

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

AT A GLANCE

Investment Objective	
The Fund seeks to achieve its capital growth 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	28/10/1996
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04D85

Management	
Manager Name	Start Date
Hideo Shiozumi	22 October 1996

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	4.40%
Large	13.91%
Medium	66.01%
Small	14.75%
Micro	0.94%

Top 10 Holdings		
Total number of holdings	40	
Assets in Top 10 Holdings	55.96%	
Name	Sector	% of Assets
PeptiDream Inc	Healthcare	9.27%
Nihon M&A Center Inc	Financial Services	8.96%
M3 Inc	Technology	7.67%
Pan Pacific International Holdings Corp	Consumer Defensive	6.22%
GMO Payment Gateway Inc	Industrials	4.88%
SMS Co Ltd	Technology	4.72%
Nintendo Co Ltd	Technology	4.39%
Benefit One Inc	Industrials	3.48%
en-japan Inc	Industrials	3.36%
Welcia Holdings Co Ltd	Consumer Defensive	3.02%

Volatility Measurements	
3-Yr Std Dev (volatility)	18.93%
3-Yr Mean Return (average)	12.23%

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FUND PERFORMANCE

Performance from 1 January 2013 to 30 September 2019:

	2013	2014	2015	2016	2017	2018	2019
Legg Mason IF Japan Equity Fund	63.65%	-1.35%	49.35%	28.69%	35.71%	-10.80%	24.78%
Xtrackers MSCI Japan ETF	24.61%	0.07%	14.20%	23.48%	13.19%	-8.64%	16.17%

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	-1.53%	33.99%	184.84%	655.46%
Xtrackers MSCI Japan ETF	1.17%	35.43%	70.71%	-

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....

Very little has changed in terms of holdings and management since we last reviewed this fund. The fund was established in 1996 by Hideo Shiozumi, who continues to manage the fund today. He has over 47 years investment experience within Japan. The fund continues to have an excellent track record. In terms of management Hideo has no plans to retire, but there are no succession plans which remains a concern.

This is a high conviction portfolio focused on new Japan. It looks to exploit a changing country focused around an aging population, consumer lifestyle and internet. The aim is to find those companies in early stages of development and then hold them. The fund is a high conviction portfolio where he is happy to own even if sentiment is against the companies, he invests in. This means that the top ten has hardly changed since we last reviewed the fund and many holdings have been held for 7 to 8 years.

In terms of themes and related stocks again this has hardly changed; elderly related is 10% of the fund, healthcare and medical services 33%, consumption related 27%, internet services 9% and HR and outsourcing 18%.

He remains positive about the economy with Abe being the longest service Prime Minister. Some of the key changes include workstyle reforms which came in, in April 2019. Equal pay for equal work will come in from April 2020 and consumption tax came in from 1 October. In terms of the consumption this is not the same as 2014 and the damage from this is expected to be limited.

He believes those funds focusing on manufacturing are missing out and the opportunities are similar to those in the eighties. The types of companies he invests in are those with cash on the balance sheet. They have the willingness and ability to invest and/or give back more to shareholders.

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The fund focuses on large cap stocks and does not hold financials and exporters. Although many of the companies have seen large increases in share values, he believes they remain attractive investment opportunities.

He will never buy value stocks, and this is a pure growth story. It means that if the market favoured value opportunities then this fund would underperform, as was seen in 2018.

In summary, this continues to deliver strong returns. The team are based in Japan which makes it different to many of the strategies available. It also has a focus on new Japan, and this has worked well for the strategy. In terms of concerns we continue to note that there is no strategy in place in terms of the fund manager and this would need to be followed carefully.

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.