FOR PROFESSIONAL INVESTORS ONLY

Alma Hotchkis & Wiley Global Value Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 31 December 2020

Fund description

- Investment objective: seek current income and long-term capital appreciation by investing in a portfolio of global companies
- Investment process: analyse long term company fundamentals through in-house bottom-up research aiming to identify undervalued stocks
- The fund typically holds 40 to 80 securities and generally invests in companies with a market capitalization above $1 billion
- The fund invests primarily in companies located in developed countries, with at least 40% outside the U.S. Emerging markets: up to 20%

Investment manager: Hotchkis & Wiley Capital Management, LLC

- Hotchkis & Wiley is a SEC-regulated, Los Angeles-based investment adviser founded in 1980, specialised in value equity and high yield bond strategies
- Employee owned firm: 90% of the investment team and 67% of all employees own equity
- Investment team has over 23 years average investment experience and 15 years average tenure at Hotchkis & Wiley
- Hotchkis & Wiley manages $32 billion

Cumulative performance (%)

	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I USD C shares	5.19	31.90	34.79	-1.05	-1.05		6.13	3.28
MSCI World Net Total Return USD	4.24	13.96	23.00	15.90	15.90		33.28	16.89
MSCI World Value Net Total Return	3.56	15.73	20.21	-1.16	-1.16		9.45	5.03

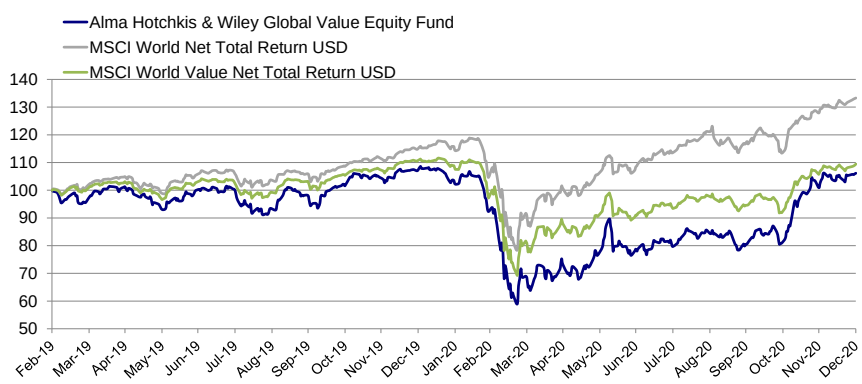
Fund launched on 28 February 2019

Portfolio characteristics

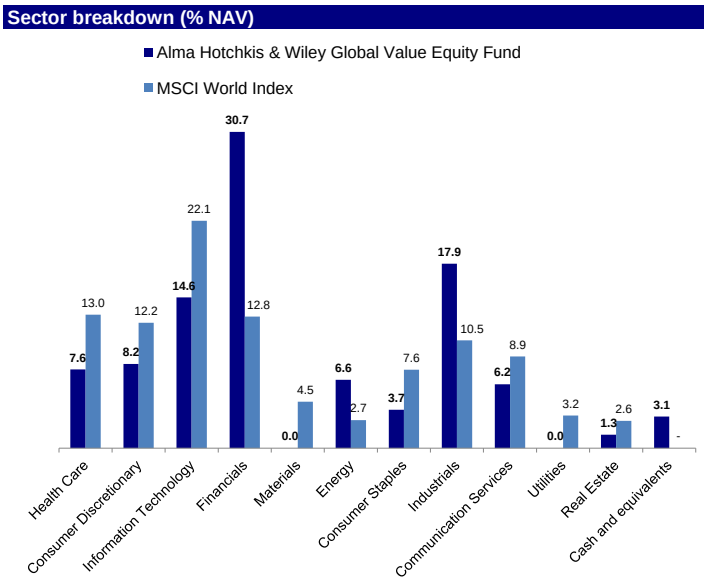
Main indicators	Fund	Index*
No. of securities	54	1585
Weighted Average Market Cap ($ bn)	108.5	330.8
Median Market Cap ($ bn)	31.5	16.8
Projected P/E Ratio FY2 (x)	13.6	19.3
Price / Normal Earnings (x)	7.8	18.2
Price / Book (x)	1.2	2.8
Price / Sales (x)	1.1	2.1
Projected EPS Growth (%)	5.8	6.0
Active share (%)	92.1	-

*: Index - MSCI World Net Total Return USD

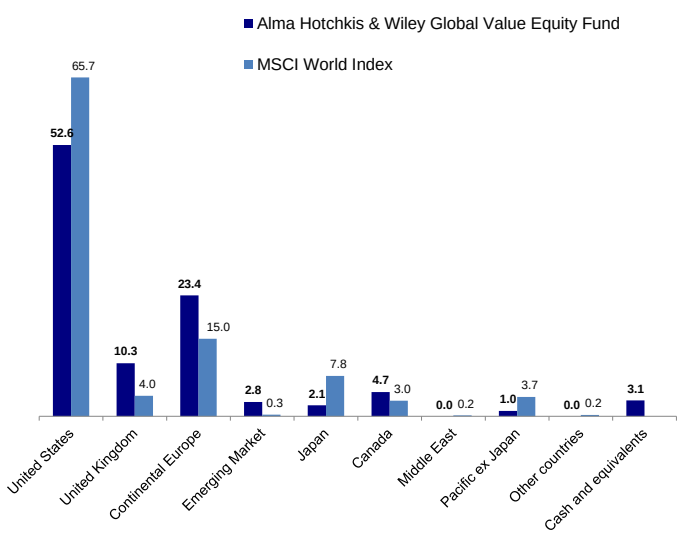
Performance (Indexed - Base 100)



Sector breakdown (% NAV)



Regional breakdown (% NAV)



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Top 10 positions details

Security name	Sector	Country	% NAV
AMERICAN INTERNATIONAL GROUP	Financials	United States	4.96
GENERAL ELECTRIC CO	Industrials	United States	4.92
WELLS FARGO & CO	Financials	United States	4.07
ANTHEM INC	Health Care	United States	3.45
EURONET WORLDWIDE INC	Information Technology	United States	3.40
CITIGROUP INC	Financials	United States	3.14
POPULAR INC	Financials	Porto Rico	2.78
MAGNA INTERNATIONAL INC	Consumer Discretionary	Canada	2.75
ORACLE CORP	Information Technology	United States	2.67
MICROSOFT CORP	Information Technology	United States	2.48
		TOTAL:	**34.61**

Investment manager's commentary

Market:

In 2020, investors witnessed the devastating impact of a worldwide pandemic on the global economy. While the effect was severe, investors perceived it as a transitory event, and recognized the stimulative influence of massive monetary and fiscal intervention. These interventions helped propel the MSCI World Index which returned +16% for the year. Value investors were largely left behind; however, as global growth stocks soared +34% and global value stocks declined -1%. This represented the largest gap between the global growth and global value indices ever observed over a calendar year (incepted in 1975), and if history is any guide, sets the stage for a value comeback. We had a glimpse of what that comeback might look like during the fourth quarter of 2020. Value stocks outperformed, buoyed by the economic ramifications of new COVID-19 vaccines and another round of fiscal stimulus.

In our experience, when a major asset class underperforms for as long as value has, most investors are under-allocated to the asset class. Signs of this neglect include incessant rhetoric about the asset class' demise in the financial media, unusually wide valuation gaps, and the fatigue/frustration asset allocators experience when compelled to repeatedly explain why they have invested in such a lagging strategy. When the economic winds shift, however, the out-of-favor asset class can enjoy a substantial and sustained period of outperformance. Following the tech bubble, for example, global value outperformed global growth by more than 75 percentage points over the subsequent seven years. We have learned time and time again, that patience is rewarded for those that stay focused on fundamentals and valuation.

Despite value outperforming growth in the fourth quarter, the MSCI World Value Index continues to trade at a larger than normal discount to the MSCI World Growth Index. Also, despite the Global Value strategy outperforming the value index, the portfolio continues to trade at a larger than normal discount to the MSCI World Value. The portfolio's 4Q outperformance narrowed the gap modestly but we anticipate considerably more reversion ahead.

To achieve such a large valuation discount, a portfolio must not only be invested in stocks trading at substantial discounts to intrinsic value but must also be very different than the index. The portfolio is both. Its active share is 92, which means that 92% of the portfolio is positioned differently than the index. Among their top 10 positions respectively, the portfolio and the index share only one common name (Microsoft). Of the portfolio's top 10 positions, 6 trade at single digit multiples of normal earnings and 5 trade at single digit multiples of consensus forward earnings (FY3), compared to none for the index.

Financials and banks remain the portfolio's largest sector and industry weights, respectively, both in absolute terms and relative to the benchmark. Banks have been an unloved industry for years as scars from the financial crisis remain and regulatory uncertainties linger. When it appeared that the market was finally beginning to recognize the industry's strong recurring profitability and its massive de-risking efforts over the past decade, the global pandemic caused investors to shun banks regardless of underlying fundamentals or valuations. Among the most important of these de-risking efforts was a substantial increase in capital held on banks' balance sheets. In addition to having excess capital, banks took large provisions throughout the year for potential credit delinquencies that may occur in the future. While these provisions hit 2020 bank earnings, the industry continued to produce compelling pre-provision income, even in the low interest rate environment. The combination of having strong balance sheets, large reserve pools, and ongoing profitability gives us confidence that banks have more than enough capacity to withstand a severe economic downturn much worse than we have experienced thus far. Yet many banks trade at single-digit multiples of normal earnings, which we see as extremely attractive in this market. Further, the Federal Reserve recently lifted stock buyback restrictions in the US. Many US banks are now in a position to return considerable capital to shareholders. This would be accretive to earnings per share thereby improving valuations even more.

Calendar year 2020 was challenging in a myriad of ways. Looking through our value investor lens, the year tested our patience and conviction. We held steady in our commitment to the principles of value investing and worked as a team to ensure existing investments remained prudent and to find new ideas in an ever-changing environment. We will continue to do both. Our team remains entirely intact, the firm is healthy, and we are optimistic that our clients will be rewarded by our commitment and effort. It was reassuring to observe our time-tested investing style come back into vogue during the most recent quarter and we are optimistic that this reversion could be powerful and lasting. We look forward to the new year with enthusiasm.

ATTRIBUTION: 4Q 2020

The portfolio outperformed both the MSCI World and the MSCI World Value Indices in the fourth quarter of 2020 by a wide margin. The portfolio has long exhibited valuation characteristics at a discount to both indices, which had been a major stylistic headwind throughout 2020 until reversing in the fourth quarter. Positive stock selection drove more than 80% of the outperformance, as the portfolio outperformed the index in each of the 9 sectors in which it is invested (the portfolio had no exposure to materials or utilities). Positive stock selection in financials and industrials was particularly strong, though consumer discretionary, technology, and energy were meaningfully positive as well. The overweight exposure to financials and energy also helped. The underweight exposure to consumer discretionary and communication service were negative, but marginally so. The largest positive contributors to relative performance in the quarter were General Electric, Euronet Worldwide, AIG, Magna International, and Popular; the largest relative detractors were GlaxoSmithKline, Henkel, Oracle, BAE Systems, and Accor (though 4 of the 5 generated positive absolute returns).

Over the calendar year, the strategy underperformed the MSCI World Index but modestly outperformed the MSCI World Value Index. The value-focused approached that helped during the fourth quarter hurt over the course of the entire year. Accordingly, the largest contributors/detractors over the year were largely opposite of what occurred during the fourth quarter, with financials being the largest detractor for the year.

LARGEST NEW PURCHASES: 4Q 2020

Accor is a France-domiciled hotel management company with significant operations in Europe and Asia. We expect travel to recover post-pandemic, and when it does, we expect Accor to resume growing mid-to-upper single digits with minimal capital required. The stock had declined considerably since the start of the pandemic and is trading at an attractive valuation.

Hess is an oil & gas company that owns a significant interest in one of the most valuable oil discoveries of the past decade (offshore Guyana) in addition to other productive assets in and outside of the US. In our opinion, investors are underestimating the cash flows that Hess will generate as the world-class Guyana resource is developed.

Suncor is Canadian energy company. The company owns and operates long-lived oil sands assets in Alberta, as well as refineries in the structurally under-supplied Canadian market. Suncor trades at a very low multiple of the free cash flow we estimate it will generate in a normalized oil price environment.

Fund facts

Fund total net assets:	$12.37 M
Fund domicile:	Luxembourg
Fund type:	UCITS SICAV
Base currency:	USD
Management fee:	0.85% p.a.
Depositary, Administrator, Transfer Agent:	BNP Paribas Securities Services (LU)
Management company:	Alma Capital Investment Management (LU)
Investment manager:	Hotchkis & Wiley Capital Management, LLC (US)
Fund managers:	Scott McBride, Judd Peters Scott Rosenthal, Patrick Meegan

Dealing:

Each day with a 1-day notice — Cut-off time: 5 pm CET

Identifiers:

Institutional USD Capitalisation share class

Isin: LU1907586306 Ticker: ALHWGIU LX Launch: 28 February 2019

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