

# Alma Recurrent Energy Infrastructure Income Fund

Data as of  
29 March 2024

Fund AUM  
\$13,891,906

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 - 29 March 2024) <sup>(2)</sup>

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

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

	Return				Annualised Return		
	1M	6M	YTD	ITD	1Y	3Y	ITD
Alma Recurrent Energy Infrastructure Income Fund	7.71%	17.54%	12.62%	30.57%	-	-	-

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

## 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	0.90%	3.62%	7.71%										12.62%
2023					-2.22%*	7.07%	5.69%	0.52%	-0.13%	-2.35%	5.87%	0.95%	15.94%

\*Performance has been calculated since the share class launch

## 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.

## Alma Capital Commitments



## Contact Details

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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 29 March 2024 unless otherwise specified. Please refer to the disclaimers at the end of this document.

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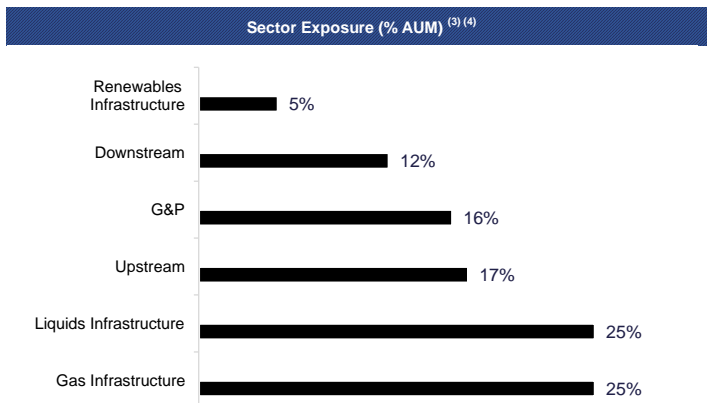
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## Fund Characteristics

Portfolio Characteristics <sup>(3)</sup>	
Main indicators	Fund
No. of securities	25
Weighted Average Market Cap (\$ bn)	29.1
Median Market Cap (\$ bn)	19.4
Price/Earnings (x)	13.9
Price/Book (x)	2.4
Estimated Dividend Yield (%)	4.5



Top 10 Issuers <sup>(3)</sup>		
Issuer name	Sector	% AUM
PEMBINA PIPELINE CORPORATION	Oil & Gas Transportation Services	7.22%
PLAINS GP HOLDINGS L.P	Oil & Gas Transportation Services	6.83%
ONEOK INC.	Oil & Gas Transportation Services	5.66%
KEYERA CORP.	Oil & Gas Transportation Services	5.57%
CENOVUS ENERGY INC.	Integrated Oil & Gas	5.53%
PHILLIPS 66	Oil & Gas Refining and Marketing	5.02%
SUNCOR ENERGY INC.	Integrated Oil & Gas	4.96%
EQUITRANS MIDSTREAM CORPORATION	Oil & Gas Transportation Services	4.80%
TARGA RESOURCES CORP.	Oil & Gas Transportation Services	4.80%
CHENIERE ENERGY INC.	Oil & Gas Transportation Services	4.59%
TOTAL :		54.96%

## 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 C	R USD C	R EUR-H C
ISIN-Code	LU2568321942	LU2568322320	LU2568321785	LU2568322833	LU2568323211
BBG Ticker	ALMAYUI LX	ALMAENQ LX	ALMNRCPLX	ALMAENR LX	ALMNRCSLX
Currency	USD	EUR	EUR	USD	EUR
Management Fee p.a. <sup>(5)</sup>	1.05%	1.05%	1.05%	1.55%	1.55%
Tax d'abonnement p.a.	0.01%	0.01%	0.01%	0.01%	0.01%
Initial Issue Price	\$100	€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 <sup>(6)</sup>	France, Luxembourg				
SRI	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 29 March 2024, unless otherwise specified. Please refer to the disclaimers at the end of this document.

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## Commentary - Recurrent - March 2024 <sup>(7)</sup>

With strong midstream performance YTD, investors should have little to complain about. But one factor - fund-level tax expenses – have reduced after-tax returns for some MLP fund and ETF investors by >\$1bn in the last 12 months. In December 2022, we detailed how COVID-era tax assets were nearly depleted across many MLP funds, exposing billions of dollars of midstream AUM to rising tax bills in 2023 and beyond. These fund-level taxes impact NAV, so they diminish returns even for tax-exempt investors. Since 2022, 11 taxable “C-corp” funds (representing >\$20bn or 2/3 of all midstream fund AUM) have exhausted tax assets, incurring >\$1bn in corporate tax! Another \$0.5bn was possibly incurred YTD 2024 given strong performance. While Recurrent cannot ever guarantee future performance, we can assure investors that none of our funds or SMAs incur an additional layer of fund-level corporate tax expense.

Please reach out for our new midstream white paper, which explores midstream’s excess (and growing) yield vs. fixed income, and our white paper on the long-term relationship between inflation and capex.

### Performance review

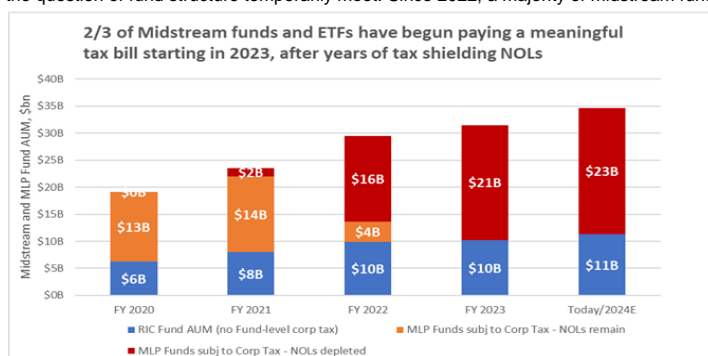
During the month of March 2024, the Alma Recurrent Energy Infrastructure Income Fund for the I USD C Share Class generated net returns of +7.71%, leading the Alerian MLP Index’s (AMZ) by +3.18%.

### Investment discussion

#### Since our Dec 2022 note, over two-thirds of midstream/MLP funds have returned to incurring significant corporate taxes

In December 2022, we noted how the depletion of the AMLP’s net operating losses (NOLs) was likely a harbinger of higher tax bills to come for investors in many competitor midstream/MLP funds and ETFs. Long-time readers likely are familiar with the unique history of taxable MLP fund products, which we’ve recounted in more detail elsewhere. But for today’s purposes, we’ll simply remind our readers that many of the midstream funds and ETFs we compete against (>\$20bn, or roughly 2/3 of the midstream fund market) incur corporate tax at the fund level, up to a 21% statutory corporate tax rate, regardless of whether the holder is tax-exempt.

Over a decade ago, when the sector was almost entirely comprised of MLPs, this unpleasant layer of corporate tax was viewed as a necessary evil for investors seeking to avoid K-1s. Then, during 2015-2020, most midstream market cap restructured away from the MLP structure, but significant losses across midstream funds meant that no funds were required to pay corporate taxes, rendering the question of fund structure temporarily moot. Since 2022, a majority of midstream fund AUM has returned to paying corporate taxes.

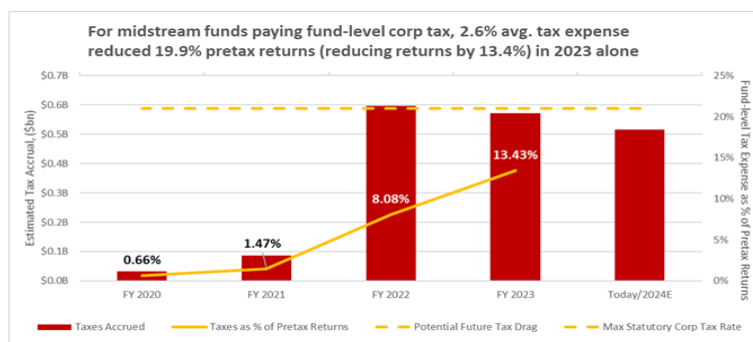


Source: Recurrent research, Bloomberg, SEC public filings. Includes all Funds and ETFs in the Energy Limited Partnership Morningstar Category as well as the ETFs and CEFs listed below.

#### We believe investors have incurred \$1bn in unnecessary fund-level taxes since 2022 – a trend unlikely to reverse

The magnitude of tax expenses paid by midstream funds subject to corporate taxation is meaningful. In the last 2 years, \$20bn of fund AUM has incurred over \$1bn of tax expense. Given strong Q1 2024 returns, we believe that these same funds have incurred approximately \$0.5bn of tax expense in Q1 2024 alone (these tax expense numbers won’t be public until after mid-year, given mutual fund SEC filing timing).

As seen below, 13.43% or roughly one-seventh of all pretax gains in fiscal year 2023 were negated by corporate taxation. This 13.43% tax drag (which we define as tax expense / pretax returns) compares to 1.47% and 8.08% tax drags in FY 2021 and FY 2022. Understandably, in 2021, this 1.47% drag hardly registered. Given strong absolute performance in 2022 and 2023, investors may not have been focused on this growing performance drag.



Source: Recurrent research, Bloomberg, SEC public filings. Includes taxable “C-corp” structured funds and ETFs listed in the chart below.

It is hard to justify a (growing) layer of tax that is effectively optional for the end investor. There are many fund and ETF vehicles today with similar investment propositions and similar yield profiles that do not incur this layer of corporate tax.

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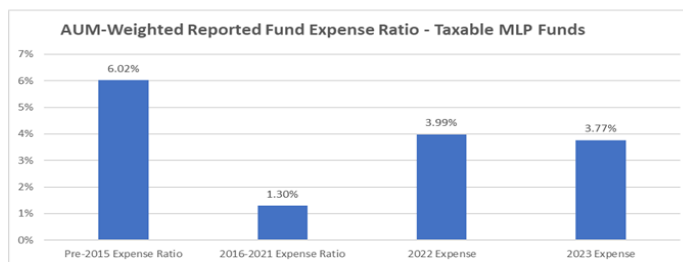
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## Commentary - Recurrent - March 2024 <sup>(7)</sup>

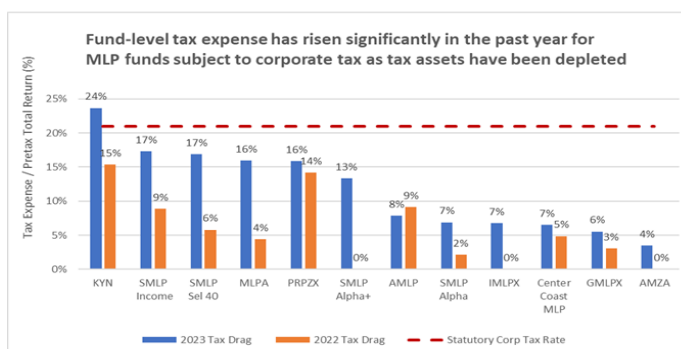
**As investors, we are always worrying – but we are happy to not worry about growing fund-level taxes in any of our investment vehicles**

As seen below, the eye-watering pre-2015 expense ratios dropped significantly as funds incurred significant NOLs. While the Trump-era TCJA reduction in corporate taxes mitigated some of the tax expenses in 2022 and 2023, the average expense ratio has returned to levels that are rarely-seen in today's fee-conscious investment landscape.



Source: Recurrent research, Bloomberg, SEC public filings. Includes taxable "C-corp" funds and ETFs listed in the chart below.

Below, readers can examine the composition of the increasing average tax drag – almost all taxable funds have seen a meaningful increase as NOLs/tax assets have been depleted by the rally of the last 4 years. The overall tax expense (as a % of pretax total returns) is likely to increase as funds that have only recently exhausted NOLs remain well below the 21% statutory corporate tax rate. As those funds continue to appreciate and further deplete remaining NOLs, we expect that these funds' overall tax bills will move towards 21%.



Source: Recurrent research, Bloomberg, SEC public filings.

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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 22-24 Boulevard Royal, L-2449, 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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