

SHINING A LIGHT ON... GLG JAPAN COREALPHA FUND

Update

There is no doubt that this is a well managed fund with a good process and team. The performance has also been strong. In the past we have felt that aspects of the management deserve questions especially around currency and also the managers have in the past closed the fund to new money to stem flows making it hard for investors.

These issues have to some extent been covered in previous updates. Therefore, in this update we mainly focused on the market and positioning. Steve started by explaining that the TOPIX has doubled since Abe came to power and at the start of this year investors were very bullish.

However, in August and September foreign investors selling was at the same levels seen in 1987 and when this happens the market will fall. The three big falls were in 1990 (-40%), 2000 (-25%) and 2008 (-42%). Steve is waiting to see how 2015 will shape but large cap growth has suffered whereas small cap has done well.

Holdings which have performed well include Nintendo, NTT Docomo and Sony and not holding the likes of Softbank and Toyota have been good for the fund. However, the fund has suffered by holding the likes of JFE Holdings, Nippon Style and Inpex.

The fund remains overweight financials and banks and has recently moved to an overweight in deep cyclicals (steel, oil and gas etc). They have sold Sony and partially sold Nintendo and UFJ Financial. They have added or increased holdings for Komatsu, Shin-Etsu Chemical and Mitsubishi.

In the last quarter large cap suffered the most but this opened up opportunities. The fund has moved underweight defensives because they feel the value is no longer there. The price to book on the fund is an extreme discount to the market and they feel this could benefit investors in the long term.

Going back to the wider economy the reduction in the oil prices has been a massive benefit. In 2008 oil was over 6% of GDP as an import bill. This is now below 3%. Combine this with an increase in tourism it helps put back the debt time bomb. Steve also added that Japan is a manufacturing hub and this is helping. Heavy industry is cheap and there are good companies, now seems the right time to invest.

In conclusion this remains a well-managed fund which has delivered positive returns this year. For investors wanting a long term hold in Japan this might be a fund to consider. Decisions around currency and other factors should be part of that decision process.

LWM Consultants Ltd

Fund performance

The table below shows performance since 2010 to 31 October 2015:

	2010	2011	2012	2013	2014	2015
GLG Japan CoreAlpha Fund	25.31%	-15.96%	1.32%	32.73%	1.23%	17.15%
DB X-Trackers MSCI Japan ETF	17.46%	-14.46%	3.73%	24.61%	0.07%	10.41%

	1 Year	3 Years	5 years
GLG Japan CoreAlpha Fund	19.00%	72.70%	53.89%
DB X-Trackers MSCI Japan ETF	7.36%	47.58%	37.74%

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 October 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.