Alma Recurrent Global Natural Resources Fund

ALMA CAPITAL

Data as of	Fund AUM	Fund Launch
29 December 2023	**$68,702,375**	**29 June 2018**

Investment Strategy

• Fund's investment objective is to seek total return by investing in global natural resource-related companies.
• Typical industries in which the fund invests are 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 [1]

• SEC-registered Houston-based independent investment advisor founded in 2017, with $800m in AUM.
• Portfolio is managed by Mark Laskin and Bradley Olsen, founders of the firm, who both worked at BP Capital Fund Advisors and have extensive experience in energy investing.
• Specialised in energy and natural resources investment.

Performance History (29 June 2018 - 29 December 2023) [2]

Fund Awards

CityWire France 2023

Awarded Best Natural Resources Manager over 3 years

Fund Performance Summary (I USD C Share Class) [2]

	Return				Annualised Return		
	1M	6M	YTD	ITD	1Y	3Y	ITD
Alma Recurrent Global Natural Resources Fund	4.81%	9.12%	4.81%	101.60%	4.81%	17.83%	8.87%

Volatility since Launch (%) 27.48%

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

Fund ESG Recognitions

8 SFDR

MSCI ESG RATINGS — A

Monthly Fund Performance (I USD C Share Class) [2]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	9.04%	-6.24%	-2.04%	-0.85%	-9.62%	7.02%	9.03%	-3.02%	-0.22%	-6.63%	5.68%	4.81%	4.81%
2022	5.15%	9.21%	8.51%	-3.75%	5.36%	-16.94%	4.25%	0.96%	-9.92%	11.97%	9.65%	-3.40%	18.03%
2021	0.31%	11.61%	4.67%	5.24%	5.94%	-2.96%	-0.99%	-1.22%	-0.07%	4.89%	-5.56%	7.68%	32.15%
2020	-9.90%	-10.94%	-25.22%	17.99%	4.23%	3.65%	2.57%	4.78%	-4.52%	-0.91%	22.38%	8.89%	3.63%
2019	11.12%	2.22%	2.36%	1.25%	-9.30%	9.71%	-1.89%	-6.61%	2.65%	0.78%	1.55%	5.56%	19.01%
2018							0.60%*	-3.50%	3.63%	-9.70%	-4.78%	-8.47%	-20.83%

*Performance has been calculated since the share class launch

Alma Capital Commitments

LUXFLAG Supporting Sustainable Finance

PRI Principles for Responsible Investment

TCFD Task Force on Climate-Related Financial Disclosures

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(1) Represents the views of Recurrent Investment Advisors LLC. Alma Capital Investment Management does not take any responsibility for these views and does not necessarily endorse or support such views. (2) Source: Alma Capital Investment Management. The Fund's performance above is shown net of all fund fees. Past performance is not a reliable indicator of future returns.
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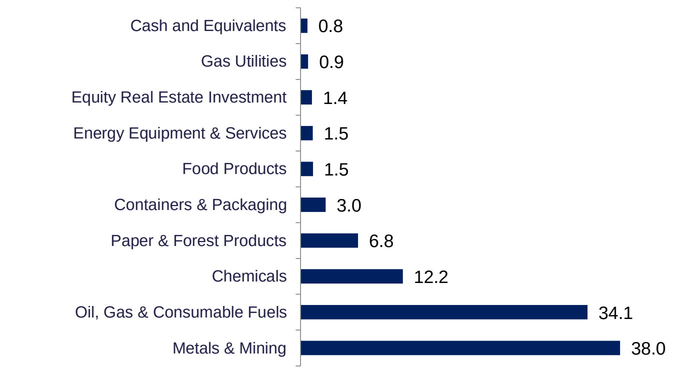
Fund Characteristics

Portfolio Characteristics [3]

Main indicators	Fund
No. of securities	44
Weighted Average Market Cap ($ bn)	56.70
Median Market Cap ($ bn)	31.80
Price/Earnings (x)	11.83
Price/Book (x)	1.44
Price/Sales (x)	0.86
Estimated Long Term Growth (%)	-2.01

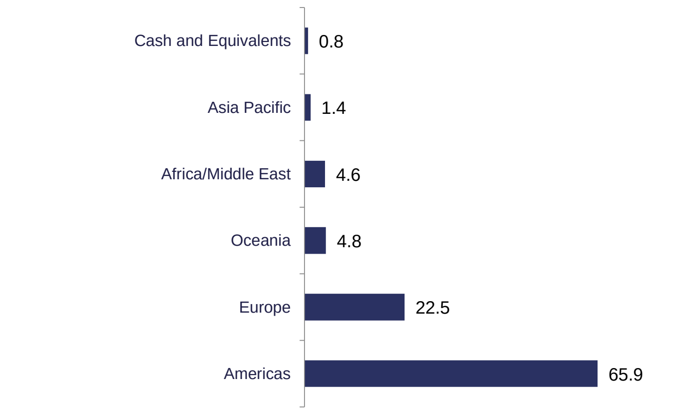
Sector Exposure (% AUM) [3]



Top 10 Issuers [3]

Issuer name	Sector	% AUM
TECK RESOURCES LIMITED	METALS & MINING	5.27
CENOVUS ENERGY INC.	OIL, GAS & CONSUMABLE FUELS	5.21
ANGLO AMERICAN PLC	METALS & MINING	4.63
ALCOA CORPORATION	METALS & MINING	4.24
FREEPORT-MCMORAN INC.	METALS & MINING	4.06
SHELL PLC	OIL, GAS & CONSUMABLE FUELS	3.67
ARCELORMITTAL SA	METALS & MINING	3.45
NUCOR CORPORATION	METALS & MINING	3.42
SUNCOR ENERGY INC.	OIL, GAS & CONSUMABLE FUELS	3.41
ENERGY TRANSFER LP	OIL, GAS & CONSUMABLE FUELS	3.33
	TOTAL :	**40.68**

Regional Exposure (% AUM) [3]



Key Facts

Issuer / Manager	Alma Capital Investment Funds / Alma Capital Investment Management		
Fund Type	Luxembourg UCITS SICAV		
Share Classes	I USD C	I EUR C	R EUR-H C
ISIN-Code	LU1823602369	LU1845388146	LU1823603680
BBG Ticker	ARGNIUC LX	ARGNIEC LX	ARGREHC LX
Currency	USD	EUR	EUR
Management Fee p.a. [4]	0.95%	0.95%	1.45%
Tax d'abonnement p.a.	0.01%	0.01%	0.05%
Initial Issue Price	$100	€ 100	€ 100
Launch Date	29 June 2018	29 June 2018	11 March 2022
Subscription and Redemption Cut-Off	12:00 p.m. CET (T-1)		
Valuation Day (T)	Daily		
NAV Publication	Daily, published on a T+1 basis		
Settlement	T+3		
Depositary, Administrator, Transfer Agent	BNP Paribas S.A.		
Registered Countries [5]	France, Germany, Luxembourg		
SRRI	7		

(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.
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Commentary - Recurrent - December 2023 (6)

Recent client conversations reflect incremental investor interest in the energy sector, for the first time in many years. With a constructive view toward commodity markets, many investors are focused on US Shale E&Ps. As we predicted in our Q1 2022 white paper, Energy Transition Twilight Becomes New Dawn for Shale, Shale is likely to continue to gain importance in the global oil markets. But will Shale valuations rise commensurately? If the 20-year-old example of high cost, short-cycle natural gas independent power producers (IPPs) is any guide, the short answer is “no”. Please reach out to us if you want to get full access to our 2022 white paper on Shale’s increased strategic importance in a time of ESG.

Performance Review

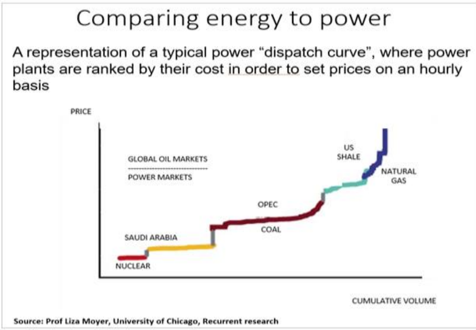
During the month of December 2023, the Alma Recurrent Global Natural Resources Fund rose +4.81% net of fees, outpacing the S&P Global Natural Resources Index’s +3.81% return. For the entirety of 2023, the ARGNR rose +4.81% net of fees, outpacing the Index’s +3.38% return. Since inception, the ARGNR has increased +8.87% on an annualized basis, net of fees, compared to the Index’s +6.01% annualized return.

Investment Discussion

Since the beginning of oil shale production in the late 2000s, its unique production characteristics have changed the shape of global energy cycles, as we outlined in a white paper titled “The Changing Shape of Energy Cycles” nearly a decade ago. The high-cost, short-cycle production (i.e. quick to turn on and steep production decline curves) plays a unique role in the oil market. It is the only type of production which can use free market principles to quickly balance global supply and demand.

While most global oil production consists of multi-decade projects, shale’s ability to use market signals to quickly increase or decrease production is similar to the role natural gas power plants play in power markets, as seen in the chart below from our white paper.

In power markets, natural gas power plants represent the high-cost producer, which also turns off and on the most quickly. As a result, its role in power markets is twofold: to set the “clearing price”, and to, in order of marginal cost, turn off and on in order to balance supply and demand on an hourly basis.



Source: Bloomberg, Recurrent analysis

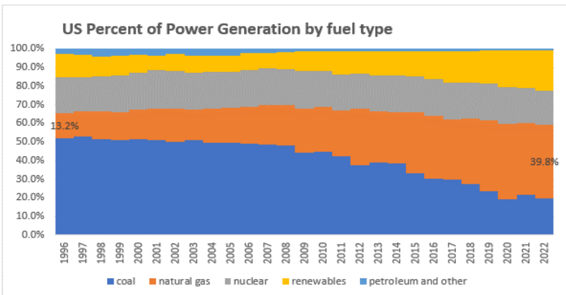
The implications of shale’s unique production characteristics are not only relevant for the present, but also the future of the oil market. As the potential for an energy transition causes concerns about long term oil demand, identifying which type of oil supply would surrender market share is critical for investors and companies alike.

In the commonly held market construct, falling demand would generally be considered to most impact the highest cost type of oil production, i.e. shale. However, our 1Q 2022 white paper titled “Energy Transition Twilight Becomes New Dawn for Shale” highlights that in an energy transition scenario, cost is only one consideration to determine market share shifts. Importantly, “time to market” needs to similarly be considered. As a result, shale, as the only “short-cycle” type of production, will see its importance to the oil market increase, rather than disproportionately decrease. The less the market is certain (whether those concerns are appropriate or not) about long term demand, the more the market will be willing to pay incrementally more in costs for the relative certainty of “duration”. The value of shale to the oil market’s operations increase, counter to our assessment of common market perception.

While shale’s importance to the oil market increases, will the market value similarly increase?

Given our framing of the similarities between the shale in the global oil market to natural gas power producers the US power market, looking at the history of natural gas power producers could provide context for the potential for US shale oil producers.

Within the power market, natural gas fired power plants have consistently grown in market share as a percent of the total power market, as seen orange in the chart below. After comprising merely 13% of the power market in 1996, in 2022 natural gas power grew to approximately 40% of power produced.



While the importance to the market clearly grew over the course of 25 years, the associated market value of the independent natural gas companies clearly grew, right? Unfortunately not.

As the marginal power producer, natural gas power plants earn very limited marginal profits, by definition. The optionality to turn off and on to earn small marginal profits has value, particularly to a large diversified company. Any marginal costs an individual plant earns can contribute to the greater whole, with little regard to amortizing “corporate overhead”. However, as an independent power producer, there are additional costs which need to be overcome in order to remain consistently profitable, with enterprise value exceeding debt value to create equity value.

From an equity perspective, the case of natural gas power producers can provide some insight as to how the market might evolve for US shale producers. In the late 1990s and early 2000s, many independent power producers such as Dynegy, Calpine, Mirant, Reliant, NRG, and Edison Mission Energy gained in market relevance, growing as power markets strengthened and then falling to bankruptcy through the course of the 2000s and early 2010s.

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Commentary - Recurrent - December 2023 (6)

The charts below show the share prices of Dynegy and Calpine, companies which peaked at market capitalizations of more than $18 Bln and $17 Bln, respectively, before filing bankruptcy a few years later.

Dynegy Stock History

Source: Bloomberg data, Recurrent Research

Calpine Stock History

Source: Bloomberg data, Recurrent Research

As was commonly the case for independent public companies, the weight of onerous costs left limited cushion for operational weakness, causing punitive equity value destruction.

In the case of other companies, such as Reliant and Mirant, the companies merged in 2010 to form GenOn, providing greater scale which further amortized non-COGS operating costs. The company endured for only two more years before being acquired by NRG in 2012.

It is important to note that the majority of public IPPs owned high-cost marginal power plants – either natural gas or high cost coal – which did not generate substantive through-the-cycle profitability. While NRG owned similarly disadvantaged plants, its ownership of a nuclear power plant which generated significant operating profits and helped sustain the company through cycles.

In sum, as we've outlined in white papers for nearly a decade, the attributes of natural gas power plants and shale oil are similar in their respective markets. As high-cost producers in markets which earn limited marginal profits, remaining an independent producer offers limited equity value. The role of shale oil remains ever-important to the global oil market. Production continues to grow, especially when considered in the context of a relatively flat demand environment since the beginning of COVID. But many investors are mixing operational strength with increased equity value.

US Shale Oil Production

In the case of natural gas independent power producers, operational strength did not correlate to strong investment returns. In fact, in today's S&P 500, the IPP category only includes one company. While many more shale oil companies exist today than in the heyday of IPPs, the trend of weakening equity value looms large. Recent merger activity highlights the growing realization of Shale's standalone valuation challenges, as Shale's absorption into larger diversified businesses is mirrored in the early 2000s M&A boom, which effectively saw IPPs subsumed into integrated utility business models.

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