FOR PROFESSIONAL INVESTORS ONLY

Alma Hotchkis & Wiley Global Value Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 31 March 2021

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	3.71	16.19	53.26	16.19	80.36		23.31	10.56
MSCI World Net Total Return USD	3.33	4.92	19.57	4.92	54.03		39.84	17.43
MSCI World Value Net Total Return	5.71	9.56	26.80	9.56	48.27		19.92	9.09

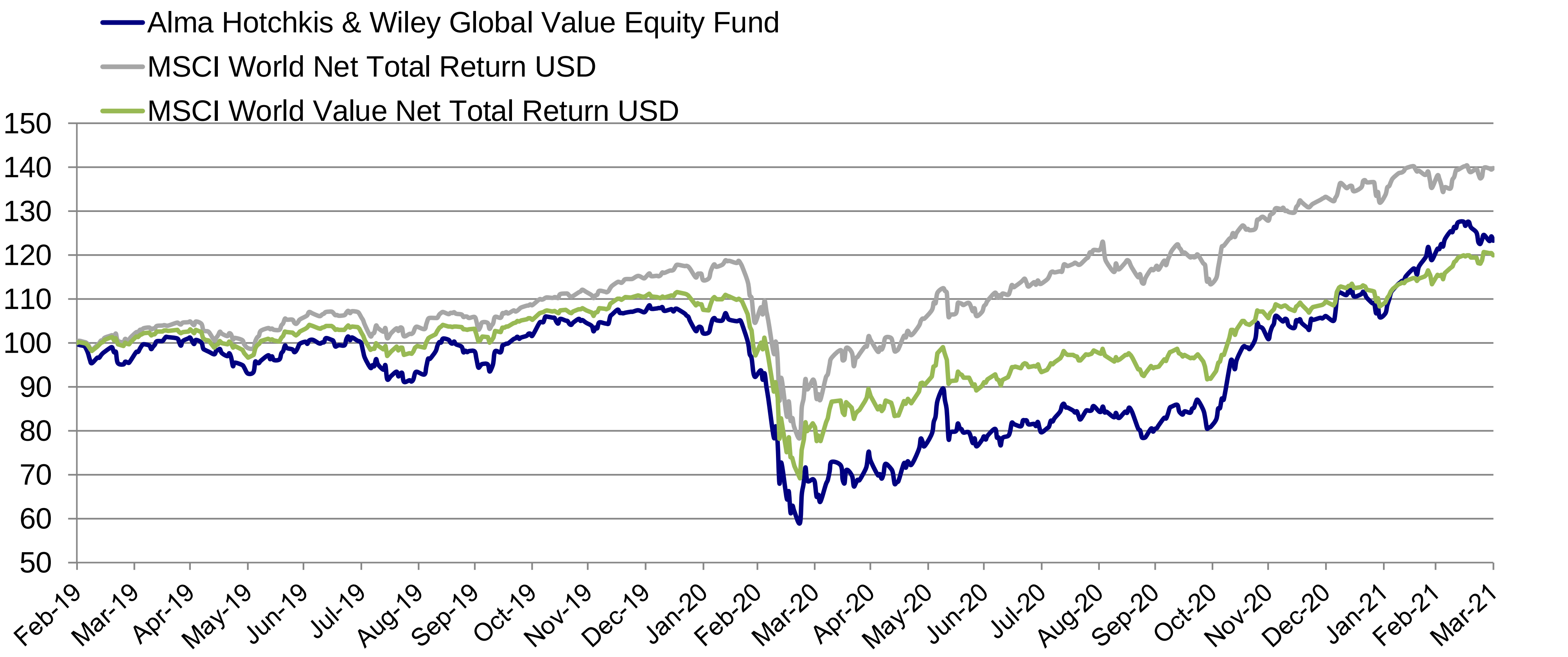
Fund launched on 28 February 2019

Portfolio characteristics

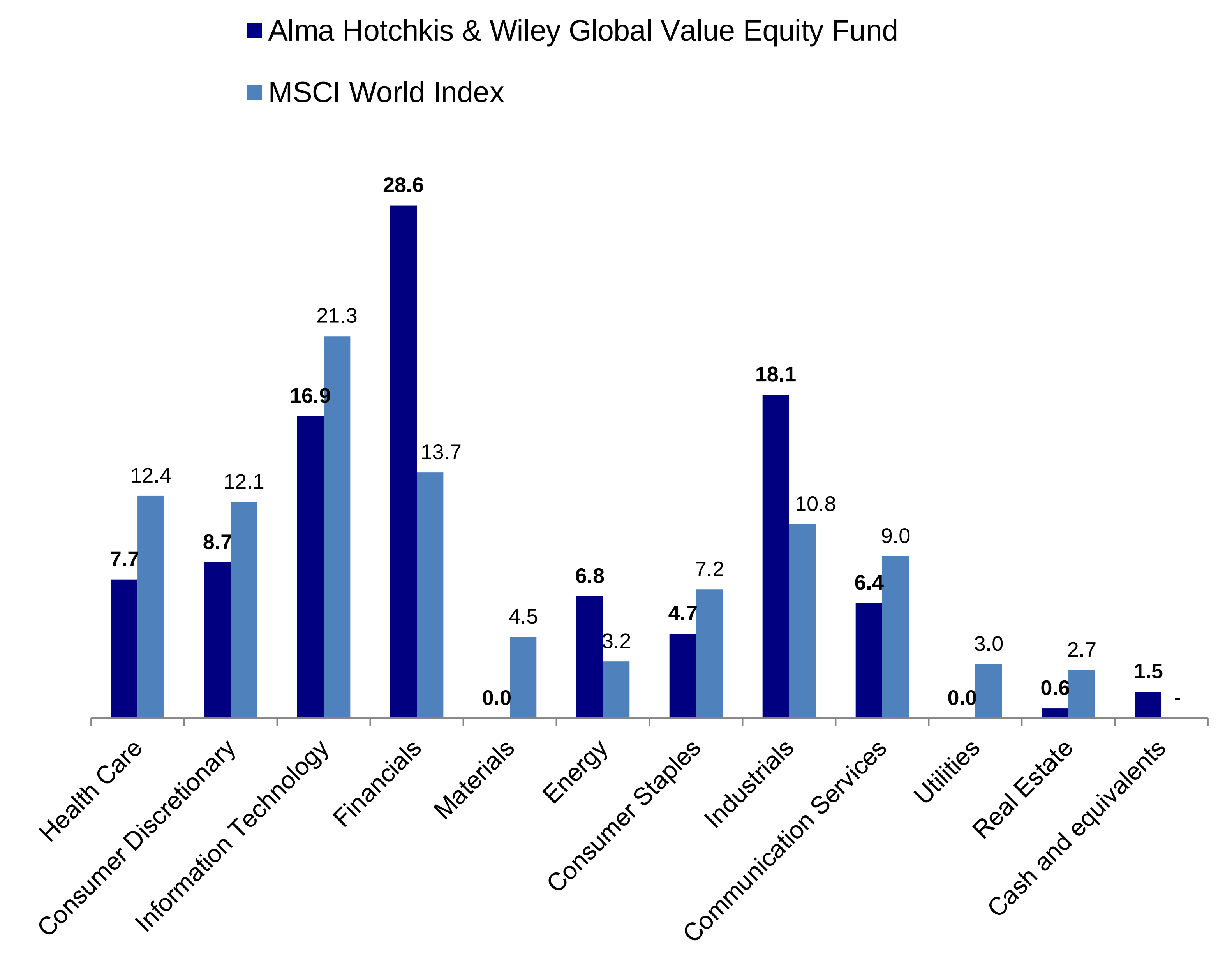
Main indicators	Fund	Index*
No. of securities	51	1586
Weighted Average Market Cap ($ bn)	122.2	319.5
Median Market Cap ($ bn)	35.9	18.1
Projected P/E Ratio FY2 (x)	13.3	17.9
Price / Normal Earnings (x)	9.3	19.0
Price / Book (x)	1.4	2.9
Price / Sales (x)	1.3	2.3
Projected EPS Growth (%)	4.9	5.9
Active share (%)	92.0	-

*: Index - MSCI World Net Total Return USD

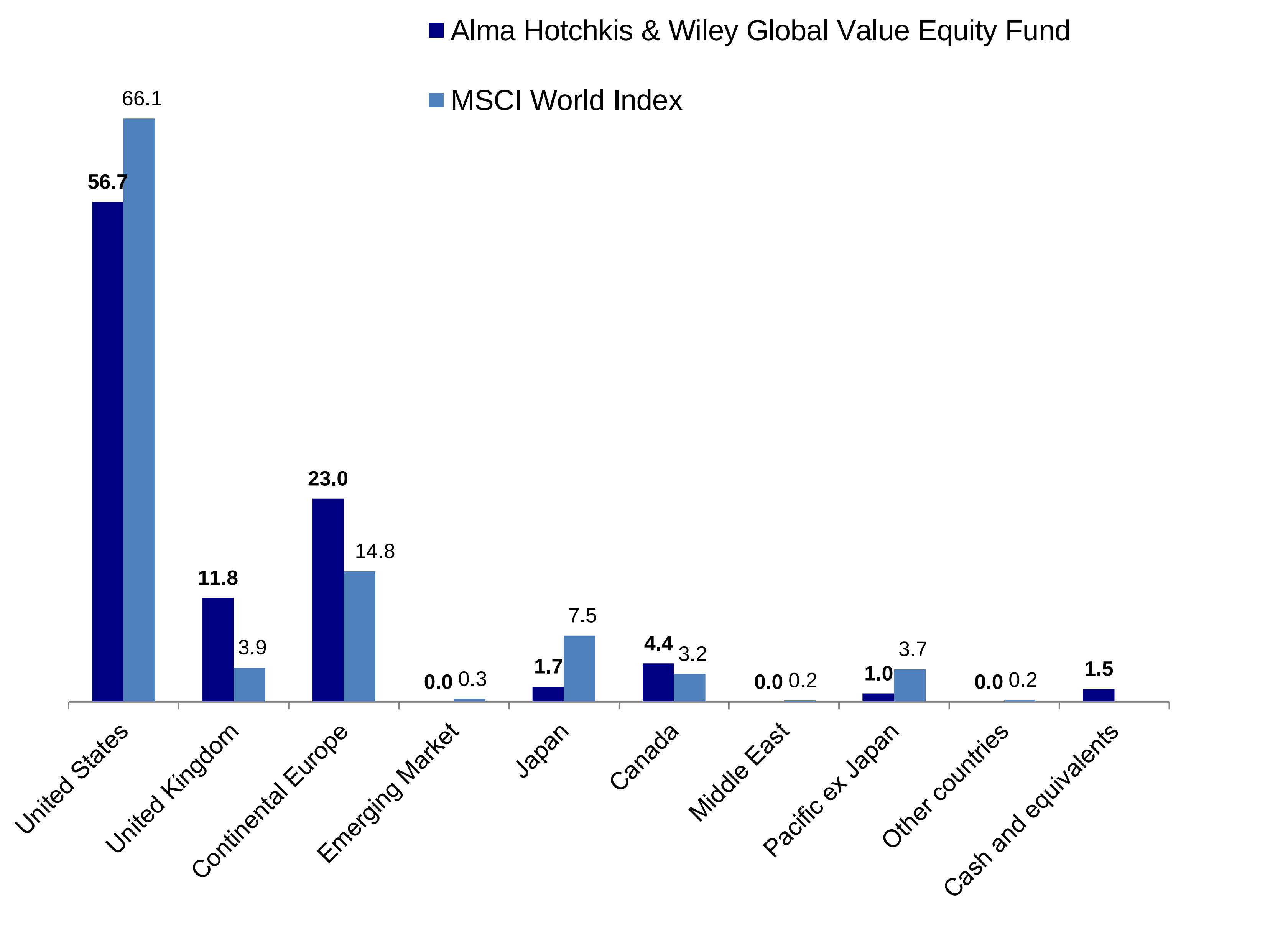
Performance (Indexed - Base 100)



Sector breakdown (% NAV)



Regional breakdown (% NAV)



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Top 10 positions details

Security name	Sector	Country	% NAV
WELLS FARGO & CO	Financials	United States	5.06
AMERICAN INTERNATIONAL GROUP	Financials	United States	4.93
GENERAL ELECTRIC CO	Industrials	United States	4.51
ANTHEM INC	Health Care	United States	3.98
F5 NETWORKS INC	Information Technology	United States	3.31
HEINEKEN HOLDING NV	Consumer Staples	Netherlands	3.13
CITIGROUP INC	Financials	United States	3.07
EURONET WORLDWIDE INC	Information Technology	United States	3.07
ROYAL MAIL PLC-W/I	Industrials	United Kingdom	3.06
BAE SYSTEMS PLC	Industrials	United Kingdom	2.83
		TOTAL:	**36.94**

Investment manager's commentary

MARKET COMMENTARY

The MSCI World Index rose +4.9% in the first quarter of 2021. In the US, which represents about two-thirds of the index, another round of fiscal stimulus was signed and delivered. The $1.9 trillion bill raised the total COVID fiscal response to $5.3 trillion. The bill's passage was widely anticipated and consequently sparked little reaction from equity markets. The acceleration of vaccine availability in the US and the UK prompted investor optimism, though certain areas in Continental Europe experienced some delays. Brent crude oil prices rose 33% in the quarter, closing the quarter at $64/barrel after peaking at nearly $70 in early March. Corporate earnings were strong, as 77% of MSCI World companies exceeded consensus earnings expectations during the quarter. The signs of near-term recovery coupled with record fiscal stimulus seemingly point to increased inflation. The gap between the 10-year treasury note and 10-year TIPS, a proxy for expected inflation in the US, finished the quarter at its highest level since mid-2013. In response to increased growth and inflation expectations, interest rates rose with the 10-year US treasury yield rising from 0.92% at the beginning of the quarter to 1.74% at its end. Other major government yields also increased, albeit more modestly.

Global value stocks outperformed global growth stocks for the second consecutive quarter; the MSCI World Value Index returned +9.6% while the MSCI World Growth Index returned +0.2%. Over the past six months, the value index has outperformed the growth index by more than 14 percentage points (+26.8% vs. +12.8%). In a trend we believe likely to endure, the continued reopening of global economies and the prospect for higher inflation and interest rates has benefited value stocks relative to growth stocks. Despite value's recent outperformance, the valuation gap between growth and value remains considerably wider than historical norms based on any common valuation metric, which highlights the extreme levels reached in 2020.

The portfolio characteristically trades at a discount to the global value index. As a result, some have described it as "deep value". We do not generally embrace this designation because some associate deep value with distressed investing, which is unequivocally not our character. Nevertheless, the meaningful and persistent valuation discount results in a portfolio that has performed significantly better when value outperforms growth—even compared to the MSCI World Value index. Since the strategy's inception in July of 2011, the composite, net of fees, has returned +75% cumulatively compared to +46% for the MSCI World Value during quarters when value outperformed growth (+18.9% vs. +12.4% annualized). During quarters when growth outperformed value, however, the strategy returned +40%, narrowly outperforming the +36% return for the MSCI World Value (+5.3% vs. +4.9% annualized). Considering our style, we are pleased to have outperformed the global value benchmark over the entire period (+146% vs. +99%) despite growth outperforming value by a substantial magnitude (+220% vs. +99%), though we would welcome a value tailwind enthusiastically.1

Price-to-normal earnings ("P/NE") is one of our preferred metrics because it adjusts for the peaks and troughs of business cycles. The P/NE of the portfolio is 9.3x, which is less than half the valuation multiple of the MSCI World Index at 19.0x. This highlights that despite some richly valued publicly traded stocks, we have been able to identify interesting risk-adjusted opportunities trading at attractive valuations not only on a relative basis but also on an absolute basis. The portfolio exhibits somewhat of a cyclical tilt—this is where value opportunities disproportionately reside—but this is offset by investing in good businesses that are well-capitalized and prudently managed, i.e., companies that can endure cyclical downturns. As we look forward, we believe our clients will continue to benefit from this simple and time-tested combination.

ATTRIBUTION: 1Q 2021

The portfolio outperformed the MSCI World Index in the first quarter of 2021 by a wide margin. Stock selection was positive in 7 of the 9 GICS sectors in which the strategy was invested (no exposure to materials or utilities), driving most of the outperformance. Stock selection was particularly beneficial in industrials, financials, and communications services. The overweight exposure to financials and energy, the two top-performing sectors, also helped. Stock selection in energy was a modest detractor. The largest positive contributors to relative performance in the quarter were Wells Fargo, Royal Mail, AIG, News Corp., and General Electric; the largest detractors were Credit Suisse, Heineken, Euronet Worldwide, Tokio Marine, and Berkshire Hathaway.

LARGEST NEW PURCHASES: 1Q 2021

Berkshire Hathaway is a collection of good businesses—durable assets with attractive reinvestment outlooks—that trade at a reasonable multiple of earnings. We believe that the current valuation does not adequately consider that the company is likely to sustain returns above its cost-of-capital for a very long time. This will drive growth in earnings power and intrinsic value. While there is some uncertainty regarding succession planning, we are comfortable that Berkshire Hathaway will continue to be capably managed by prioritizing growth in shareholder value.

F5 Networks provides software and hardware that ensures both traditional and modern applications are efficiently and safely deployed, both on-premise and in public and private clouds. The company is typically viewed as a traditional IT hardware vendor, and critics often highlight the company's secularly declining on-premise appliance business as a key risk factor. This perspective underappreciates the stickiness of F5's software and services which almost always migrate to the public cloud in tandem with F5's loyal enterprise customers. It also underappreciates F5's strong market position in infrastructure and security software for rapidly growing modern applications. We believe downside is protected by a net cash balance sheet, growing cash flows from F5's traditional businesses, and a renewed focus on shareholder return through share repurchases, which gives this position an attractively skewed risk/return profile.

Fund facts

Fund total net assets:	$13.98 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

Contacts

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