

**SHINING A LIGHT ON THE.....  
JP Morgan Japanese Investment Trust**

**AT A GLANCE**

<b>Investment Objective</b>	
In order to achieve its stated investment policy and to seek to manage investment risks, the Company invests in a diversified portfolio of quoted Japanese companies. The number of investments in the portfolio will normally range between 50 and 100. The average number of holdings in the portfolio has reduced in recent years as the Investment Managers have focused on those companies that have strong balance sheets and are not affected by macro-economic issues. The Company makes use of both long and short term borrowings to increase returns and focuses on first hand company research and analysis.	
<b>Inception Date</b>	2 <sup>nd</sup> August 1927
<b>Fund Factsheet Link</b>	<a href="http://tools.morningstar.co.uk/uk/cefreport/default.aspx?tab=0&amp;vw=sum&amp;SecurityToken=E0GBR00P1D%5D2%5D0%5DFCGBR%24%24ALL&amp;Id=E0GBR00P1D&amp;ClientFund=0&amp;CurrencyId=GBP">http://tools.morningstar.co.uk/uk/cefreport/default.aspx?tab=0&amp;vw=sum&amp;SecurityToken=E0GBR00P1D%5D2%5D0%5DFCGBR%24%24ALL&amp;Id=E0GBR00P1D&amp;ClientFund=0&amp;CurrencyId=GBP</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Nicholas Weindling	12 <sup>th</sup> November 2007
Miyako Urabe	22 <sup>nd</sup> May 2019

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2016 to 30<sup>th</sup> September 2022:

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>JP Morgan Japanese Investment Trust</b>	11.26%	34.89%	-13.59%	23.62%	60.92%	-8.30%	-34.06%
<b>TOPIX TR</b>	23.41%	15.60%	-8.36%	14.64%	9.55%	2.02%	-8.81%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>Since fund manager inception</b>
<b>JP Morgan Japanese Investment Trust</b>	-35.19%	2.01%	23.91%	194.27%
<b>TOPIX TR</b>	-13.53%	2.37%	15.32%	143.69%

*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.*

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
14.51	-	146.92	158.83	47.22	1.23	(2.18)	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	27.17%
3-Yr Mean Return (average)	0.67%

Investment Style Details	
Giant	55.60%
Large	24.19%
Medium	16.66%
Small	2.91%
Micro	0.64%

Top 5 Holdings (59 holdings)		
SENIOR SECURED LOAN NOTES	-	10.02%
Keyence Corp	Technology	8.14%
Sony Group Corp	Technology	5.96%
Hoya Corp	Healthcare	5.90%
OBIC Co Ltd	Technology	5.13%

Top 5 Sectors	
Technology	31.74%
Industrials	19.95%
Healthcare	13.80%
Consumer Cyclical	8.92%
Financial Services	7.99%

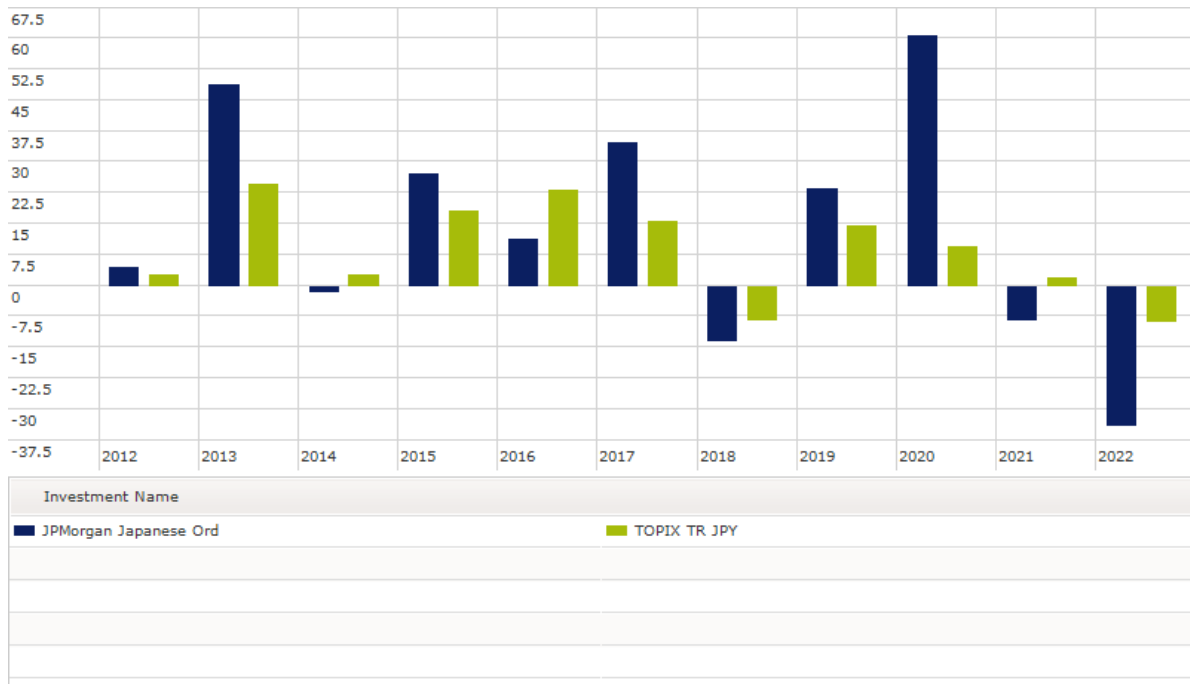
<b>Fund Benchmark</b>	TOPIX TR JPY
<b>Fund size (Mil)</b>	GBP 888.003m
<b>Ongoing Charge</b>	0.62%

Bull points (pros)	Bear points (cons)
<ul style="list-style-type: none"> <li>Japanese companies are delivering excellent returns, and there has been significant improvements in corporate governance</li> <li>Strategy invests in high quality companies which have been significantly impacted by the downturn in the markets</li> <li>Valuations have come down offering long term opportunities</li> <li>Team based in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Significant underperformance</li> <li>Reliant on a change in sentiment</li> </ul>

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## UPDATE....

The performance has dropped back over the last couple of years as can be seen in the charts:



This reflects more the style of the strategy, which focuses on high quality business. Around 90% of the portfolio invests in these companies. These are well run and profitable businesses but in the recent market downturn it is these stocks which have been hit the hardest. The market has effectively ignored the long-term story and the strength of balance sheets, and sold these down.

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During this time the team haven't made any significant changes, and they have been using this time to add to some of their existing holdings. To protect the portfolio, they have reduced their lower quality bucket of names. They have also reduced some exposure to internet and software companies.

In the update we discussed why anyone should consider investing in Japan. They started by explaining that Japan is a liberal democracy where the rule of law prevails, and there is a stable political environment. The policies enacted by Abe are feeding through. Corporate governance has improved significantly with an increase in share buybacks, dividends, and more independent boards.

50% of Japanese companies have net cash on their balance sheets so there is still more to be done. The strength of the companies is important, alongside many of them having a place in the global market.

They are long term investors. They look for high quality stocks which have long term growth stories. An example would be Nintendo whose intellectual property is second to none. The latest game sold 3 million copies in 3 days in Japan. The company has a strong balance sheet and yet trades at a significant discount to other global players in this space.

Japan is behind the curve in turns of COVID. This has seen restrictions on tourists, which is set to change in October / November. The re-opening is happening slowly, but the team are not "playing" the re-opening trade as they are looking for the long-term growth stories.

Some of the holdings include:

Keyence - develops and manufactures automation sensors, vision systems, barcode readers, laser markers, measuring instruments, and digital microscope

HOYA Corporation - manufacturer of optical products such as photomasks, photomask blanks and hard disk drive platters, contact lenses and eyeglass lenses for the health-care market, medical photonics, lasers, photographic filters, medical flexible endoscopy equipment, and software.

Tokyo Marine Holdings – multinational insurance holding company, and the largest property/casualty insurance group in Japan

Shin-Etsu Chemical - a chemical manufacturer that, with its four core business segments, creates products and key materials that provide foundations for industry and our daily lives

In summary, this is a high-quality strategy which has underperformed in the recent downturn. This isn't reflective of the companies they hold, which have strong corporate governance and excellent balance sheets. They have reduced some of their lower quality holdings, but this is a small portfolio of the fund. They have been able to add to other existing opportunities. Unlike many other economies Japan is only now coming out of COVID, inflation remains relatively low, wage growth is lower and the companies they invest in can cope a lot better than their international rivals, due to their strong balance sheets and pricing power.

The team are acutely aware the performance has been poor but they think the fund is well placed for when the market turns.

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*The source of information in this note has been provided by JP Morgan and is correct as of October 2022. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.*