

Alma Eikoh Japan Large Cap Equity Fund

Data as of
31 October 2023

Fund AUM
\$758,957,875

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 London⁽¹⁾

- FCA-authorized fund management company, which is a subsidiary of Alma Capital Investment Management, a Luxembourg-based independent management company founded in 2006.
- Portfolio is managed by James Pulsford, who has 30 years experience managing Japan equities in long only and long/short strategies, and Tom Grew, who has been working with James for the past 5 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 October 2023)⁽²⁾



Fund Awards

- **CityWire**
James Pulsford and Tom Grew awarded Best Japan Equity Manager (2023)
- **Morningstar**
Rated 5 Stars Overall, 3 and 5 Years (2023)
- **Fund Selector Asia Singapore**
Awarded Platinum within Japanese Equity category (2023, 2022)
- **L'Agefi**
Awarded Best Japan Equities Fund two years in a row (2022, 2021)
- **Sauren**
Awarded 2 Gold Medals as one of the Best Japan Equities Funds (2021, 2020)

Fund Performance Summary⁽²⁾

	1M	3M	6M	YTD	1Y	3Y	5Y	ITD	Annualised ITD
Alma Eikoh Japan Large Cap Equity Fund	-6.53%	-6.88%	9.32%	23.53%	24.20%	71.18%	95.31%	210.49%	12.82%
Topix (TR)	-2.99%	-2.08%	10.75%	21.94%	19.81%	53.46%	54.72%	125.45%	9.04%

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

Fund ESG Recognitions



Annual Fund Performance⁽²⁾

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Alma Eikoh Japan Large Cap Equity Fund	23.53%	-6.55%	22.39%	17.60%	33.39%	-25.09%	27.48%	1.57%	18.86%	21.52%*
Topix (TR)	21.94%	-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 31 October 2023 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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Fund Characteristics

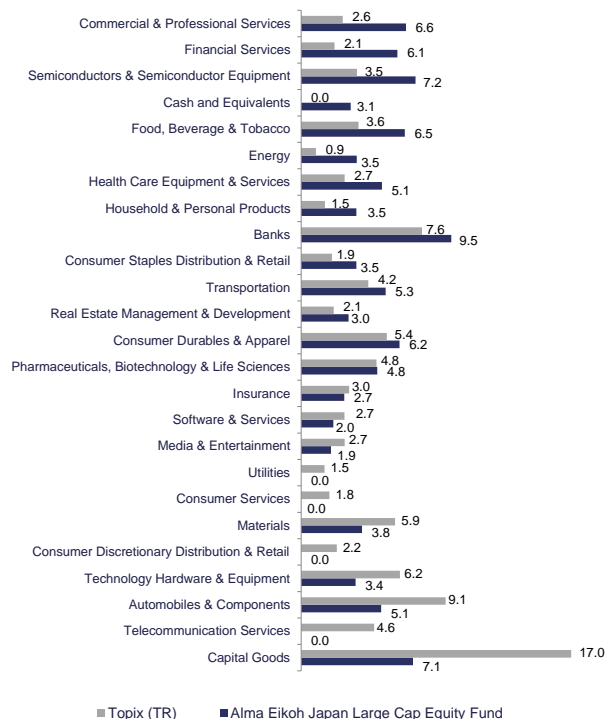
Portfolio Characteristics ⁽³⁾

Main indicators	Fund	Topix TR
No. of securities	35	2,156
Weighted Average Market Cap (¥ bn)	3,846	6,311
Median Market Cap (¥ bn)	2,640	42
Dividend Yield (%)	2.34	2.36
Historical Price / Earnings (x)	13.48	14.08
Historical Price / Cashflow (x)	9.41	10.03
Historical Price / Book (x)	1.26	1.22
Volatility (%)	19.62	18.22
Sharpe ratio	0.71	0.50
Active share (%)	82.07	-
Beta	1.03	-
Tracking error (%)	5.49	-
Information ratio	0.90	-

Top 10 Issuers ⁽³⁾

Issuer name	Sector	% AUM
MITSUBISHI UFJ FINANCIAL INC	Banks	7.75
MITSUBISHI HEAVY INDUS LTD	Capital Goods	4.28
ORIX CORP	Financial Services	4.13
NIPPON STEEL CORP	Materials	3.85
NISSIN FOODS HOLD CO LTD	Food, Beverage & Tobacco	3.71
TAKEDA PHARMA CO LTD	Pharmaceuticals, Biotechnology & Life Sciences	3.53
INPEX CORP	Energy	3.51
KAO CORP	Household & Personal Products	3.48
SEVEN & I HOLDINGS CO LTD	Consumer Staples Distribution & Retail	3.48
RENESAS ELECTRONICS CORP	Semiconductors & Semiconductor Equipment	3.19
TOTAL :		40.91

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	R JPY C
ISIN-Code	LU1013116519	LU1013117160	LU1870374508	LU1870374920	LU1013116782	LU1152097108	LU1013117327
BBG Ticker	AEJPIJA LX	AEJIUHA LX	AEJLIEC LX	AEJLIED LX	AEJIEHA LX	AEKJEGC LX	AEJPRJA LX
Currency	JPY	USD	EUR	EUR	EUR	GBP	JPY
Management Fee p.a. ⁽⁴⁾	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	1.40%
Tax d'abonnement p.a.	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.05%
Initial Issue Price	¥10,000	\$100	€ 100	€ 100	€ 100	£100	¥10,000
Launch Date	10 December 2014	12 June 2014	04 February 2019	08 March 2019	10 December 2014	17 February 2015	28 April 2022
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	4						

*Note: additional share classes available, please refer to the Prospectus

(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 31 October 2023 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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Commentary - Alma Capital - October 2023 ⁽⁶⁾

The Fund fell by 6.53% (JPY share class) in October, underperforming the Topix which fell by 2.99% (dividends reinvested).

The performance this month was both exceptional and very disappointing; we will give as much detail as we can to provide as full an explanation of this as possible. Sector allocation had a negligible impact on performance with all the value lost through stock selection. October was a month when any growth value tilt made little difference, Topix growth fell by 3.07% while Topix Value fell by 2.94% so that aspect of factor bias would have been negligible, and the valuation of the portfolio is in any case very similar to that of the overall market. In broad terms, close to 80% of the risk relative to the market is stock specific, 15% style and 5% industry. Having looked carefully at alternative possibilities we believe that the culprit behind disappointing October returns was overwhelmingly stock specific, and we seek to address this below.

In consumer durables Panasonic underperformed, hit by weakness in its consumer facing areas causing it to make a small downward revision to earnings, prospects for its automotive battery operations remain excellent however. Asics was also a negative contributor, giving back some of the very strong gains made so far this year on profit taking on no news. In financial services GMO Payment Gateway fell sharply over the month reflecting investor concerns that growth may slow sharply in 2024 and beyond, we believe that these concerns are misplaced and have added to this position after its decline. In pharmaceuticals performance was hurt by the performance of PeptiDream which fell sharply on the news that BMS would not advance its PDL1 therapeutic program beyond the current phase 1. While this is disappointing, PeptiDream is the leading company working with synthetic peptides and peptide drug conjugates and has a wide variety of partners amongst its 127 compound programs and this move is not a reflection of the validity of its core technology and value to its partners. In semiconductors both Renesas and Rohm declined reflecting shorter-term weakness in the consumer facing part of their business though auto demand remains robust; we retain both stocks in the portfolio. In healthcare equipment M3 underperformed, hit partly by the ongoing derating of growth stocks since the summer and on an absence of company specific news. In technology hardware, Ibiden fell sharply on the news that the Gama plant built at a cost of Y180bn for Intel would now not be required for possibly another two years due to client delays. We cut our exposure to this name as soon as this news was announced. In materials, Nippon Steel declined over the month, we retain confidence in the company's strong fundamentals.

Other than the modest changes described above, the changes made to the portfolio over the month were the sale of our position in JMDC, the medical data company, and purchasing a position in Fujitsu. We made the decision to close our position in JMDC after Omron made a tender offer to increase its stake in the business from 32% to 54% at a 22% premium. We continue to like the fundamental story and outlook for the company but believe the tender price of Y5,700 offered fully valued the shares. After their results announcement at the end of the month, we decided to purchase a position in Fujitsu for the fund. The domestic demand environment, driven by Japan's digital transition, remains very strong and we believe that the company's exit from the mainframe area by 2030 will drive strong growth for their high margin consulting operations and cloud solutions from existing clients. Contract pricing continues to improve, offsetting wage hikes and the company is making progress overseas, notably in the US. We think the growth in profits and especially cash flow generation is under appreciated by the market at the current price.

Market Review and Outlook

October represented the first down month for the Topix (total return index) this year with the index falling by 3.0%, giving up the gains made during the 3rd quarter of the year. Overseas investors were the heaviest sellers of the market at Y0.9tn and have now bought a net Y4.5tn so far this year and other domestic institutional investors also sold the market. Interestingly, domestic retail investors were again buyers of the market in what is perhaps the start of a shift in the mindset of Japanese savers in this new economic environment. One key theme driving market forces this year has been the behaviour of the Fed, and other central banks in turn. At the beginning of October speculation about the Fed continuing the tightening cycle drove a sell-off in global equities and after a brief recovery, Jerome Powell's comments later in the month further propelled this narrative and weakness in markets. An additional concern for Japanese investors has been the decision making by the BOJ and the potential exit of the YCC policy and on 31st of September the Bank announced a decision to remove the 'strict cap' of 1% on the 10-year yield in its fixed rate purchase operation. Anticipation of this move drove Japanese bonds lower and the yield on the generic 10-year bond climbed steadily throughout the month before shooting up further after the BOJ announcement, ending the month at 0.95%. US yields also rose through the month but in a more modest manner and the currency move in October was muted with Y/\$ starting the month at 149.3 and ending it at 151. There was also muted factor performance within the Japanese market with the Topix Value Index matching the performance of the Growth Index despite its strong outperformance so far this year. Broadly, financial sectors and generally economically defensive areas led the market with Insurance, Food Beverage & Tobacco, Banks, Consumer Staples, Telecommunication Services and Financial Services among the top performers. Laggards included Pharmaceuticals & Biotechnology, Automobiles & Components, Semiconductors & Semiconductor Equipment and Capital Goods.

Domestic economic news remains reasonably steady and has not so far shown the sort of slowdown beginning to be seen across other developed markets where the rise in interest rates has begun to take its toll. The BOJ Tankan showed business conditions were up for a second consecutive month in September at +9 and though modestly down, the economy watchers survey current conditions came in at 50.4, a steady reading. Industrial production figures also held steady up 0.2% MoM and bank lending continues to grow at around 3% YoY. Inflation statistics remain modest with National CPI at 3.0% for September and CPI ex fresh food & energy at 2.6%. This was in line with forecasts and remains slightly above the target of the BOJ for core inflation of 2%. The sustainability of this number is what the BOJ is now considering when making its decision on rate policy and wage hikes seem likely to hold the key to this. The labour market remains incredibly tight with an unemployment rate of 2.6% and a jobs-to-applicants ratio of 1.3x. Corporate growth remains solid and the government continues to be supportive with Kishida's new economic package, first mooted in September, now having been officially declared. With poll ratings dwindling and a continued desire to seize the moment and drag Japan out of its long-term stagnation, Kishida has announced a \$113bn stimulus package to be implemented before the end of the fiscal year in March 2024. There are various measures to address the cost of living through moves such as temporary cuts to income tax and cash handouts to low earners as well as tax credits for SMEs designed to promote wage increases. It seems increasingly likely that the next round of wage hikes in spring 2024 will remain somewhat elevated and that the BOJ will abandon its negative interest rate policy at some point in the first half of the year.

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The global outlook, with uncertainty stemming from wars in both Ukraine and now the Middle East, uncertainty over interest rate cycles in developed economies and the performance of the Chinese economy leads us to run a portfolio that continues to have neither a clear pro-cyclical nor contra-cyclical bias. The fund's beta on an ex-ante basis is 1.03. We still have a mild technology bias but valuations close to those of the market. The primary driver of portfolio construction and its characteristics remains the bottom-up process. We continue to back companies operating in areas of secular growth such as semiconductors, electrification of the auto market and increasing use of technology in healthcare. A modest overweight in banks anticipates an end to the BOJ's negative interest policy, most likely in early 2024. In order of size, the fund's top sector overweight positions are Commercial & Professional Services, Financial Services, Semiconductors & Semiconductor Equipment and Food, Beverage & Tobacco. The top underweight sectors are Capital Goods, Telecommunication Services, Automobiles & Components, Technology Hardware & Equipment and Consumer Discretionary.

The Topix is trading at a prospective PER of 14.5x, a PBR of 1.2x and a dividend yield of 2.4%. After strong performance so far this year valuations have risen but still look reasonable in an international context. There were further encouraging signs when after having made a net purchase of the market in September beating recent records, domestic retail investors were heavy net buyers again in October. For a long time, the Japanese public have been heavily underinvested in their own stock market and instead keep large cash deposits. A combination of inflation and supportive government policymaking, such as the recent NISA allowance increase, may well go some way to changing this situation which would be another boost to Japanese equities. The trend towards improving corporate governance remains in place and is accelerating. With activist investor activity a clear catalyst, we expect further growth in dividends and share buybacks across the corporate sector. Buybacks in FY22 reached a new high of Y9.7tn, exceeding FY19's previous record of Y7.3tn. So far in FY23, Y4tn of buybacks have been announced, marginally down YoY, though forecasts show a continuation of momentum and another potential record for the full year.

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MARKETING COMMUNICATION

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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 22-24, Boulevard Royal, L-2449 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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