2022) ⁽²⁾



Investment Manager - Alma Capital ⁽¹⁾

- CSSF-authorised 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.

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 two years in a row
- **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	-3.59%	5.30%	1.62%	-6.55%	-6.55%	34.50%	34.39%	151.34%	11.37%
Topix (TR)	-4.57%	3.26%	2.44%	-2.45%	-2.45%	18.10%	17.22%	84.89%	7.45%

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	-6.55%	22.39%	17.60%	33.39%	-25.09%	27.48%	1.57%	18.86%	21.52%*
Topix (TR)	-2.45%	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



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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 December 2022 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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Fund Characteristics

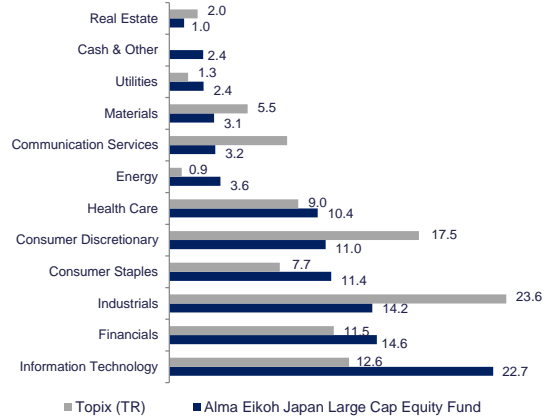
Portfolio Characteristics ⁽³⁾

Main indicators	Fund	Topix TR
No. of securities	35	2,163
Weighted Average Market Cap (¥ bn)	2,982	4,666
Median Market Cap (¥ bn)	2,178	37
Dividend Yield (%)	2.68	2.70
Historical Price / Earnings (x)	13.66	13.23
Historical Price / Cashflow (x)	9.66	9.77
Historical Price / Book (x)	1.09	1.10
Volatility (%)	20.74	19.08
Sharpe ratio	0.58	0.39
Active share (%)	85.05	-
Beta	1.04	-
Tracking error (%)	5.78	-
Information ratio	0.80	-

Top 10 Issuers ⁽³⁾

Issuer name	Sector	% AUM
FUJITSU LIMITED	Information Technology	6.86
MITSUBISHI UFJ FINANCIAL	Financials	6.23
RENESAS ELECTRONICS CORP	Information Technology	4.42
ROHM CO LTD	Information Technology	3.93
INPEX CORP	Energy	3.59
SEVEN & I HOLDINGS CO LTD	Consumer Staples	3.53
FUJIFILM HOLDINGS CORP	Information Technology	3.51
ORIX CORP	Financials	3.38
ASTELLAS PHARMA INC	Health Care	3.36
KAO CORP	Consumer Staples	3.27
TOTAL :		42.08

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	AEJIUHA 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						
Depositary, Administrator, Transfer Agent	BNP Paribas SA						
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. All information as of 30 December 2022 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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Commentary - Alma Capital - December 2022 ⁽⁶⁾

Fund

Both stock selection and sector allocation contributed to the fund's outperformance of the benchmark. The overweight in banks was the largest positive contributor to sector allocation with the sector soaring on the unexpected change to monetary policy made by the BOJ. The underweights in technology hardware, capital goods and real estate also added value. These positives were only partially offset by the negative impact of the large overweight held in semiconductors and semiconductor equipment. The contribution from stock selection was led by the pharmaceutical sector where the fund's holding in PeptiDream rose strongly following the announcements of new collaborative research agreements with both Merck and Lilly. Stock selection was also strong within banks driven by the position in MUFJ, and in materials where Nippon Steel rose on hopes for recovery in Chinese demand in 2023. Stock selection was poor in healthcare equipment where both JMDC and Olympus fell, hit by the general underperformance of growth stocks.

Over the month we bought and sold three stocks for the portfolio. After reviewing interim results and discussing the outlook with both companies we sold our position in Tokyo Electron and used part of the proceeds to buy a stake in Screen Holdings. While SPE demand will clearly fall in 2023 we like the long term growth prospects in this area and believe that Screen will be much more resilient in this downturn than the more memory chip focused TEL. We think its recent underperformance of the sector is unjustified and the stock should recover this in 2023. After much debate we sold our holding in Toyota. While this remains the highest quality Japanese auto maker, we are concerned that it will be slower to develop a truly competitive line up of BEV vehicles than we had previously anticipated. Furthermore in the short term, the greater reliance of Toyota and the other Japanese OEM's on Chinese companies within the supply chain is causing greater product disruption than many US and European competitors are experiencing causing opportunity loss in the current strong market. We also sold the rest of our small position in NRI which offered only modest upside and had performed well after we added to our holding in the recent public offering. Following a recent meeting with Toray we have built a small position in the company. While its performance chemicals division is being hit very hard by the current downturn in demand and associated inventory adjustment, we expect some recovery next year. More encouragingly the fibres operation now appears to have recovered from the COVID driven slump and returned to healthy profitability. What really appeals to us however is the strong prospects for growth that we see in carbon fibre and its various green technologies linked to the developing hydrogen chain. Lastly we bought a small position in Mitsui Real Estate after the stock sold off heavily on the change in BOJ policy. We think that this move is an overreaction to the policy change and like the business's gearing to recovering domestic activity in hotels, retail and leisure coupled with the high quality of its office portfolio.

Market Review and Outlook

The Topix ended the year with a poor month in December, dropping 4.6% and ending the rally seen in October and November, similar though less extreme falls were seen in other global markets. Continuing the major theme driving global markets throughout 2022, the US Federal Reserve hiked rates by 50bps to 4.5% on the 14th of December having guided as much at the beginning of the month and in light of further strong jobs reports. The combination of weak retail sales data in the US yet continued labour market strength and resultant hawkish language from the Fed complicates the picture for investors. It is hard to judge whether a 'soft landing' can be achieved and predicting a peak in the rate cycle is also not easy. Following November's protests, the Chinese government made significant moves towards ending the zero COVID policy throughout December firstly through abandoning various quarantine and closure measures for citizens and then doubling down towards the end of the month after a spike in Covid-19 cases and hospitalisations with the scrapping of quarantine for inbound travellers. In its first change in policy in 2022, the BOJ expanded its yield curve control on long term bonds, widening the acceptable trading range of the 10y yield from ± 25 bps to ± 50 bps. This move, announced on the 19th of December, was a surprise to the market which had been expecting the first change in BOJ policy to be implemented by the new BOJ governor due in April, rather than the architect of the yield curve control policy Kuroda himself. The official statement from the BOJ explained that the move was required in order to ensure continued liquidity and functionality of the bond market however the move has increased market expectations of further hawkish moves in BOJ policy. The Kishida administration's approval rating has continued to fall, reaching a new low of 31% in mid-December according to the Asahi Shimbun, in part due to the weak Yen and elevated inflation figures weakening consumer spending power. Some commentators suggest these numbers, which came out days before the BOJ announcement, are resulting in increased pressure on the BOJ to follow other central banks in moving towards policy normalisation. In currency markets the Yen dropped from Y136.9 to Y131.7 to the dollar on the day of the announcement and finished the month at Y131.1, a level last seen in June. The 10 year yield government bond yield rose from 25bps to 45bps. This news dominated the movements in Japanese equities in December with the Banks sector leading the market by some distance; Insurance, Household & Personal Products and Food & Staples Retailing were also among top performing sectors with Semiconductors & Semiconductor Equipment, Real Estate and Automobiles & Components lagging the market. Topix Value outperformed Topix Growth by 5.1% and was up 23.1% on a relative basis through calendar year 2022.

Japanese core CPI ex fresh food rose again in November to 3.7% in line with consensus estimates and at a level last seen in 1981. This remains far lower than inflation prints seen in western developed markets but perhaps provides some food for thought for BOJ policy makers with the level of wage hikes to be negotiated in the spring of 2023 the next important data point. In terms of economic activity, the picture continues to worsen with industrial production down 0.1% month on month and machine tool orders down 7.7% YoY. The picture is more positive however in non-manufacturing sectors with the MOF Non-Mfg Business conditions index improving in Q4 to +2.7% from -0.2% in Q3 vs a drop from +1.7% to -3.6% for Large Mfg and these trends were also seen in the December BOJ Tankan numbers. The labour market remains strong and November figures of 2.5% for unemployment and 1.35 for the jobs-to-applicants ratio matched those seen in October. The other major news in the month was the agreement of the FY2023 draft budget by the cabinet which includes a 26% rise in defence spending versus the 2022 budget and a record high total figure of Y114.4trn. Government policy remains heavily supportive of the economy and this budget is a confirmation of the fact that though there may be changes afoot in terms of monetary policy at the BOJ, fiscal policy remains unchanged.

In terms of our portfolio, we continue to assume a reasonably dull economic environment in 2023 in our modelling and remain focused on finding companies with good medium-term prospects with the ability to withstand a difficult environment in 2023. The portfolio has neither a clear pro-cyclical nor contra-cyclical bias, neither does it have a notable tilt in terms of growth or value. We continue to back companies operating in areas of secular growth such as digital transformation, electrification of the auto market and increasing use of technology in healthcare. The overweight in banks anticipates an end to the BOJ's negative interest policy at some stage during 2023. In order of size, the fund's top sector over-weights are Semiconductors & Semiconductor Equipment, Software and Services, Energy, Banks and Diversified Financials. The top underweighted sectors are Capital Goods, Telecommunication Services, Technology Hardware & Equipment, Retailing and Materials. We believe that Japanese companies offer attractively priced fundamentals with the Topix trading at a prospective PER of 12.1x, a PBR of 1.10x and a dividend yield of 2.69%. Improvements in corporate governance continue to be seen and we expect further growth in dividends and share buybacks across the corporate sector over the medium term; buybacks this year are expected to reach Y7.9trn, a record high.

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MARKETING COMMUNICATION

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Alma Capital London 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 S0000930. 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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