

**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	4.08%
Large	19.76%
Medium	61.69%
Small	13.95%
Micro	0.52%

Top 10 Holdings		
Total number of holdings	39	
Assets in Top 10 Holdings	56.92%	
Name	Sector	% of Assets
M3 Inc	Technology	10.03%
PeptiDream Inc	Healthcare	8.37%
Nihon M&A Center Inc	Financial Services	8.17%
Pan Pacific International Holdings Corp	Consumer Defensive	6.30%
SMS Co Ltd	Healthcare	5.32%
Nintendo Co Ltd	Technology	4.05%
GMO Payment Gateway Inc	Technology	3.91%
Benefit One Inc	Industrials	3.81%
en-japan Inc	Industrials	3.69%
FANCL Corp	Consumer Defensive	3.26%

Volatility Measurements	
3-Yr Std Dev (volatility)	18.04%
3-Yr Mean Return (average)	11.49%

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FUND PERFORMANCE

Performance from 1 January 2014 to 31 January 2020:

	2014	2015	2016	2017	2018	2019	2020
Legg Mason IF Japan Equity Fund	-1.35%	49.35%	28.69%	35.71%	-10.80%	24.61%	-6.79%
Xtrackers MSCI Japan ETF	0.07%	14.20%	23.48%	13.19%	-8.64%	14.37%	-1.96%

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	12.65%	38.57%	148.96%	603.17%
Xtrackers MSCI Japan ETF	8.57%	15.21%	54.47%	-

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....

Every time we approach the review of this fund, we say the same thing. The top ten holdings have hardly changed which is what we would expect. The fund is different from many others in the sector, with a focus on new Japan which has an emphasis on aging population, consumer lifestyle and internet. The manager is looking to invest in companies at the early stages of development and as they grow he is happy to hold onto the winners where he continues to see value.

One area of concern has always been the management. Hideo Shiozumi is the lead manager and has managed this fund since it was established in 1986. There has never been any indication that there is a succession plan in place, and this remains the case. However, there is a number two who sits besides him and she has worked with him for nearly 20 years, knowing the process and stocks. It is likely that in the short term, should something happen to Hideo, she will step in and carry on the same process. Although this is run as a separate entity within the Legg Mason group, Legg Mason can take back the management of the fund if that is in the best interest of clients. This provides us with more comfort around the management of the fund.

The second hot topic is liquidity and the strategy is more positioned to mid and large cap companies because they hold the winners. When adding new companies they will build slowly and are happy to stop if this creates a potential liquidity issue. They have risk measures in place to oversee this and they have identified who the biggest clients are within the strategy so that they can see what potential risks there are with this. At this moment in time this does not flag any significant issues.

This is a high conviction portfolio of stocks and the average holding period is between 7 to 8 years, but some have been in for a significantly longer period. 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%.

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It is worth adding that this is a pure growth strategy and therefore if value comes into play the fund is likely to underperform. On the flip side, if old Japan drops out of favour this doesn't necessarily impact the performance of the fund. In 2011 the market was down 20% and this fund was up 15%. This is because of the focus on new Japan.

In summary, the strategy hasn't changed and has continued to deliver strong returns. There are risk controls in place with regards to liquidity and clearly Legg Mason are keen to emphasise that although there is a single manager risk there are measures in place to protect investors should something happen. Fundamentally for investors looking to invest in Japan this is one of perhaps a handful which doesn't invest in the traditional old Japan and therefore has the potential to offer something different.

The source of information in this note has been provided by Legg Mason and is correct as at February 2020 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.