

# Alma Recurrent Global Natural Resources Fund

Data as of  
30 April 2024

Fund AUM  
\$73,587,449

Fund Launch  
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<sup>(1)</sup>

- SEC-registered Houston-based independent investment advisor founded in 2017, with \$940m 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 - 30 April 2024)<sup>(2)</sup>



## Fund Awards

**CityWire France 2023**  
Awarded Best Natural Resources Manager over 3 years

## Fund Performance Summary (I USD C Share Class)<sup>(2)</sup>

	Return				Annualised Return		
	1M	6M	YTD	ITD	1Y	3Y	ITD
<b>Alma Recurrent Global Natural Resources Fund</b>	0.98%	16.41%	5.09%	80.00%	10.92%	11.67%	9.26%

Volatility since Launch (%) 26.91%

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

## Fund ESG Recognitions



## Monthly Fund Performance (I USD C Share Class)<sup>(2)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	-4.12%	-1.30%	9.97%	0.98%									5.09%
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



## Contact Details

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www.almacapital.com

(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. All information as of 30 April 2024 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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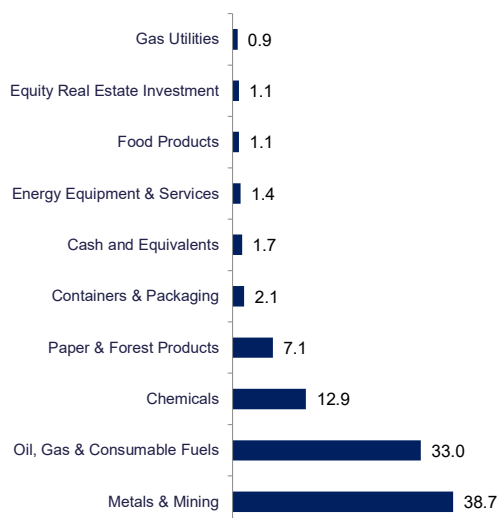


## Fund Characteristics

### Portfolio Characteristics <sup>(3)</sup>

Main indicators	Fund
No. of securities	45
Weighted Average Market Cap (\$ bn)	58.08
Median Market Cap (\$ bn)	29.16
Price/Earnings (x)	16.90
Price/Book (x)	1.45
Price/Sales (x)	0.93
Estimated Long Term Growth (%)	3.24

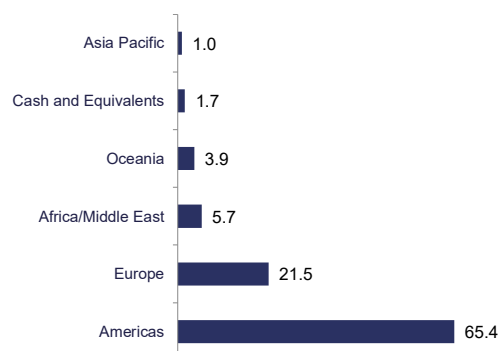
### Sector Exposure (% AUM) <sup>(3)</sup>



### Top 10 Issuers <sup>(3)</sup>

Issuer name	Sector	% AUM
CENOVUS ENERGY INC.	OIL, GAS & CONSUMABLE FUELS	6.04
TECK RESOURCES LIMITED	METALS & MINING	5.71
ANGLO AMERICAN PLC	METALS & MINING	5.68
FREEMPORT-MCMORAN INC.	METALS & MINING	4.45
ALCOA CORPORATION	METALS & MINING	4.09
SUNCOR ENERGY INC.	OIL, GAS & CONSUMABLE FUELS	3.79
SHELL PLC	OIL, GAS & CONSUMABLE FUELS	3.78
NUTRIEN LTD.	CHEMICALS	3.78
ENERGY TRANSFER LP	OIL, GAS & CONSUMABLE FUELS	3.55
ARCELORMITTAL SA	METALS & MINING	3.29
<b>TOTAL :</b>		<b>44.15</b>

### Regional Exposure (% AUM) <sup>(3)</sup>



## 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. <sup>(4)</sup>	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		
Depository, Administrator, Transfer Agent	BNP Paribas S.A.		
Registered Countries <sup>(5)</sup>	France, Germany, Luxembourg		
SRI	5		

(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 30 April 2024 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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## Commentary - Recurrent - April 2024 <sup>(6)</sup>

Shares of commodity-levered "real assets," such as natural resources and energy infra, have rallied for 4+ years, thanks to COVID-era CAPEX and dividend cuts. Still, many institutional investors continue to prefer non-cyclical "real assets" – utilities, infrastructure and REITs – despite 5-year underperformance vs. commodity-levered sectors (even with the "risk-off" period during COVID!). Investors cite regulated returns and stable cash flows for this preference. Many overlook the fact that "non-cyclicals" lack the flexibility to cut CAPEX or dividends, even when debt is high and cash flows are weak (like today). Regulators and customers demand constant CAPEX in the name of reliability, safety and the environment, while investors view dividends as non-discretionary. Lacking the option to cut back, these companies plug deficits by touting the "next big thing" and issuing equity. While equity issuance has always been part of the regulated utility and REIT playbook, current heavy debt loads raise the possibility dilution not seen since the "deregulation boom" of 2000-2003, when many large utilities increased share count by >10% in <24 months.

**AI is the "next big thing" for real assets but is that a good thing?:** So, what kind of "next big thing" could be used to justify dilution on this scale? Artificial intelligence (AI) is already being heralded as the key growth driver for many "real asset" businesses. Historically, "megatrends" from deregulation, to Shale, to renewables have involved big CAPEX, with returns typically much slower to materialize (if ever). Despite this history, many real asset companies (and fund managers) are promising significant benefits from the AI boom. On Q1 earnings calls, "Real asset" companies (REITs, utilities, and resources) mentioned "AI & Machine Learning" >500x, 5x more than a year ago\*. Consistent with our thesis, we see companies whose FCF is falling fastest as most likely to mention AI on calls. We expect that many real asset investors may face a wave of equity dilution in order to fill the hole caused by soaring CAPEX and high dividends. In contrast, we remain excited by the fact that the companies where Recurrent invests are moving slowly on capex increases, while retaining optionality if AI-related energy demand does surge.

Please reach out for our new midstream white paper, which explores midstream's excess (and growing) yield vs. fixed income and 2022 white paper on Shale's increased strategic importance in a time of ESG.

### Performance Review

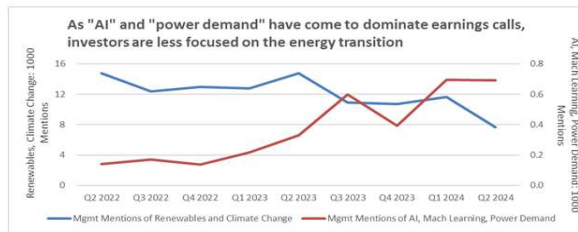
In the month of April 2024, the Global Natural Resources Strategy rose +0.98% net of fees. During the month, the portfolio's holdings in Anglo American (ticker AAL LN) rose +34.95% during the month due to a proposed acquisition by BHP Billiton, adding value relative to the benchmark. The portfolio's refining holdings detracted from performance, after an extended period of significant outperformance.

### Investment Discussion

#### Could the AI usher in an era of (dilutive) growth for regulated real assets?

AI is here to replace Renewables as the next Real Asset "megatrend"

Many real asset companies who participated in the renewables CAPEX "megatrend" of the last 10 years have seen shares underperform as a result of significant debt incurred and low returns from these projects. It is unsurprising that certain real asset companies (utilities, REITs, and natural resources), as well as many real asset fund managers, have moved on from renewables in search of the "next big thing." Thankfully, AI has arrived. As seen below, one immediate impact has been felt in management commentaries on conference calls, where mentions of AI have increased roughly five-fold in the last 6 quarters. While "renewables" and "climate change" remain frequent topics, their prevalence has dropped by roughly 50% over the same timeframe.



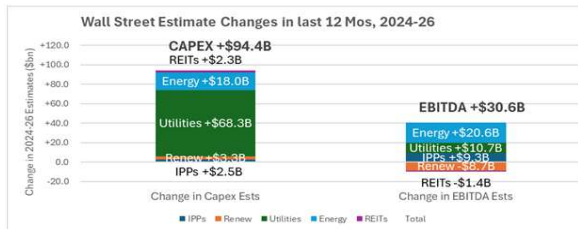
Source: Recurrent research, Bloomberg.

Note: The above chart tracks the frequency of conference call mentions for a variety of renewable- and climate change-related words, as well as for a variety of AI-related words. The above study includes companies in the Utility, Energy, and REIT sectors.

#### Real asset management teams, fund managers and analysts are eagerly promoting the rise of AI... but history counsels caution

It is anticipated that AI data centers will become huge sources of around-the-clock (i.e. "baseload") power demand, which means that renewable power and short-duration batteries are likely ill-suited to match the need for 24/7 electricity. In anticipation of the need for the AI-related power grid buildout, META's Mark Zuckerberg appointed Houston's own John Arnold as an oil and gas energy expert to META's board, while Zuckerberg has also discussed massive onsite 1GW power plants(!) as a potential solution to keep AI from disrupting the electrical grid.

As students of history, we would note that for real asset companies, participating in a "megatrend" has historically carried significant risk. Often, the massive capex costs associated with these "megatrends" are immediate and certain, while potential returns tend to be delayed and highly uncertain. As we can see below, Wall Street has already forecasted a nearly \$100bn increase in capex to support AI – and that is only including real asset companies who have mentioned AI on their conference calls! At the same time, the increase in EBITDA (a proxy for cash flow) has increased by \$30bn. In other words, AI is forecasted to add nearly \$70bn of unfunded capex to these real asset sectors.



Source: Recurrent research, Bloomberg, SEC public filings.

Note: Includes all Real Asset companies that mentioned AI, Machine Learning, or Data Centers on their Q1 or Q4 earnings calls.

Utilities and Renewables include: AEE, NEE, ETR, EIX, NRG, PCG, CNP, DUK, PEG, FTS, CN, CPX, CN, OGE, AEP, D, SO, EXC, ORSTED, DC, SRE, CEG, EMA, CN, WEC, DTE, POR, VER, AV, VIE, FP, PPL, XEL, NI, EVRG, BIP, VST, AES, RSN, UNP, BE, TLNE, CMS, CWEN/A, AY, FE, PNW, FSLR, PLUG, BEPC, CN, ORG, AU, VWS, DC.

Energy includes: EQT, BKR, SLB, AR, NOV, PTEN, NFE, CHK, HAL, COP, RRC, WMB, KMI, EPD, ET, CTRA, ENLC, CRK, OKE, DTM, ENB, CN, ALA, CN, TRP, CN.

REITs include: EQIX, CCI, AMT, AVB, DLR, IRM, O, WY, COLD, HPP, UDR, BXP, SBAC, KRC, PLD, ESS, EQR, FR, GMG, AU, ARE, DOC.

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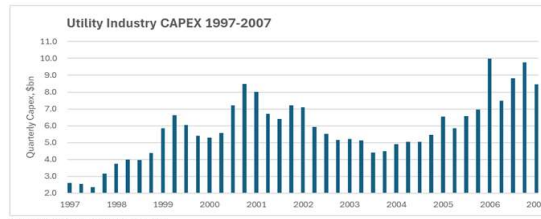
### In most sectors, rising debt + falling returns would drive CAPEX cuts... but regulated business model (and AI) makes cuts nearly impossible

In real asset sectors where Recurrent invests, periods of high debt and low returns are typically remedied by steep CAPEX and even dividend cuts, leading to rapid debt reduction and an eventual equity market recovery. This is the pattern seen in energy infrastructure and the broader natural resource sector during 2015-2024. In contrast, in non-cyclical real asset sectors – utilities, REITs, and infrastructure – regulators and customers discourage steep CAPEX cuts, citing reliability, safety and environmental concerns. With the potential for an AI-related demand surge on the electric grid, deep CAPEX cuts are unlikely to be accepted by regulators or energy-intensive customers. Meanwhile, management teams in these sectors consider the dividend as a non-discretionary component of the value proposition to investors, believing that investors accept capped regulated upside in exchange for stable income. With nowhere to cut, how can the AI surge be funded?

### Utility industry, 1997-2007: when the deregulation “megatrend” required massive equity dilution

In recent monthly commentaries we examined how utilities in recent years have continued to increase CAPEX forecasts, despite deteriorating balance sheets. While other “real asset” sectors typically cut CAPEX in the face of deteriorating credit quality, the regulatory environment for utilities makes CAPEX cuts difficult. Worse yet, investors typically require utilities to pay sizeable dividends as proof of cash flow stability. For much of the last decade, regulators demanded lower-carbon power, driving significant renewables and transmission CAPEX, but industry-wide returns have generally fallen as these projects have proliferated, leaving debt levels elevated as long-term debt refinancings begin to reflect the higher-rate environment.

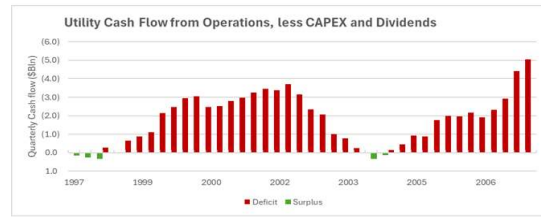
Why did industry CAPEX grow? In the late 1990s and early 2000s, the power market deregulated to encourage competition and increase reliability, highlighted by the California blackout in 2000. Companies built natural gas power plants in an attempt to capture profits in newly deregulated markets. Significant new power plant additions meant that power prices fell, squeezing cash flows of the newly-deregulated utilities. Rather than cutting back, CAPEX actually accelerated after 2003, when a huge blackout across the Northeastern United States caused regulators to demand additional CAPEX for infrastructure designed to improve reliability.



Sources: Bloomberg, Recurrent Advisors

Notes: Universe includes AEE, AEP, AYE, CNP, D, DTE, DUK, ED, FE, PEG, PGE, PNW, PPL, SO, XEL

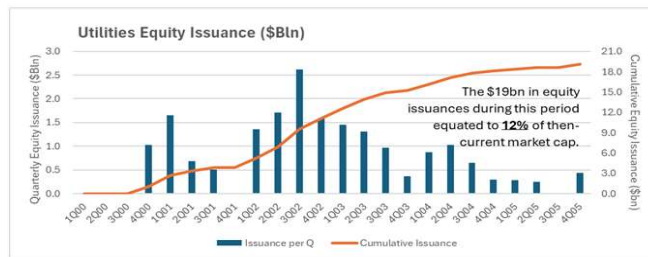
In an attempt to frame the cash flow impacts, in the chart below we look at the industry’s quarterly cash flow from operations less CAPEX and dividends. As you can see, during the CAPEX surge of 1999-2002, the cash deficit is particularly negative, averaging about a \$3bn quarterly deficit (approx. 8% of market cap on an annualized basis). After a brief respite, CAPEX rose in response to the infrastructure push mentioned above.



Sources: Bloomberg, Recurrent Advisors

Notes: Universe includes AEE, AEP, AYE, CNP, D, DTE, DUK, ED, FE, PEG, PGE, PNW, PPL, SO, XEL

If the industry was determined to materially outspend cash flows from operations on CAPEX and dividends, how were the expenditures financed? The answer is... repeated equity issuances. During the 5-year period from 2000-2005, the industry issued nearly \$20bn of equity, to help pay for the >\$50bn cash flow deficit over the same time period.



Sources: Bloomberg, Recurrent Advisors

Notes: Universe includes AEE, AEP, AYE, CNP, D, DTE, DUK, ED, FE, PEG, PGE, PNW, PPL, SO, XEL

In the utility industry, where the dividend is deemed as a “non-discretionary” expenditure, growth CAPEX is often less “discretionary” than it is in other “real asset” subsectors. In the early 2000s, deficit spending was financed in large part by issuing equity, especially following periods when the sector outperformed the broad equity markets.

### Given this massive cost, why are certain Real Asset companies (and Real Asset fund managers) pushing the AI boom?

If the AI buildout is likely to be expensive, and real asset investment booms often generate returns that are lower and take longer to materialize than anticipated, why are certain companies (and fund managers) pushing the AI theme so hard? It would appear, based on the analysis below, that companies who expect significant FCF deterioration (and therefore are more likely to need equity funding) are pushing AI the hardest. Companies who mentioned AI more than 20 times on their calls represent an outsized share of potential dilution, as seen below. When we exclude the FCF-positive energy sector, we see that the managements most inclined to talk up the benefits of AI are, on average, experiencing an increase in negative FCF equivalent to 6% of market cap. Some companies are seeing FCF negativity equivalent to 10% to 20% of market cap – exactly in-line with the level of equity issuance seen in the deregulation boom detailed above.

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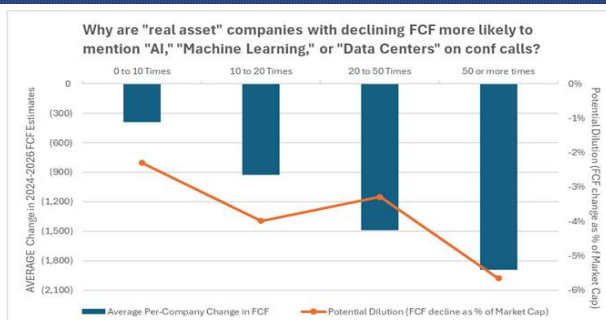
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Source: Recurrent research, Bloomberg, SEC public filings.

Notes: The above analysis includes the same companies mentioned in the footnote above.

While the last 10+ years in the public markets, where most companies have been net buyers of their own equity, the above analysis can seem jarring. If 10% dilution for large-cap companies seems unlikely, the above case study of utilities in the early 2000s offers a historical example of significant CAPEX in a "megatrend" leading to extreme equity dilution.

We will leave a deep-dive into the Recurrent portfolios for another day, but we will note that as of today, we see the EBITDA and CAPEX outlook for our portfolios as actually improving in the last 12 months based on Bloomberg estimates – implying that a slight increase in 2024-2026 capex estimates could be more than offset by an improved EBITDA outlook. We believe our portfolio continues to represent a high-optionality, low-cost play on a potential AI boom – and we are happy to let other "real asset" managers foot the bill in the meantime.

### MARKETING COMMUNICATION

Alma Capital Investment Funds is a Luxembourg undertaking for collective investment pursuant to Part I of the law of 17 December 2010 relating to undertakings for collective investment. It is registered with the Luxembourg Trade and Companies' Register under number B159458 and has its registered address at 22-24, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg.

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 S0000930. 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](http://www.almacapital.com)

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