

Alma Recurrent Energy Infrastructure Income Fund

Data as of
31 July 2023

Fund AUM
\$12,153,118

Fund Launch
11 May 2023

Investment Strategy

- The fund seeks total return with substantial current income from a diversified portfolio of energy infrastructure companies specialising in the transportation of oil and gas.
- Energy infrastructure assets often generate revenues with inflation and interest rate pass-throughs, making investments in these companies potentially better insulated from inflation risks over time. Further, energy infrastructure assets have long lives and low variable costs, meaning they can generate high levels of free cash flow across the full economic cycle.
- The fund may invest in companies of any market size capitalisation, including IPOs.
- The investment process is strongly focused on company-level valuation analysis.

Performance History (11 May 2023 - 31 July 2023) ⁽²⁾

Data is not shown as there is less than 12 months of performance data available.

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

	Return				Annualised Return		
	1M	6M	YTD	ITD	1Y	3Y	ITD
Alma Recurrent Energy Infrastructure Income Fund	5.69%		10.65%	10.65%			

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

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023					-2.22%*	7.07%	5.69%						10.65%

*Performance has been calculated since the share class launch

Investment Manager - Recurrent ⁽¹⁾

- SEC-registered Houston-based independent investment advisor founded in 2017, with +\$650m 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.

Alma Capital Commitments



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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. All information as of 31 July 2023 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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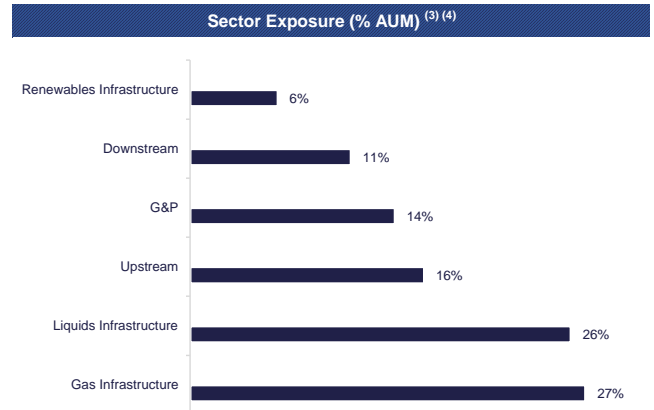
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Fund Characteristics

Portfolio Characteristics ⁽³⁾	
Main indicators	Fund
No. of securities	25
Weighted Average Market Cap (\$ bn)	23.4
Median Market Cap (\$ bn)	17.2
Price/Earnings (x)	10.0
Price/Book (x)	2.2
Estimated Dividend Yield (%)	5.1



Top 10 Issuers ⁽³⁾		
Issuer name	Sector	% AUM
PLAINS GP HOLDINGS L.P	Oil & Gas Transportation Services	7.75%
PEMBINA PIPELINE CORPORATION	Oil & Gas Transportation Services	6.36%
KEYERA CORP.	Oil & Gas Transportation Services	5.98%
CENOVUS ENERGY INC.	Integrated Oil & Gas	5.79%
CHENIERE ENERGY INC.	Oil & Gas Transportation Services	5.26%
THE WILLIAMS COMPANIES INC.	Oil & Gas Transportation Services	5.10%
TARGA RESOURCES CORP.	Oil & Gas Transportation Services	4.72%
SUNCOR ENERGY INC.	Integrated Oil & Gas	4.70%
KINDER MORGAN INC.	Oil & Gas Transportation Services	4.66%
PHILLIPS 66	Oil & Gas Refining and Marketing	4.59%

Key Facts

Issuer / Manager	Alma Capital Investment Funds / Alma Capital Investment Management			
Fund Type	Luxembourg UCITS SICAV			
Share Classes *	I USD C	I EUR-H C	I EUR-H D	F EUR-H C
ISIN-Code	LU2568321942	LU2568322320	LU2568322593	LU2568324458
BBG Ticker	ALMAYUI LX	ALMAENQ LX	ALMNRCPLX	ALMRECK LX
Currency	USD	EUR	EUR	EUR
Management Fee p.a. ⁽⁵⁾	1.05%	1.05%	1.05%	0.80%
Tax d'abonnement p.a.	0.01%	0.01%	0.01%	0.01%
Initial Issue Price	\$100	€ 100	€ 100	€ 100
Launch Date	11 May 2023			
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 ⁽⁶⁾	France, Luxembourg			
SRRI	6			

* Note: additional share classes available, please refer to the Prospectus

(3) Source: Alma Capital Investment Management. (4) Source: Recurrent Investment Advisors LLC (5) 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. (6) Registered countries where at least one share of the fund is registered. All information as of 31 July 2023 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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Commentary - Recurrent - July 2023 ⁽⁷⁾

Performance review

During the month of July 2023, the Alma Recurrent Energy Infrastructure Strategy generated net returns of +5.69%, outpacing the Alerian Midstream Energy Index (AMNA) +3.28% return by +2.41%. Since the strategy's May 11, 2023 inception, the Alma Recurrent Energy Infrastructure Strategy has generated +10.65%, outperforming the AMNA by +3.39%.

Last month, we discussed how Midstream's "yield spreads" vs. fixed income remain historically wide

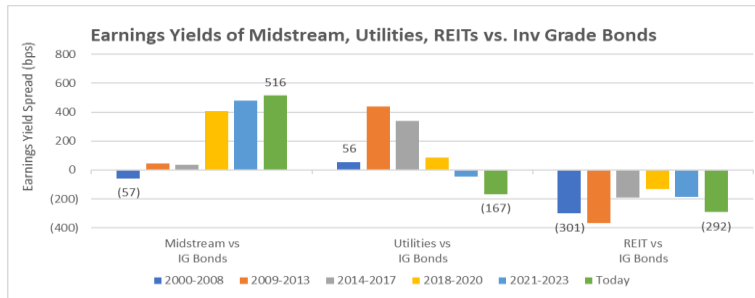
We've extensively documented the improvement in the Midstream sector's credit profile, and shown how a steep decline in capex has driven a free cash flow (FCF) profile that is competitive with any sector in the capital markets. As a result of these fundamental improvements, midstream dividend yields have tightened meaningfully, sitting 127 bps above investment grade bond (IG) yields, although they remain meaningfully wider than historical spreads.

What dividend yield metrics miss is the fact that midstream earnings have grown much faster than dividends for the last 5 years. As a result, midstream dividend payout ratios are near historic lows, and midstream earnings yields are now at record levels vs. fixed income yields. As shown below, midstream earnings yields offer +516 bps vs. IG bonds. In other words, while midstream earnings yields have historically approximated IG yields, today midstream earnings offer roughly 5% more yield than IG bonds. Although we are not predicting performance, we would note that a return to long-term historical averages would cut midstream earnings yields in half - implying ~100% upside to midstream valuations!

Timeframe	2000-2008	2009-13	2014-17	2017-20	2021-23	Today
Leverage Ratio	3.5x - 4.5x	4.0x-5.0x	5.0x-6.0x	4.5x-5.5x	4.0x-4.5x	<4.0x
Debt Trajectory	Flat	Slow rise	Steep rise	Slow fall	Rapid fall	Falling
Capex / CFFO	142%	173%	183%	88%	49%	47%
Midstream Div Yield	5.3%	5.2%	5.3%	7.0%	6.4%	6.6%
Div Yld Spread vs. IG Bonds	-86	+8	+146	+348	+265	+127
Dividend/Net Income	95%	94%	127%	96%	75%	63%
Midstream Earnings Yield	5.5%	5.6%	4.2%	7.3%	8.5%	10.5%
Earnings Yield vs. IG Bonds	-57	+43	+35	+375	+475	+516

Midstream may offer excess yield vs. fixed income... but perhaps REIT and Utility markets are similarly discounted?

We've asked ourselves whether the "Midstream Discount" is real, or if it is a result of a broad investor preference for bonds over high-yield "real asset" equities? If investors are broadly avoiding asset-intensive, high-payout equities, then we should see REITs and Utilities suffering from the same valuation discounts as Midstream.



Source: Recurrent research, Bloomberg, SEC filings

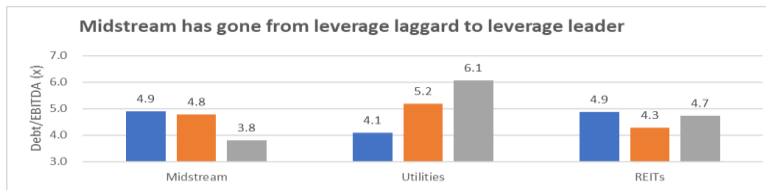
As we see above, investors are NOT avoiding Utilities and REITs. Looking at the chart above, Midstream yields have risen >500 bps vs. IG bonds. Meanwhile, Utilities are more expensive today than any time in the past 23+ years. Meanwhile, REITs offer 300 bps less in earnings yield vs. IG bonds, roughly in-line with history. We are forced to conclude that the "Midstream Discount" is not a broad aversion for "real assets".

Midstream has been put in the "discount" bin, while utilities and REITs have seen valuation premiums... but on what basis?

Incredibly, in a world where office buildings are sitting partially occupied or unoccupied in many coastal US cities and vacant malls are being repurposed, investor appetite for real estate investments remains strong.

Utilities are a more nuanced case. Defenders of Utilities would argue that, as the key constructors and operators of solar/wind power generation assets, Utilities have a long-term role to play in the "Energy Transition." While we would argue that Midstream has a role to play as well (carbon capture, hydrogen and biofuels infrastructure, natural gas backup for intermittent renewables), we would also note that the Midstream industry played a leading role in the very real Shale revolution, and investors were left with little profitability to show for it from 2010-2020.

More enlightening than a qualitative discussion is an examination of fundamentals. Below, we evaluate the financial health of these three "real asset" sectors on a variety of metrics. While the financial metrics look lopsided, they are not lopsided in favor of Utilities and REITs, the sectors trading at premium valuations vs. bonds (and history).



Source: Recurrent research, Bloomberg, SEC filings

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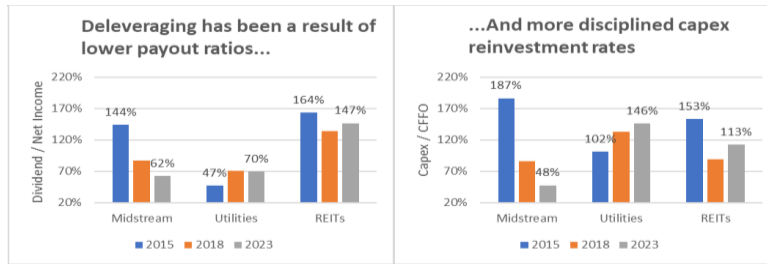
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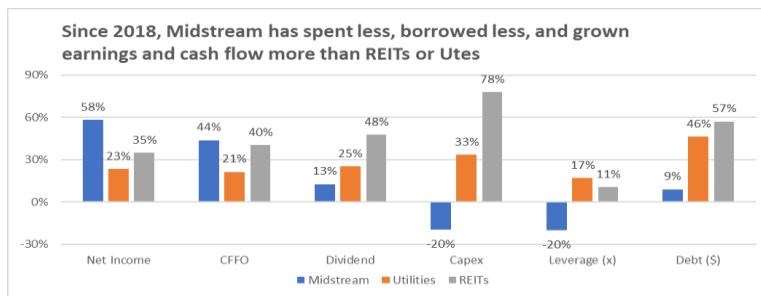
Commentary - Recurrent - July 2023 ⁽⁷⁾



Source: Recurrent research, Bloomberg, SEC filings

Could Midstream's conservatism hide growing "stranded asset risk?"

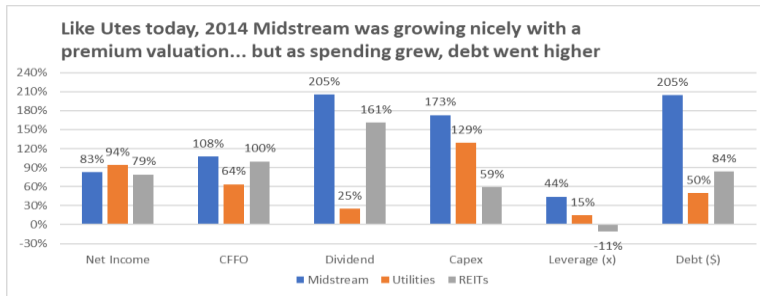
We often hear that the "hidden variable" that explains the Midstream discount is Midstream's "stranded asset risk" or "obsolescence risk" associated with the risks of the Energy Transition. But shouldn't an "obsolescent" industry be shrinking? Below, we see that far from shrinking, Midstream cash flow and earnings growth has actually outpaced Utilities and REIT growth since 2018 – but not for those other sectors' lack of trying. Utilities and REITs have built more, acquired more, and borrowed more to keep growth going.



Source: Recurrent research, Bloomberg, SEC filings

A historical case study: on these metrics, what would Midstream have looked like in 2014?

A final, potentially cautionary, note: it's reasonable to assess the situation and say that Midstream is now a conservatively-managed industry. That conservatism arose from a troubled past and issues with excessive debt. But at the time that trouble was brewing, Midstream looked much like Utilities today. A rock-solid growth narrative ("capex required for Shale" was then, "capex required for the Energy Transition" is today); earnings and cash flow growth; and ample and growing dividends. But as shown below, from 2009-2014, there were signs. Just like Utilities and REITs are grappling with a post-COVID business model today, Midstream was in the midst of a debt-funded pivot (from boring "toll roads" to growing Shale infrastructure), and capex and dividends were growing much faster than underlying cash flow – just like Utilities and REITs today.



Source: Recurrent research, Bloomberg, SEC filings

Disclaimer

MARKETING COMMUNICATION

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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 S00000930. It is incorporated under the form of a société anonyme and has its registered address at 5, rue Aldringen, L-1118 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

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