Alma Recurrent Global Natural Resources Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 31 August 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 The fund is considered as qualifying as a financial product promoting, among other characteristics, environmental or social characteristics, or a combination of those characteristics, under Article 8 of the European Regulation on sustainability-related disclosures in the financial services sector (SFDR)

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)

Management company: Alma Capital Investment Management

- Founded in 2006, Alma Capital Investment Management is an independent Luxembourg-regulated UCITS and AIF fund management company
- Alma Capital's assets under management or advisory are near $4bn. The team comprises over 25 people from 12 nationalities
- Alma Capital Investment Management has been a signatory to the United Nations Principles for Responsible Investment (PRI) since 2016 and is a member of LuxFLAG

Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I EUR C shares	-0.78	-2.07	13.87	28.49	58.37	22.47	19.46	5.76
I USD C shares	-1.22	-5.10	10.74	23.98	56.31	24.69	21.05	6.20
Index*	-1.49	-4.10	7.34	17.33	35.52	17.44	14.77	4.43

Fund launched on 29 June 2018

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

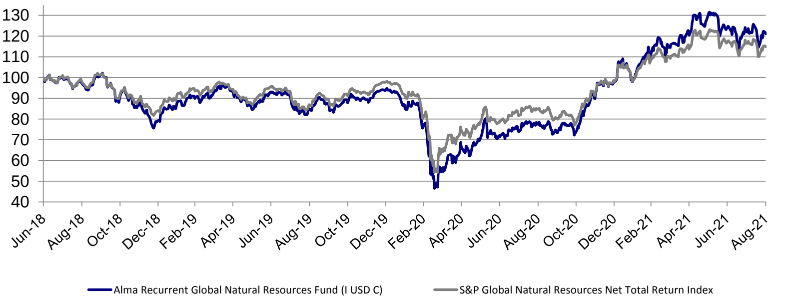
Portfolio characteristics

Main indicators	Fund	Index*
No. of securities	45	90
Weighted Average Market Cap ($ bn)	48.5	64.4
Median Market Cap ($ bn)	27.7	19.8
Estimated Price/Earnings (x)	9.1	10.1
Price/Book (x)	1.5	1.6
Price/Sales (x)	0.9	1.1
Estimated Long Term Growth (%)	10.5	10.4
Active Share (%)	57.7	-

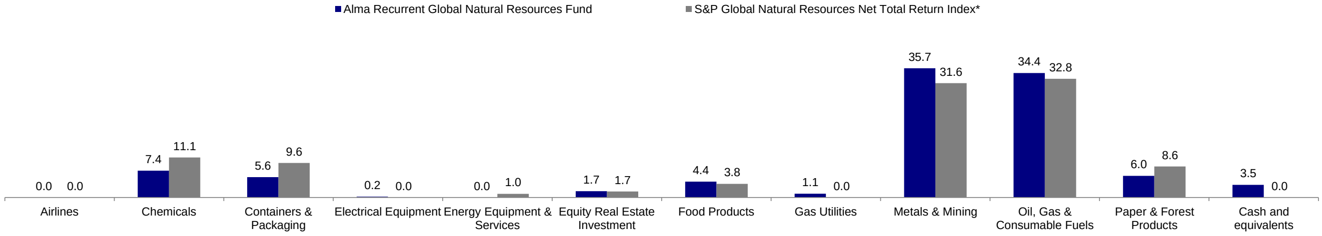
*S&P Global Natural Resources Net Total Return Index

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

Performance (Indexed - Base 100)



Industry breakdown (% NAV)



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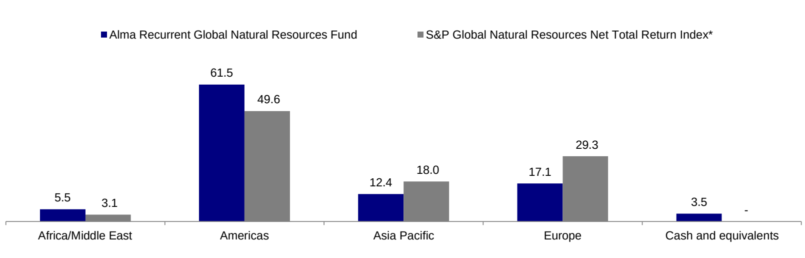
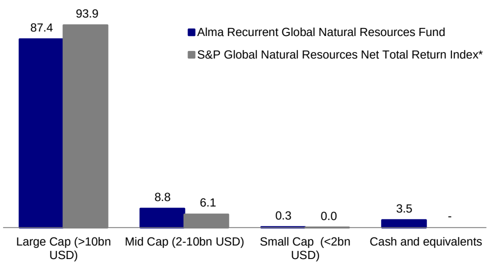
Region and market cap breakdown (% NAV)





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

Top 10 positions details

Security name	Industry	Country	% NAV
ANGLO AMERICAN PLC	Metals & Mining	South Africa	5.51
ALCOA CORP	Metals & Mining	United States	5.08
NUTRIEN LTD	Chemicals	Canada	4.13
CENOVUS ENERGY INC	Oil, Gas & Consumable Fuels	Canada	4.10
ARCELORMITTAL	Metals & Mining	Luxembourg	3.72
WESTROCK CO-WHEN ISSUED	Containers & Packaging	United States	3.71
ROYAL DUTCH SHELL PLC-A SHS	Oil, Gas & Consumable Fuels	Netherlands	3.69
BHP GROUP LTD-SPON ADR	Metals & Mining	Australia	3.61
FREEPORT-MCMORAN INC	Metals & Mining	United States	3.54
ENERGY TRANSFER LP	Oil, Gas & Consumable Fuels	United States	3.23
		TOTAL:	**40.31**

Investment manager's commentary

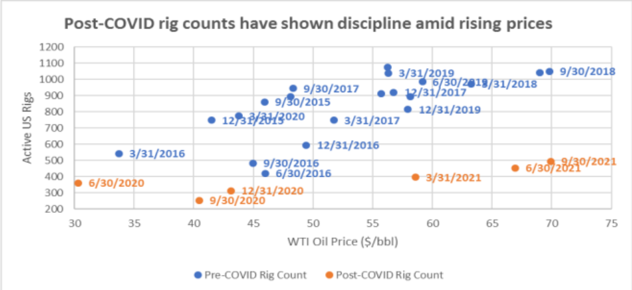
Portfolio discussion

In the month of August, the Alma Recurrent Global Natural Resources Fund fell by 1.22% net of fees, outperforming the S&P Global Natural Resources Index's -1.49% return. Stock selection in the aluminum and paper products sectors added to performance, while stock selection in the oil storage sector detracted from performance.

Investment Discussion

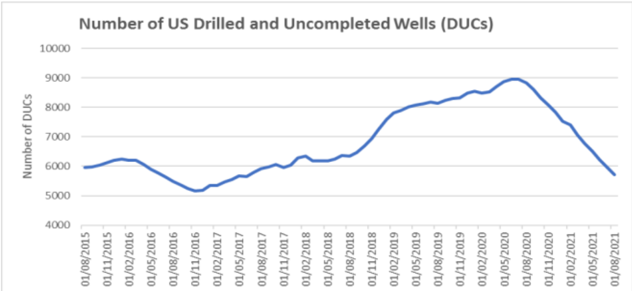
Within the energy industry, one of the most encouraging developments since the outset of the COVID-19 pandemic has been the capital discipline shown by the Exploration and Production (E&P) companies. Since March 1st, the WTI oil price has averaged nearly $67/barrel. Traditionally, oil prices this high would incentivize additional capital expenditures (CAPEX) from US shale producers, and any operating cash flow would generally be reinvested in drilling new wells in order to grow.

Many market observers are encouraged because this time seems different. With elevated oil prices, E&P companies are generating more cash flow than in recent years, and using the proceeds to pay down debt instead of increasing CAPEX.



Source: Bloomberg, Recurrent research

However, there is one element of the capital discipline conversation worth following. In order to produce oil/natural gas, wells need to be first drilled, and then completed. In shale, there is a statistic which tracks the number of wells which have been "drilled and uncompleted", known as DUCs. Since the beginning of COVID, the number of DUCs in the US has fallen by nearly 1/3, as shown in Chart 1.



Source: Bloomberg, Recurrent research

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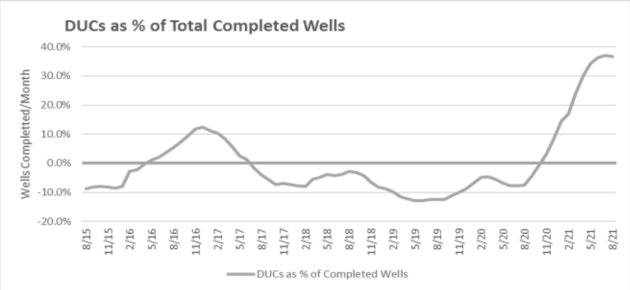
While there may be alternate ways to interpret the data, at the core, the number of completed wells is exceeding the drilled wells. In doing so, the cost of turning wells into production during the COVID era is less because the full cost of drilling wells is not incurred – only the completion costs are.

How is this relevant to the capital discipline discussion for E&P companies? In contrast to earlier periods of the shale era, E&P companies are meeting production expectations while keeping CAPEX under control. The decline in DUCs (akin to clearing inventory off of the shelf) signifies a cost-effective method of producing oil and natural gas, but is not sustainable in the long term. Instead, the capital discipline E&P companies are currently being complimented for may actually be a short-term benefit which may not offer a true representation of the capital expenditures needed to produce at the desired levels.

To further quantify the CAPEX savings, we look at the number of DUCs compared to the total wells completed in the US in recent months. As the gray line in Chart 2 shows, in 2021 approximately 35% of completed wells have been from DUC inventory, requiring less-than-full CAPEX cost. Depending on the well, drilling costs comprise up to 50% of the total cost of producing a well. With 35% of wells excluding drilling costs in 2021, CAPEX costs have been as much as 18% lower than a "normal" drilled-and-completed well.



Source: Bloomberg, Recurrent research

E&P companies' profits have significantly benefited from elevated oil and natural gas prices. Additionally, in exhausting DUC inventories, companies have further depressed per-well CAPEX and enhanced free cash flow, at least on a temporary basis. Going forward, we expect that this benefit to be short term in nature, and **CAPEX will increase by as much as 18% simply to maintain the current rate of well completions, assuming no service cost inflation.**

There are 2 likely outcomes from the trend above: first, shale E&Ps are unlikely to aggressively increase activity, given that they will be running 18% faster just to stay still. Second, we expect greater margin expansion in energy companies outside of shale, given shale's higher CAPEX reinvestment requirements.

During this commodity upturn, we have strived to identify and invest in companies with long-term visibility on maintenance CAPEX requirements, such as Canadian oil sands and pipelines. These businesses enjoy the fruits of the commodity upcycle, with limited exposure to the CAPEX inflation that is likely accompany the exhaustion of shale producers' DUC inventories.

Fund facts

Fund total net assets:	$39.77 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.
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

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

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