FOR PROFESSIONAL INVESTORS ONLY

Alma Recurrent Global Natural Resources Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 29 January 2021

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	1.01	28.15	28.96	1.01	5.23	-	-6.09	-2.40
I USD C shares	0.31	33.67	32.51	0.31	15.37	-	-2.06	-0.80
Index*	0.35	26.37	20.43	0.35	8.59	-	-1.83	-0.71

Fund launched on 29 June 2018

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

Portfolio characteristics

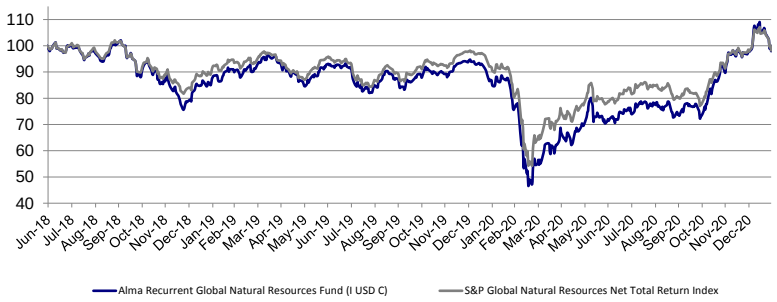
Main indicators	Fund	Index*
No. of securities	43	90
Weighted Average Market Cap ($ bn)	44.0	58.0
Median Market Cap ($ bn)	25.5	19.3
Estimated Price/Earnings (x)**	109.0	1109.6
Price/Book (x)	1.3	1.5
Price/Sales (x)	0.8	1.0
Estimated Long Term Growth (%)	7.2	7.9
Active Share (%)	61.5	-

*S&P Global Natural Resources Net Total Return Index

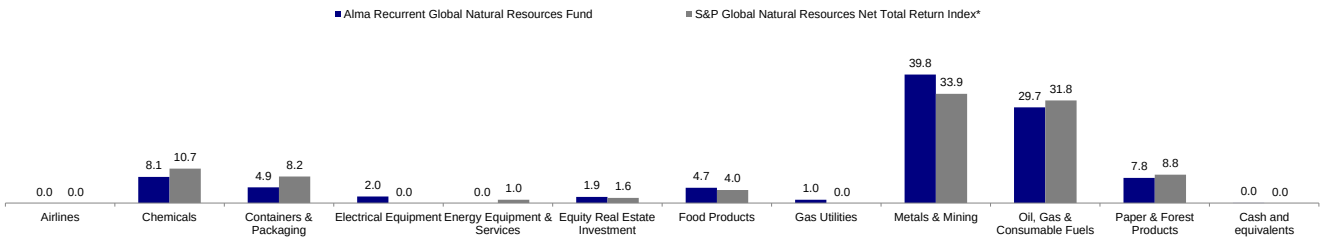
Except number of securities, using "SPDR S&P GLOBAL NATURAL RESOURCES ETF" as a proxy

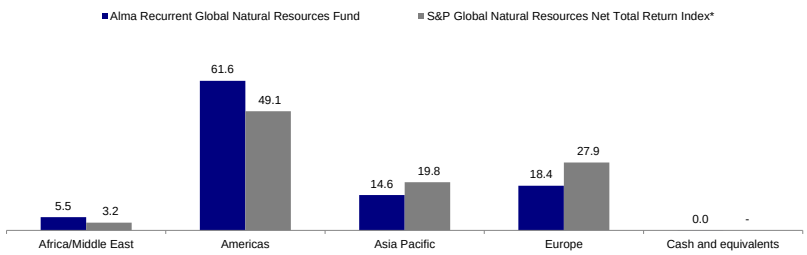
**as of 19/01/2021 for the benchmark

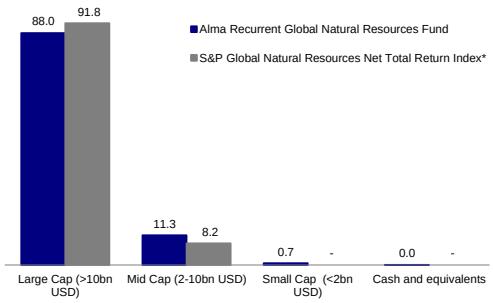
Performance (Indexed - Base 100)



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

Portfolio Discussion

Global natural resources markets outpaced broader markets as improving economic prospects and increased inflation expectations supported the sector. The Alma Global Natural Resources Fund rose 0.31%, performing in line with the S&P Global Natural Resources Index's 0.35% return. During the month, portfolio holdings Viper Energy, Renewable Energy Group and Plug Power rose by 18.2%, 26.5%, and 86.3% respectively. Aluminum and steel holdings fell, pausing after an extended period of outperformance.

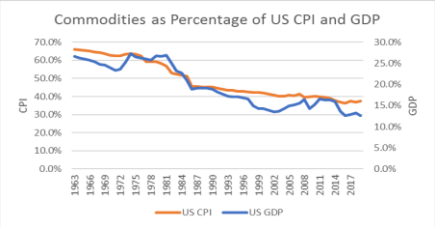
Investment Discussion

With commodities and basic materials representing a much smaller share of GDP and inflation indices today than in the 1970s, we believe that the impacts of commodity rallies are less likely to show up in measures of consumer inflation today; accordingly, policymakers are more likely to permit significant commodity price inflation as the impacts on CPI is likely to remain muted.

With significant global fiscal stimulus and the prospect of global economic improvement as COVID impact lessen, many investors look to historical periods as a guide. It has been many years since meaningful inflation in developed markets, with US CPI increases briefly exceeding 3% most recently in 2008, when YoY CPI growth reached a peak of 5% for a short period of time. More notably, in the 1970s CPI exceeded 10% YoY growth in 2 periods; from 1974-1975, and for a longer and even more intense period from 1979-1981.

<u>The question many investors ask: Can 1970s style inflation happen again?</u>

The short answer, as we discuss below, is no. But this is, counterintuitively, positive for hard assets and commodities, not negative. Services are a much larger part of today's global economy than in the 1970s. In the 1970s, "hard assets", in the form of commodities and industrial goods, comprised approximately 60% of US CPI and 25% of US GDP. As services became a larger part of the US economy, those percentages have fallen to 38% and 13% respectively, as seen in the chart below. Similarly, by the mid 1990s, "hard assets" comprised 42% of global GDP, falling to 26% by 2018.

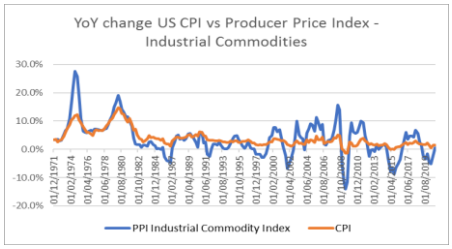


Source: Bloomberg, Recurrent research

Today, commodity-sensitive hard assets are a much smaller part of GDP, and accordingly, a smaller weighting in the "baskets" that central banks use when calculating inflation. With commodities and industrial goods as a much smaller portion of GDP and CPI than in the 1970s, price increases in commodities and hard assets are likely to be tolerated by monetary policy makers for much longer than in the 1970s, when the impact of rising commodity prices triggered meaningful increases in inflation that were felt by consumers almost immediately.

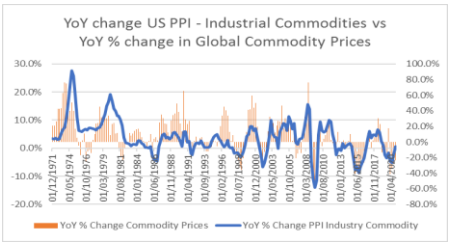
As a result, the ability of "hard assets" to cause inflationary pressures is muted, particularly in broad based economic data such as CPI, which as of 2019 is 62.5% determined by services industries.

In the first chart, we noted that YoY changes in commodity prices have ranged from -40%-+40% since the late 1970s. To highlight the reduced influence of hard assets in CPI, we can look to another economic data set – the Industry Commodity portion of the Producer Price Index (PPI). As a closer approximation of the impact of hard assets on producers' input costs, we can see that that index's volatility remains, while CPI volatility has been reduced in comparison.



Source: Bloomberg, Recurrent research

As we monitor real-time economic indicators which identify asset inflation critical for natural resources investments, changes in commodity prices show a much stronger relationship to the PPI - Industrial Commodities Index rather than the CPI, as shown below.



Source: Bloomberg, Recurrent research

As the US economy has evolved to a nearly 2/3 services focus, the CPI has grown to be less valuable as an indicator of asset inflation. While many investors continue to look to CPI for signs of economic inflation, our analysis shows that compared to the past, higher levels of asset inflation would be required to have a meaningful impact on economic inflation as measured by CPI. In an attempt to analyze monthly asset inflation data critical for natural resources investing, our focus has migrated from CPI data to secondary indicators like the PPI Industrial Commodities Index, which recent data shows to have already returned to 2019 levels.

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Top 10 positions details

Security name	Industry	Country	% NAV
ANGLO AMERICAN PLC	Metals & Mining	South Africa	5.46
FREEPORT-MCMORAN INC	Metals & Mining	United States	5.30
BHP GROUP LTD-SPON ADR	Metals & Mining	Australia	4.68
NUTRIEN LTD	Chemicals	Canada	4.30
ARCELORMITTAL	Metals & Mining	Luxembourg	4.01
ALCOA CORP	Metals & Mining	United States	3.63
TOTAL SE-SPON ADR	Oil, Gas & Consumable Fuels	France	3.44
UPM-KYMMENE OYJ	Paper & Forest Products	Finland	3.22
RIO TINTO PLC-SPON ADR	Metals & Mining	Australia	3.04
CENOVUS ENERGY INC	Oil, Gas & Consumable Fuels	Canada	3.02
		TOTAL:	**40.10**

Fund facts

Fund total net assets:	$31.04 M	**Dealing:**	Each day with a 1-day notice	Cut-off time : 12 pm CET
Fund domicile:	Luxembourg	**Identifiers:**		
Countries where the fund is registered:	Luxembourg, France, Germany	Institutional USD Capitalisation share class		
Fund type:	UCITS SICAV	Isin: LU1823602369	Ticker: ARGNIUC LX	Launch: 29 June 2018
Base currency:	USD	Institutional EUR Capitalisation share class		
Management fee:	0.95% p.a.	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
	Bradley Olsen

Contacts

Hervé Rietzler (FR / CH / LU / IT)	+352 28 84 54 19
Baptiste Fabre (FR / IR / UK)	+33 1 56 88 36 55
Sebastian Meissner (DE / AT)	+44 207 0099 244
Raluca Alda (CH / IT)	+41 78 864 19 07

info.investors@almacapital.com