FOR PROFESSIONAL INVESTORS ONLY

Alma Recurrent Global Natural Resources Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 30 September 2020

Fund description

- Investment objective: the fund seeks total return by investing in global natural resource-related companies.
- Typical industries in which the fund invests: energy, basic materials, infrastructure, transportation and logistics
- The fund may invest in companies of any market size capitalization, including IPOs
- The investment process incorporates macroeconomic and commodity supply/demand factors with fundamental company analysis

Investment manager: Recurrent Investment Advisors, LLC (US)

- Recurrent Investment Advisors is focused on understanding and profiting from commodity cycles to make differentiated natural resource investments
- Formed in April 2017. Registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC)
- Primarily owned by its co-founders Mark Laskin and Bradley Olsen, who both have extensive experience in energy investing
- Based in Houston, Texas (US)

Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I EUR C shares	-2.62	-1.73	22.38	-24.89	-21.20	-	-26.55	-12.78
I USD C shares	-4.52	2.61	30.80	-21.52	-15.23	-	-26.06	-12.52
Index*	-5.12	1.95	22.52	-17.90	-10.20	-	-19.65	-9.23

Fund launched on 29 June 2018

*S&P Global Natural Resources Net Total Return Index USD

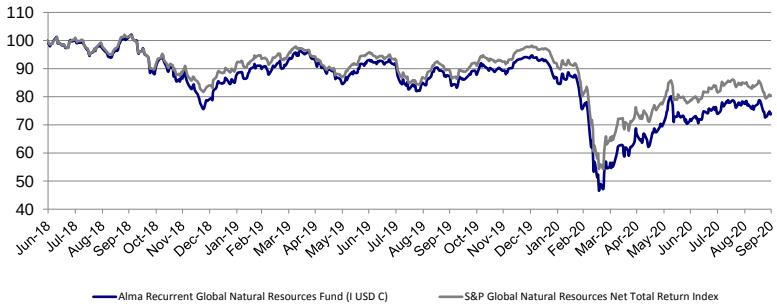
Portfolio characteristics

Main indicators	Fund	Index*
No. of securities	41	90
Weighted Average Market Cap ($ bn)	33.8	45.4
Median Market Cap ($ bn)	20.3	16.3
Estimated Price/Earnings (x)	41.4	77.6
Price/Book (x)	1.0	1.3
Price/Sales (x)	0.6	0.8
Estimated Long Term Growth (%)	-20.1	7.9
Active Share (%)	59.6	-

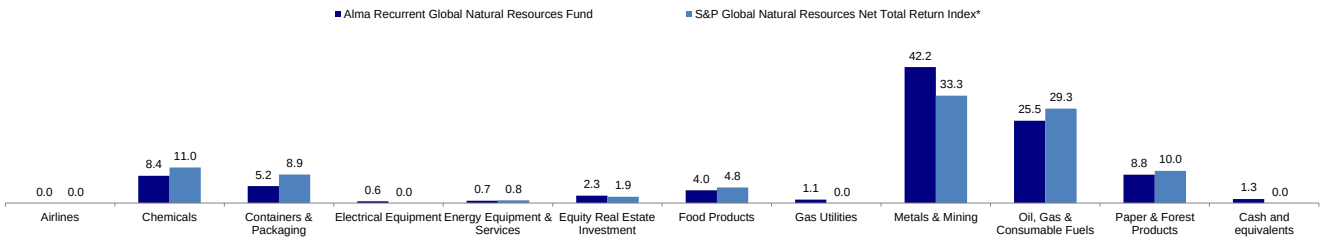
*S&P Global Natural Resources Net Total Return Index

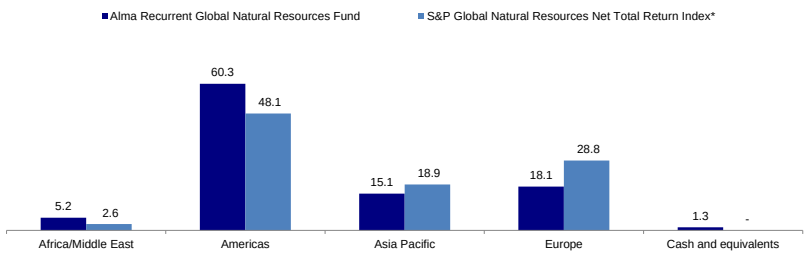
Except number of securities, using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

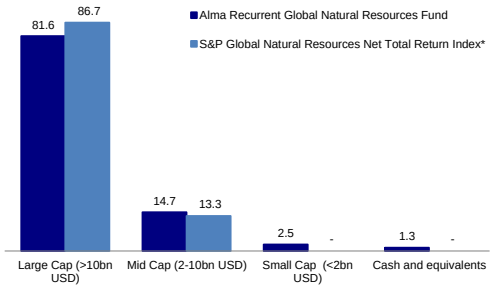
Performance (Indexed - Base 100)



Industry, region and market cap breakdown (% NAV)







*Using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

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Investment manager's commentary

For the month of September, the Alma Recurrent Global Natural Resources fell by -4.52%, outperforming the S&P Global Natural Resources' -5.12% return. During the month, stock selection in the commodity chemicals and steel industries added value relative to the index, while overweight portfolio allocations in the refining and aluminum sectors detracted from relative performance.

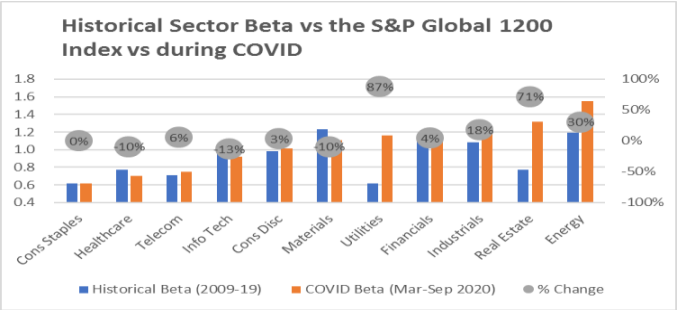
Portfolio discussion

Prior to the widespread development of shale in 2005, the energy industry was considered a defensive sector, relative to the broader market. In fact, for many consecutive rolling 5-year periods prior to 2000, the Energy sector's beta relative to the market was well below 1.0, with many 5 year periods ranging from 0.7 - 0.8!
The onset of shale has increased the energy sector's correlation with the market, such that energy has more recently shown more market sensitivity than the broader market. In the 10-year period ending 12/31/2019, energy's beta to the S&P 1200 Global Index was 1.19, broadly consistent during the shale era starting in 2005.

Compared to other traditionally economically sensitive sectors, the energy sector exhibited similar or below-average market sensitivity. In particular, two market sectors warrant further attention, given their operational leverage to economic changes. The materials sector showed similar characteristics, with a 10-year measured beta < 1 prior to 2007, which rose to the 1.1 – 1.2 range post 2008. The 10-year beta of the industrial sector was more consistent, ranging from 0.9 - 1.1 during the entire period, reflecting the industry's inherent economic sensitivity.

Although comparatively short in duration, during the COVID era, some sectors exhibited markedly different correlations to the broader market. Interestingly, the technology sector saw its beta fall below 1.0, far from its historical >1.0 levels. Interestingly, on the other hand, the utilities and real estate sectors saw significantly higher beta during the period. COVID-related economic weakness caused interest rates to fall, and given those industries' interest rate sensitivity, the sectors' beta increased.

Most noteworthy (and directly related) to us was the movement in the economically sensitive market sectors. Historically, sectors such as energy, materials and industrials all exhibited appropriately higher volatility than the market. While materials and industrials and showed similar levels of volatility, it was noteworthy to us that energy exhibited beta nearly 30% higher since the end of February, as seen in the chart below.

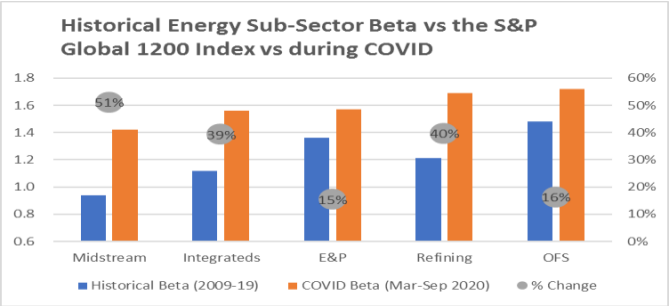


Note: Historical Sector Beta is measured from 12/31/2009-12/31/2019; COVID is from 02/28/2020-09/30/2020
Source: Bloomberg, Recurrent research

While steadily improving from 2Q trough levels, the energy industry is clearly facing unique demand challenges due to COVID, as driving miles remain at least 8-10% below normal levels in many parts of the world. Aviation remains approximately 50% below normal levels, leaving total oil demand approximately 10% below a year ago. However, the energy industry is not alone in its exposure to COVID. According to Bloomberg estimates, the industrials sector is estimated to see 2020 EBITDA fall by roughly 33% compared to 2019, yet its market sensitivity as measured by beta has only incrementally risen.

Within the energy sector, some industry betas during COVID diverged greatly from historical experience. Surprisingly, the industry betas of the Exploration and Production (E&P) and Oil Services Industries only rose incrementally compared to historical experience. Given the operational leverage of both industries, the fall in oil price and US oil production would have historically been reflected in market leveraged equity performance.

In contrast, the more stable operations of the integrated oil and pipeline industries have been historically been reflected in market betas approximating 1.0. However, during COVID, the beta of these sectors rose significantly, even approximating the betas of the more operationally volatile E&P and oil services segments. While COVID has impacted operations, the extent to which the beta has increased in the integrated oil and pipeline industries far exceeds the operational leverage.



Note: Historical Sector Beta is measured from 12/31/2009-12/31/2019; COVID is from 02/28/2020-09/30/2020
Source: Bloomberg, Recurrent research

In sum, while it is undoubtedly the case that COVID has impacted near term demand for energy, with further potential to change consumption habits over the longer term. However, if the recent past is any indication for the future, increased stock volatility relative to the broader market serves as an expression that with improved economic recovery and consumption habits, energy should experience positive stock leverage relative to the broader market. Furthermore, a period of improved shareholder returns and returns on capital, comparable to historical norms, for integrated and midstream subsectors, should create outsized positive outcomes given the recent uncharacteristically high volatility in these subsectors.

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ALMA CAPITAL

RECURRENT INVESTMENT ADVISORS

Top 10 positions details

Security name	Industry	Country	% NAV
FREEPORT-MCMORAN INC	Metals & Mining	United States	6.49
ANGLO AMERICAN PLC	Metals & Mining	South Africa	5.23
BHP GROUP LTD-SPON ADR	Metals & Mining	Australia	4.74
NUTRIEN LTD	Chemicals	Canada	4.47
TOTAL SE-SPON ADR	Oil, Gas & Consumable Fuels	France	3.67
ARCELORMITTAL	Metals & Mining	Luxembourg	3.61
UPM-KYMMENE OYJ	Paper & Forest Products	Finland	3.59
ALCOA CORP	Metals & Mining	United States	3.42
BARRICK GOLD CORP	Metals & Mining	Canada	3.29
RIO TINTO PLC-SPON ADR	Metals & Mining	Australia	3.14

Fund facts

Fund total net assets:	$23.69 M
Fund domicile:	Luxembourg
Countries where the fund is registered:	Luxembourg, France, Germany
Fund type:	UCITS SICAV
Base currency:	USD
Management fee:	0.95% p.a.

Dealing: Each day with a 1-day notice — Cut-off time : 12 pm CET

Identifiers:

Institutional USD Capitalisation share class

Isin: LU1823602369 — Ticker: ARGNIUC LX — Launch: 29 June 2018

Institutional EUR Capitalisation share class

Isin: LU1845388146 — Ticker: ARGNIEC LX — Launch: 29 June 2018

Depositary, Administrator, Transfer Agent:	BNP Paribas Securities Services (LU)
Management company:	Alma Capital Investment Management (LU)
Investment manager:	Recurrent Investment Advisors (US)
Fund managers:	Mark Laskin
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