

**SHINING A LIGHT ON.....  
GLG JAPAN COREALPHA FUND**

**Update....**

For some time we have sat on the fence by mixing a non-hedged currency Japanese Fund with a hedged currency version. However, we are finding it increasingly hard to find managers, who don't hedge, willing to explain their reasoning's and thoughts. In fact one manager is actively exploring offering a hedged version of their fund because they feel now is different.

Effectively with the GLG Fund we have the polar opposite view to that of Neptune Japan. Similar to Neptune this is an experience management team and the fund itself has been available for nine years, delivering strong performance in this sector.

During this period the management team have navigated the global crash in 2008 / 2009, earthquakes etc.

The fund focuses on large cap value stocks and unusually this sector has been one of the worst performing sectors for the past six years. The managers have managed to outperform the index but they feel this part of the market is being pulled down further by QE and creating extreme value within the sector.

An example of a recent addition was Mitsubishi UFJ Financial which has grown its book value per share 30% since 2005 but seen its share price collapse by 60%. It is now a stronger and better bank but trading at a massive discount to the market. Other additions offering value are Honda and Nomura.

On the positives they have recently sold out of Fujifilm Holdings and Rohm which have delivered strong returns for the fund.

Clearly the management team continue to be able to identify opportunities to create value for investors however they have very differing views of Japan to Neptune and if there view is correct then Japan will continue to deliver periods of extreme growth followed by periods of extreme losses.

They do not seem to really believe in the policies of Abe and that these can deliver any positive outcomes. Furthermore they believe that the Yen has now reached its low and it is extremely undervalued. The feeling is that from this point onwards the Yen will now strengthen.

The manager went onto to say that although there are signs of rising wages this is not good because it will put pressure on margins.

If we take all of this as it is then Japan has a budget deficit and national debt that is just growing. The budget deficit will be helped by falling oil prices but not at sufficient levels. So if Abe's policies are unlikely to do anything positive, if the Yen is going to strengthen and wage increases are bad then Japan is heading for a massive black hole.

If this is the case then investors need to consider whether they believe in this or not. Interestingly the manager was asked if he would consider changing his management style and he said no. He seems convinced that there is value in the market but if his other predications are correct then the value is worth nothing if the country can't get out of the deficit and debt spiral.

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In conclusion it's a hard one to call and often contrarian fund managers are right in the long run. If he is right then unless you can call which years are going to be the up markets in Japan then actually it may be better to stay clear. It does support the view that Japan will not suit the more cautious investor unless it is a smaller part of an overall portfolio of assets.

### Fund performance

Performance over the last five years is shown below:

	2010	2011	2012	2013	2014
<b>GLG Japan CoreAlpha Fund</b>	26.71%	-15.12%	2.39%	34.07%	2.36%
<b>Neptune Japan Opportunities Fund</b>	-0.11%	-21.57%	17.15%	50.74%	4.39%
<b>Db x-trackers MSCI Japan ETF</b>	17.46%	-14.46%	3.73%	24.61%	0.07%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

*The source of information in this note has been provided by GLG and is correct as at January 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.*