

Alma Eikoh Japan Large Cap Equity Fund

A sub-fund of Alma Capital Investment Funds SICAV

As of 29 October 2021

Fund description

- Investment objective: seek long-term capital growth by investing generally in Japanese large cap stocks (with market capitalisation in excess of US\$ 1bn)
- Investment process: analyse long term company fundamentals through extensive in-house bottom up research with a strong risk management ethos
- Portfolio of around 30 companies which are well managed, profitable and with good prospects. Portfolio managers believe that Cash Flow Return on Investment and value creation are key
- 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: ACIM (Alma Capital Investment Management)

- Alma Capital Investment Management is a Luxembourg based asset management company and holds a branch office in London
- ACIM manages assets of \$4bn and is regulated by the Luxembourg regulator the CSSF
- The portfolio managers, led by James Pulsford, worked together at Eikoh Research Investment Management managing the portfolio before joining ACIM in January 2020
- Naohiko Saida, a Tokyo-based senior analyst who has been working with James for over 20 years, provides a dedicated research service under contract to the portfolio management team
- Alma Capital Investment Management is a signatory to the Principles for Responsible Investment (PRI) and a member of LuxFLAG.

Cumulative performance (%)

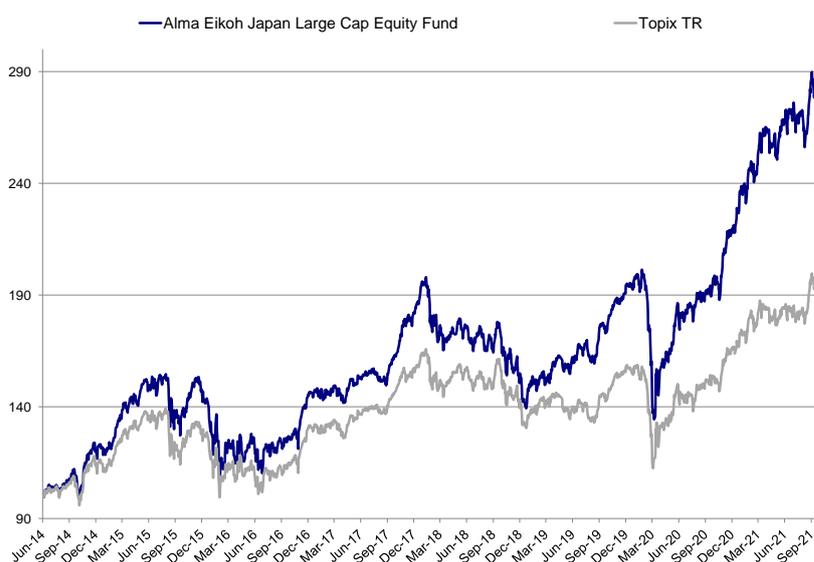
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	-1.16	4.00	8.16	21.04	47.01	66.94	165.54	14.14
I GBP C shares	-5.02	1.83	5.16	9.35	27.70	54.62	-	-
I EUR Hedged C shares	-1.19	3.85	7.85	20.83	46.50	63.11	-	-
I JPY C shares	-1.07	4.32	8.78	22.38	48.28	69.17	-	-
I EUR C shares	-3.15	2.46	8.06	16.88	36.24	-	-	-
I EUR D shares	-3.14	2.76	6.10	14.69	33.71	-	-	-
I USD Hedged C shares	-1.13	4.20	8.54	21.86	48.00	73.17	177.98	14.85
Topix (TR)	-1.42	6.14	6.51	13.06	29.38	30.45	90.07	9.08

Fund launched on 12 June 2014 (I USD Hedged C and I GBP Hedged C shares)

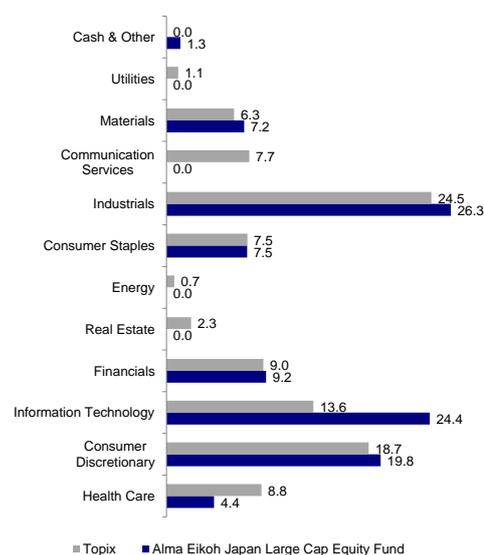
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	34	2 181
Weighted Average Market Cap (¥ bn)	4 287	5 098
Median Market Cap (¥ bn)	1 364	46
Dividend Yield (%)	2.1	2.0
Historical Price / Earnings (x)	18.4	16.5
Historical Price / Cashflow (x)	8.1	9.3
Historical Price / Book (x)	1.4	1.3
Volatility (%)	21.5	19.6
Sharpe ratio	0.7	0.5
Active share (%)	84.3	-
Beta	1.05	-
Tracking error (%)	6.1	-
Information ratio	1.0	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



Top 10 positions details

Security name	Sector	% AUM
MITSUBISHI UFJ FINANCIAL GRO	Financials	5.68
TOYOTA MOTOR CORP	Consumer Discretionary	5.03
KOMATSU LTD	Industrials	4.61
TOKYO ELECTRON LTD	Information Technology	4.32
NEC CORP	Information Technology	4.04
SUMCO CORP	Information Technology	3.88
MERCARI INC	Consumer Discretionary	3.69
ORIX CORP	Financials	3.53
RENESAS ELECTRONICS CORP	Information Technology	3.46
OLYMPUS CORP	Health Care	3.42
TOTAL:		41.66

Investment manager's commentary

Market Review and Outlook

The concerns that manifested themselves in the second half of September over slowing growth in China, rising inflation and higher market rates continued to weigh on the performance of Topix during October. Added to this was the emergence of fears that the LDP might possibly lose their absolute majority in the Lower House Election at the end of the month following the publication of a poll that showed public support for Mr Kishida at only 49%, well below that typical for a newly elected leader of the LDP and markedly below the 64% initially enjoyed by Suga in his early days in office. These negatives were however partially mitigated by the weakness of the Yen which fell from 111.3/\$ to 114.0/\$ in response to the expectation of higher rates in the US; this supported the performance of the manufacturing and export sectors of the market. Topix fell by -1.42% with positive areas of the market led by the beneficiaries of higher resource prices such as oil and trading companies, while exporters such as the auto sector also performed well. The reopening beneficiaries that had performed well in September underperformed the market, this was despite the continuing fall in COVID cases that fell from 2,000 cases a day at the start of the month to fewer than 300 by the end.

Economic statistics announced over the month remained weak, continuing to reflect the impact of COVID disruption on the economy. Industrial production slumped -5.4% MoM in September, substantially underperforming consensus expectations of a -2.7% decline and hit by a steep 28.2% decline in automobile output caused by shortages of semiconductors and parts produced in COVID affected factories in Asia. Japan's index of Industrial Production has now fallen for three straight months and is at its lowest point since August 2020. However, while current indicators looked bleak the outlook is clearly improving reflecting falling COVID infection rates domestically and in Asia. The September Economy Watchers Survey saw a recovery in current conditions from the slump in August with a broad-based rebound from 34.7 to 42.1. The future conditions survey showed an even stronger recovery surging from 43.7 to 56.6 reflecting the sharp fall in COVID infection rates and expectation of a normalising of state of emergency restrictions in Tokyo. Looking beyond Japan, China Q3 GDP statistics showed a sharp fall in growth from +7.9% in Q2 to +4.9% in Q3; this result was broadly in line with expectations but does illustrate the slowing economic momentum which is one of the market's concerns.

Domestic politics again provided the most interesting news with the result of the Lower House election announced at the very end of the month but after markets had closed for the period. The LDP under Kishida won 261 seats retaining their absolute majority while the LDP-Komeito coalition took 293 seats, only a modest fall from the 305 they held prior to the election and outperforming expectations ahead of the poll. The key now for the LDP will be retaining their majority in the Upper House election scheduled for July 2022. After the relatively strong performance in the election the Kishida administration will now start to flesh out policy over the next few months. This should include a widely expected stimulatory package within the 2021 supplementary budget with a headline figure in excess of Y30trn. Of perhaps greater interest over the next few months will be policy details that separate and define the Kishida administration from the general orthodoxy of the post Abe administration LDP. Kishida is keen to affect a "more just" redistribution of the economic gains of Abenomics and how he attempts to do this will be key. He appears to have ruled out earlier floated suggestions of an increase to a 20% financial income tax but further tax changes designed to encourage higher wage increases are very likely. Newspaper reports also suggest that a cash handout of Y100,000 per person to the families of the 20 million people aged 18 or below are under consideration as are shopping points worth Y30,000 to all people with a My Number personal identification; this would cover most of the adult population. The administration also has plans to set up a Y10trn endowment fund for university education which will be invested in public markets.

The complex outlook where vaccine related reopening, government stimulus and central bank support is tempered by sporadic COVID resurgences and the after-effects of COVID disruption on the global social and economic order remains in place. Growing inflationary pressures further complicate the policy actions of central bankers and political administrations. On the bright side COVID infection rates in Asia have fallen considerably and Pfizer's new oral antiviral treatment appears to mark a major step forward in the battle against the disease. On balance we remain positive in our outlook and continue to expect the recovery in global growth to continue and this is reflected in the pro-cyclical structure of the fund. In order of size, we are overweight semiconductors & semiconductor equipment, retailing, transportation, diversified financials and food. We are underweight telecoms, tech hardware, pharmaceuticals, consumer durables and media & entertainment. The Topix appears reasonably attractively valued trading on a PBR of 1.29x, a prospective PER of 14.7x and a dividend yield of 2.08%. Japanese companies remain well capitalised and the positive trend of improving corporate governance among listed Japanese firms continues to be in place. We are encouraged by the sharp recovery in share buybacks carried out by Japanese companies in the first half of fiscal 2021. Buybacks in this period rose by 75% to Y3.4trn with a recovery to just a little below the pre-pandemic peak now likely in fiscal 2021 overall.

Fund

The Fund fell by 1.07% (JPY share class) in October, outperforming Topix which fell by 1.42% (dividends reinvested).

Sector allocation was the cause of the modest outperformance of the Topix with stock selection neutral. The heavy overweight in Semiconductors & Semiconductor Equipment drove the positive sector allocation with the underweights in Pharmaceuticals, Biotechnology & Life Sciences, Utilities and Technology Hardware & Equipment also adding value. The overweights in Transportation and Retailing cost the fund modestly, as did the underweights in Consumer Durables & Apparel and Commercial & Professional Services. At the stock level, Shinko Electric added value after strong share price performance following a buoyant first half results announcement and upward revision that exceeded market expectations. Komatsu, the construction and mining machinery maker also performed strongly throughout the month, as did SPE maker Tokyo Electron, the engineer staffing firm BeNext-Yumeshin and financial conglomerate Orix. Lixil Corp contributed negatively to stock selection on rising concerns over the impact of raw material prices on profit margins. Fanuc, the FA manufacturer was also a detractor of value with their results showing a more severe impact from supply chain shortages than expected. The city bank Mitsubishi UFJ, retailer Ryohin Keikaku and Mitsubishi Chemical also underperformed the Topix.

We decided to buy a position in the department store operator J Front retailing which we expect to benefit from the reopening of the Japanese economy following the end of emergency measures that had been in place until the beginning of the month. The company is one of the best managed domestic retail operations and management have shown strong cost control in the face of recent difficult trading conditions as well as converting sales floor space to leasing space which we think is a sensible move for the long term. The stock trades at depressed valuations which we feel do not discount our expected recovery in their operations over the next year or so. We also decided to repurchase a small position in the shipping industry for the fund, buying a stake in Mitsui OSK Lines. After extremely strong share price performance over the last year or so reflecting a transformation in the outlook for profitability of the company, we believe the recent sell off again leaves the stock offering a good opportunity and prices in too severe a normalisation in container rates. Finally, we also bought a position in Nippon Paint. We believe the quality of Nippon Paint's management to be among the best in Japan and the company is very well positioned in the high margin and resilient decorative paint market with leading positions in key growth markets such as China. The company have a focussed strategy in this area and we expect them to continue to grow organically and inorganically, benefitting from market consolidation, expanded market share and improved margins over the long run. We feel the recent protracted sell off in the stock amid concern over both growth and rising input costs leaves the stock looking very cheap bearing in mind the positive long term outlook for the company.

Fund facts

Fund total net assets:	¥73 408.00 M (\$646.20 M)	Base currency: JPY	Countries where the fund is registered:
Fund domicile: Luxembourg		Management fee: 0.90% p.a.	Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore
Fund type: UCITS SICAV		Fund launch: 12 June 2014	Identifiers:
Depository, Administrator, Transfer Agent: BNP Paribas Securities Services (LU)			Institutional USD Hedged Capitalisation share class Isin: LU1013117160 Ticker: AEJIUHA LX Launch: 12 June 2014
Dealing:	Each day with a 1-day notice. Cut-off time: 12 pm CET		Institutional GBP Hedged Capitalisation share class Isin: LU1013116949 Ticker: AEJIGHA LX Launch: 12 June 2014
Management company:	Alma Capital Investment Management (LU)		Institutional EUR Hedged Capitalisation share class Isin: LU1013116782 Ticker: AEJIEHA LX Launch: 10 December 2014
Investment manager:	Alma Capital Investment Management (LU)		Institutional JPY Capitalisation share class Isin: LU1013116519 Ticker: AEJPIJA LX Launch: 10 December 2014
Fund managers:	James Pulsford Tom Grew		Institutional GBP Unhedged Capitalisation share class Isin: LU1152097108 Ticker: AEKJEGC LX Launch: 17 February 2015
			Institutional EUR Unhedged Capitalisation share class Isin: LU1870374508 Ticker: AEJLIEC LX Launch: 04 February 2019
			Institutional EUR Unhedged Distribution share class Isin: LU1870374920 Ticker: AEJLIED LX Launch: 08 March 2019

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