

**SHINING A LIGHT ON THE.....
JOHCM Japan Dividend Growth Fund**

AT A GLANCE

Investment Objective	
The investment objective of the Fund is to achieve long-term total return. The Fund will seek to achieve its objective by investing entirely in equity securities of companies which are listed on the principal stock markets of Japan, the majority of which will be securities contained in the Index. At no time will less than half of the Fund's total net assets be invested in securities contained in the Index.	

Inception Date	31 March 2014
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000T3JT

Management	
Manager Name	Start Date
Ruth Nash	31 March 2014
Scott McGlashan	31 March 2014

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	33.23%
Large	63.96%
Medium	2.81%
Small	N/A
Micro	N/A

Top 10 Holdings		
Total number of holdings	35	
Assets in Top 10 Holdings	33.04%	
Name	Sector	% of Assets
JX Holdings	Energy	3.72%
Canon Inc	Industrials	3.55%
Tokio Marine Holdings	Financials	3.40%
Mitsui Fudosan Co Ltd	Real Estate	3.31%
Hitachi Ltd	Technology	3.26%
Mitsui & Co Ltd	Energy	3.23%
Fuji Heavy Industries Ltd	Consumer Cyclical	3.20%
Concordia Financial Group Ltd	Financials	3.17%
Sekisui House Ltd	Consumer Cyclical	3.13%
Mitsubishi Heavy Industries Ltd	Industrials	3.07%

Volatility Measurements	
3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 31 March 2014 to 31 January 2017:

	2014	2015	2016	2017
JOHCM Japan Dividend Growth Fund	9.70%	11.42%	23.29%	1.89%
db x-trackers MSCI Japan	7.76%	14.20%	23.48%	0.64%

Performance over 12 months and since launch:

	1 year	Since Launch
JOHCM Japan Dividend Growth Fund	34.42%	52.93%
db x-trackers MSCI Japan	26.89%	53.54%

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.

UPDATE....

Although the fund focuses on dividends this shouldn't necessarily be seen as an income fund, but more of a means of capitalising on dividends as part of the overall return for the fund. In terms of performance since launch the fund has effectively tracked the benchmark but over 12 months it has significantly outperformed and therefore the strategy they adopt may be starting to play out.

We started the meeting by talking about what has changed and Ruth explained that over the last couple of years there has been a big change in corporate attitudes. For a long time, Japanese companies hoarded cash, but the new corporate governance code has forced them to be more proactive. What they are starting to see is Japanese companies increasing the returns to shareholders at the same time as re-investing money back in to the company. It is not just how they use cash but also how company attitudes are changing; Hitachi recently sold a subsidiary to a private equity firm because it was offering the highest price. In the past, they would look to protect the workforce and by doing this it shows that 'old Japan' is starting to change.

We talked about the currency and Ruth said that currency does play a part in Japan's recovery but it is not everything. Corporate earnings were strong last year even when the yen didn't really move. Ruth believes the yen might weaken further but doesn't believe a collapse is a likely outcome. She believes that a mixture of inflation, economic growth and increased tax revenues will reduce the debt burden. She added that the financial assets owned by the government could in theory pay down all the debt they have, so she doesn't think the country is in such a bad place.

Turning to the fund Ruth explained that they have a domestic focus and therefore tweets by Trump shouldn't impact the companies they are investing in. They search out undervalued companies choosing from the top 200 stocks, with the aim of holding between 30 and 40 stocks. In searching out undervalued companies, they are also looking for yield and growth so can slide between the scale sometimes favouring one over the other. There is some mid-cap exposure but it is fundamentally a

LWM Consultants Ltd

large cap fund. They will equally weight holdings, although some companies may have slightly less or more at any one time, for example where they are adding a new company or perhaps reducing exposure.

We talked about how they select companies and Ruth explained that it is about meeting companies and visiting Japan to see what is happening on the ground. Ruth also explained that between the two of them they have been working with Japanese equities since the 1980's and this gives them considerable experience. This helps them see through what is being said and what is actually happening. On Japan itself, she feels there is more of a buzz with the Olympics and more tourists showing that there are many things to be positive about.

In summary, the team already run a successful Japanese Fund which has been soft closed and this fund is different because it looks to drive returns through growth and dividends. As it stands the performance matches the benchmark but over the last twelve months it has significantly outperformed, the question is whether this is a turning point. With more of a focus on corporate governance this could be a place to invest moving forward and investors may need to look beyond the performance and take a leap/step of faith if they think this is the case.

The source of information in this note has been provided by JOHCM and is correct as at February 2017. 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. We would also recommend that you receive advice before following up on any decision.