Alma Recurrent Energy Infrastructure Income Fund

Data as of	Fund AUM	Fund Launch
28 June 2024	**$14,009,127**	**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.

Investment Manager - Recurrent [1]

• 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.

Performance History (11 May 2023 - 28 June 2024) [2]

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	0.26%	14.90%	14.90%	33.22%	27.25%	-	28.77%
Volatility since Launch (%) 14.08%							

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

Alma Capital Commitments

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	0.90%	3.62%	7.71%	-1.46%	3.27%	0.26%							14.90%
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

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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.
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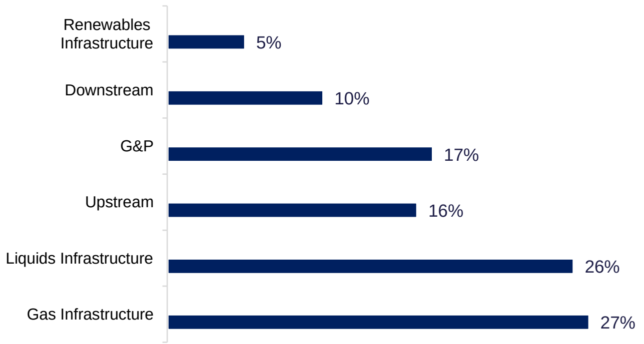
Fund Characteristics

Portfolio Characteristics [3]

Main indicators	Fund
No. of securities	26
Weighted Average Market Cap ($ bn)	27.9
Median Market Cap ($ bn)	21.5
Price/Earnings (x)	15.4
Price/Book (x)	2.3
Estimated Dividend Yield (%)	4.5

Sector Exposure (% AUM) [4]



Top 10 Issuers [3]

Issuer name	Sector	% AUM
PEMBINA PIPELINE CORPORATION	Oil & Gas Transportation Services	7.36%
PLAINS GP HOLDINGS L.P	Oil & Gas Transportation Services	6.88%
KEYERA CORP.	Oil & Gas Transportation Services	5.93%
ONEOK INC.	Oil & Gas Transportation Services	5.70%
CENOVUS ENERGY INC.	Integrated Oil & Gas	5.39%
TARGA RESOURCES CORP.	Oil & Gas Transportation Services	5.24%
CHENIERE ENERGY INC.	Oil & Gas Transportation Services	4.99%
SUNCOR ENERGY INC.	Integrated Oil & Gas	4.91%
THE WILLIAMS COMPANIES INC.	Oil & Gas Transportation Services	4.90%
KINDER MORGAN INC.	Oil & Gas Transportation Services	4.54%
	TOTAL :	**55.84%**

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	ALMNRCP LX	ALMAENR LX	ALMNRCS LX
Currency	USD	EUR	EUR	USD	EUR
Management Fee p.a. [5]	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				
Depositary, Administrator, Transfer Agent	BNP Paribas S.A.				
Registered Countries [6]	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.
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Commentary - Recurrent - June 2024 (7)

Infrastructure investing has surged in popularity in recent years, even while many investors have avoided energy infrastructure or “midstream” assets. This has led to a sizeable valuation gap between midstream and other types of infrastructure, despite similar investment characteristics. What explains the divergence? Poorly-defined ESG criteria have certainly contributed, even as other types of infrastructure - airports, power plants, highways and railroads – face many of the same ESG risks as midstream. In conversations with allocators, we notice how some investors cite midstream’s greater energy transition risks, even as this claim has been undermined by continued growth in midstream cash flows. Other investors suggest that non-energy infrastructure assets have more exposure to AI-related growth, despite the fact that midstream will service these AI-levered assets (while bearing less of the costs), a point we discussed 2 months ago. Below, we examine how the “global infrastructure” category has captured the imagination of many allocators, despite midstream offering very similar economic characteristics at cheaper valuations.

Performance review

During the month of June 2024, the Alma Recurrent Energy Infrastructure Fund returned 0.26%. On a year-to-date basis the Fund has risen 14.90%.

Investment Discussion

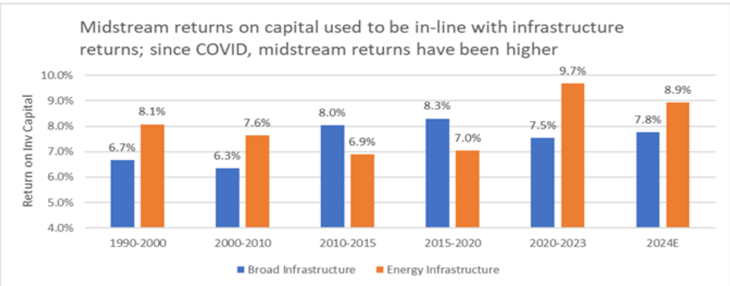
Since COVID, “infrastructure” investing has soared in popularity, but midstream has been quietly excluded

In recent years, the popularity of infrastructure investing has soared, as investors in a world of increasing uncertainty and volatility have been drawn to “toll road” assets with low cash flow volatility, strong contract profiles, and lifespans measured in decades (note how similar this sales pitch is to the midstream sales pitch of a decade ago!).

Only 20 years ago, infrastructure assets were viewed as a niche backwater in the global investing landscape, but global infrastructure-dedicated AUM has grown to >$1 trillion over that time, with BlackRock recently announcing its largest-ever M&A transaction in a $12bn acquisition of Global Infrastructure Partners (GIP), one of the world’s largest infrastructure managers.

All of this infrastructure fundraising should bode well for the midstream energy infrastructure space, but the energy infrastructure sector has largely been excluded from this exuberant environment. Long time readers of this note will recall that energy infrastructure and midstream-dedicated public funds are coming up on 8 straight years of fund outflows – as fundraising in other infrastructure subsectors has soared!

Below, we examine the fundamental drivers driving the exclusion of midstream energy infrastructure from the infrastructure fundraising boom. We compare publicly-listed midstream infrastructure assets, such as the oil and gas pipeline and storage companies where we invest, with the financial performance of global listed infrastructure companies, including North American railroads, global airport and highway operators, as well as non-electric utilities, such as wastewater and sewage treatment operators.



Notes: Returns on invested capital reflect net operating profit after tax (NOPAT), a standardized non-GAAP measure of after-tax profitability excluding financing costs.
Midstream includes Kinder Morgan Inc, Enterprise Products Partners, Enlink Midstream Llc, Energy Transfer Lp, Williams Cos Inc, Plains All Amer Pipeline Lp, Magellan Midstream Partners, Targa Resources Corp, Oneok Inc, Mplx Lp, Phillips 66 Partners Lp, Western Midstream Partners L, Cheniere Energy Inc, Tc Energy Corp, Enbridge Inc, Pembina Pipeline Corp, Keyera Corp, Nustar Energy Lp,
Infra includes American Tower Corp, Crown Castle Inc, Union Pacific Corp, Canadian Pacific Kansas City, Canadian Natl Railway Co, Csx Corp, Norfolk Southern Corp, Vinci Sa, Ferrovial Se, Severn Trent Plc, Transurban Group, Terna-Rete Elettrica Naziona, Snam Spa, Sba Communications Corp, Aena Sme Sa, Cellnex Telecom Sa, Power Grid Corp Of India Ltd, Essential Utilities Inc,
Source: Recurrent research, Bloomberg.

It may come as some surprise that the underlying financial performance of midstream has not meaningfully lagged the broad infrastructure space. During the buildout of the 2010s, midstream returns declined as much of the midstream sector’s invested capital was tied-up in construction activities, but other than the 2010s, midstream returns have actually been superior to the returns of the broad infrastructure category! This is despite a massive downturn in commodity prices and the impacts of COVID, which fell disproportionately on the energy and transport sectors.

Could the lack of interest in midstream assets be the reflection of a lack of growth opportunities in the oil and gas spa Prior to COVID, the midstream sector fell victim to the trend of externally-financed rapid asset growth. Undertaking a huge number of simultaneous projects, midstream companies had significant amounts of their balance sheets tied-up in “fallow capital” - non-cashflow generative construction activities – and as returns waned and energy prices fell, midstream companies found their external financing sources increasingly scarce.

Since then, investor concerns have moved in the opposite direction – could the energy transition mean that the midstream sector is headed toward inexorable decline, with a permanent lack of future growth opportunities?

As we see below, today’s midstream fundamentals simply do not reflect a slow inexorable decline – in fact, midstream asset growth has been comparable to the growth rates of the broad infrastructure space in recent years, despite the near-complete cessation of new projects during and immediately after COVID. This asset growth has driven mid-to-high single digit earnings growth for the last 5+ years in the midstream space – moderate growth, and a far cry from the declines cited by midstream skeptics.

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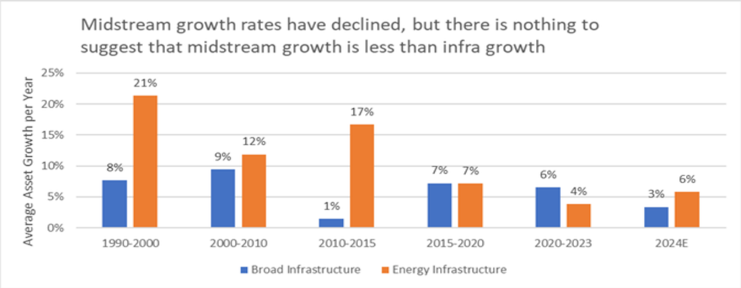
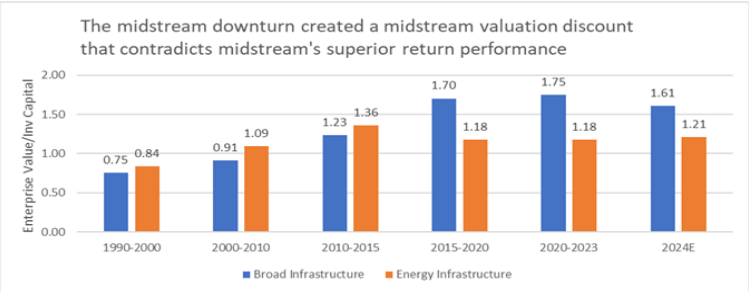


Notes: see notes above for details on the "Infra" and "Midstream" universes included above.
Source: Recurrent research, Bloomberg.

A valuation gap has emerged as investors have bought into the idea that midstream is inferior to other types of infrastructure
As seen above, midstream growth rates reached unsustainable levels during the early days (1990-2010) of intense M&A and consolidation as integrated oils disposed of pipeline assets, followed by comparably intense organic growth in the Shale-driven years of 2010-2020. Since then, we have seen asset growth across midstream settling into a very typical infrastructure growth rate ranging between 4% and 6%. The growth rates shown above suggest that midstream today is arguably more "infrastructure" than it's ever been in the past, with returns that actually exceed all infrastructure subsectors except for certain North American railroads (a subcategory which trades well above midstream valuations).

As we can see below, the midstream sector now trades at a significant (~30%) enterprise value discount to broad listed infrastructure companies, despite superior returns and comparable growth. Since we measure valuation on an enterprise value (debt+equity) basis, the discount is even more dramatic when measured on a levered basis: midstream equity values would need to increase by 50% simply to match broad infrastructure valuations.



Notes: see notes above for details on the "Infra" and "Midstream" universes included above.
Source: Recurrent research, Bloomberg.

What are investors to make of the significant midstream valuation discount shown above, in light of fundamentals that appear comparable or superior to the fundamentals of the broader infrastructure category? Is there a real risk to midstream that is not apparent in any adjacent industry? Is midstream's leverage to AI less real than other infrastructure asset classes, despite midstream assets being physically connected to sources of AI demand? Are natural gas power plants likely to support AI-driven growth, but somehow exclude the pipelines delivering fuel to those plants? Are airport revenues likely to remain stable and growing, as the delivery and storage of aviation fuels potentially falls?

If these downside cases for midstream seem unlikely, then perhaps the discount for midstream assets is simply the result of savvy marketing by broad infrastructure fundraisers, and the source of future alpha for midstream energy infrastructure investors.

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