

**SHINING A LIGHT ON THE.....
Legg Mason IF Japan Equity Fund**

AT A GLANCE

Investment Objective		
The fund seeks to achieve capital growth through investment in securities of Japanese companies. The Fund seeks to achieve its objective by investing principally in the securities of Japanese companies which have above average growth prospects relative to the shares of Japanese companies as a whole. The Fund may also invest in other investments to the extent permitted by the FCA Rules as applicable from time to time and as explained in the Prospectus.		
Inception Date	08/10/1996	
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04D85	
Management		
Manager Name	Start Date	
Hideo Shiozumi	22/10/1996	
Investment Style Details		
Equity Style		
Market Capitalisation	% of Equity	
Giant	6.29%	
Large	20.53%	
Medium	58.87%	
Small	12.07%	
Micro	2.23%	
Top 10 Holdings		
Total number of holdings	47	
Assets in Top 10 Holdings	48.89%	
Name	Sector	% of Assets
Nihon M&A Center Inc	Financial Services	7.25%
M3 Inc	Technology	7.01%
PeptiDream Inc	Healthcare	5.67%
Start Today Co Ltd	Consumer Cyclical	5.48%
OUTSOURCING Inc	Industrials	4.55%
Nintendo Co Ltd	Technology	4.12%
GMO Payment Gateway Inc	Industrials	4.12%
Don Quijote Holdings Co Ltd	Consumer Defensive	3.87%
SMS Co Ltd	Technology	3.41%
en-japan Inc	Industrials	3.41%
Volatility Measurements		
3-Yr Std Dev (volatility)	20.32%	
3-Yr Mean Return (average)	36.37%	

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FUND PERFORMANCE

Performance from 1st January 2013 to 30th September 2018:

	2013	2014	2015	2016	2017	2018
Legg Mason IF Japan Equity Fund	63.65%	-1.35%	49.35%	28.69%	35.71%	13.04%
X MSCI Japan ETF	24.61%	0.07%	14.20%	23.48%	13.19%	4.90%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Legg Mason IF Japan Equity Fund	26.16%	139.34%	168.84%	667.22%
X MSCI Japan ETF	13.19%	61.47%	68.64%	-

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....

The fund has been managed by Hideo Shiozumi since 1996; the investment philosophy has not shifted during all the time he has managed the fund, and the performance is stellar. The key aim for Hideo is to tap into the changing environment within Japan and therefore the fund is focused on domestic businesses rather than big global exporters. The main themes have remained consistent around aging population, internet empowerment and changing lifestyles.

Hideo explained that patience is the key to long term returns and he is happy to hold stocks forever. The average holding period is over 8 years, but some stocks have been in the portfolio longer. Don Quijote was added in 1996 and M3 in 2005.

By being a long-term holder it does mean that some companies move from small to mid to large cap but this doesn't worry the manager as he feels if the fundamentals for the company remain strong then there is no reason why they shouldn't continue to hold it.

Japan is changing; it has the highest work suicide rate in the world and this has meant that there has been a change in employment style to reduce the hours people are expected to work. Some of the changes are equal pay for equal work, better compensation in the work place and more attractive workplaces for older people to come back to work and for women to come into the work place.

There are a lot of reforms around female empowerment as women earn a lot less than men, and only 12.5% of women in the workplace have management positions. This is expected to change as reforms come in. The participation of women in the work place means that convenience stores are more popular as a quick means of getting goods; two holdings which benefit from this are Don Quijote and Welcia.

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Japan has a low internet penetration and companies like Zozo are becoming dominant in the fashion space online. They have also designed a body measurement suite which means clothes are more suited to body shape and therefore less likely to be returned.

The sectors they like are healthcare, consumption and human resourcing / outsourcing. Another example of a company they like is Hihon M&A Centre which helps companies who are looking to sell. This is often aimed at older people looking to retire but having no-one to pass the business to.

The manager is optimistic about the changes in Japan and the reforms that are going through. The biggest risks are if Abe doesn't last or Abenomics doesn't work, and that Japan will be impacted by any global slowdown.

In summary, we have followed this fund for some time and the management process and performance are excellent. Our only concern is that there is no succession plan in place for Hideo, but he states he has no plans to retire anytime soon.

The source of information in this note has been provided by Legg Mason and is correct as at October 2018. 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.