SHINING A LIGHT ON THE……
JP Morgan Japan Fund

AT A GLANCE

Investment Objective
To provide capital growth over the long-term (5-10 years) by investing at least 80% of the Fund's assets in the shares of Japanese companies. At least 80% of assets invested in equities of companies that are domiciled, or carrying out the main part of their economic activity, in Japan. The Fund may invest in small capitalisation companies.

Inception Date	30th June 1972
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000000J8B

Management	
Manager Name	**Start Date**
Nicholas Weindling	1st October 2012
Shoichi Mizusawa	1st October 2012
Miyako Urabe	1st September 2015

FUND PERFORMANCE

Performance from 1st January 2016 to 31st October 2022:

	2016	2017	2018	2019	2020	2021	2022
JP Morgan Japan Fund	18.13%	24.80%	-8.33%	25.09%	38.75%	-2.19%	-28.35%
TOPIX NR	23.00%	15.23%	-8.67%	14.21%	9.14%	1.69%	-9.86%

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

	1 year	3 years	5 years	Since fund manager inception
JP Morgan Japan Fund	-28.73%	-0.46%	16.88%	198.60%
TOPIX NR	-9.95%	0.51%	6.48%	-

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
13.07	-	133.85	137.15	50.00	1.09	(0.07)	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	21.22%
3-Yr Mean Return (average)	-0.16%

Investment Style Details	
Giant	58.75%
Large	23.43%
Medium	14.93%
Small	1.14%
Micro	0.00%

Top 5 Holdings (51 holdings)		
Keyence Corp	Technology	6.70%
Tokio Marine Holdings Inc	Financial Services	6.18%
Sony Group Corp	Technology	5.58%
Nippon Telegraph & Telephone Corp	Communication Services	4.35%
Hoya Corp	Healthcare	4.00%

Top 5 Sectors	
Technology	28.46%
Industrials	20.54%
Healthcare	11.33%
Communication Services	10.94%
Financial Services	10.59%

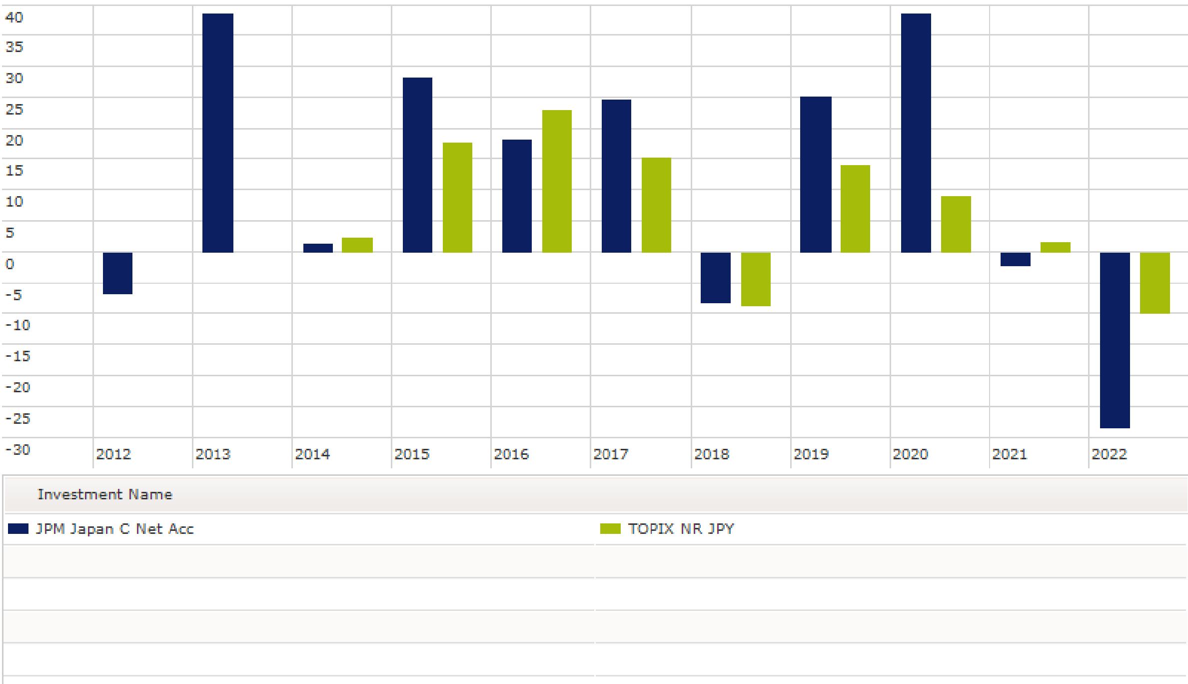
Fund Benchmark	TOPIX NR JPY
Fund size (Mil)	GBP 1066.80 m
Ongoing Charge	0.81%

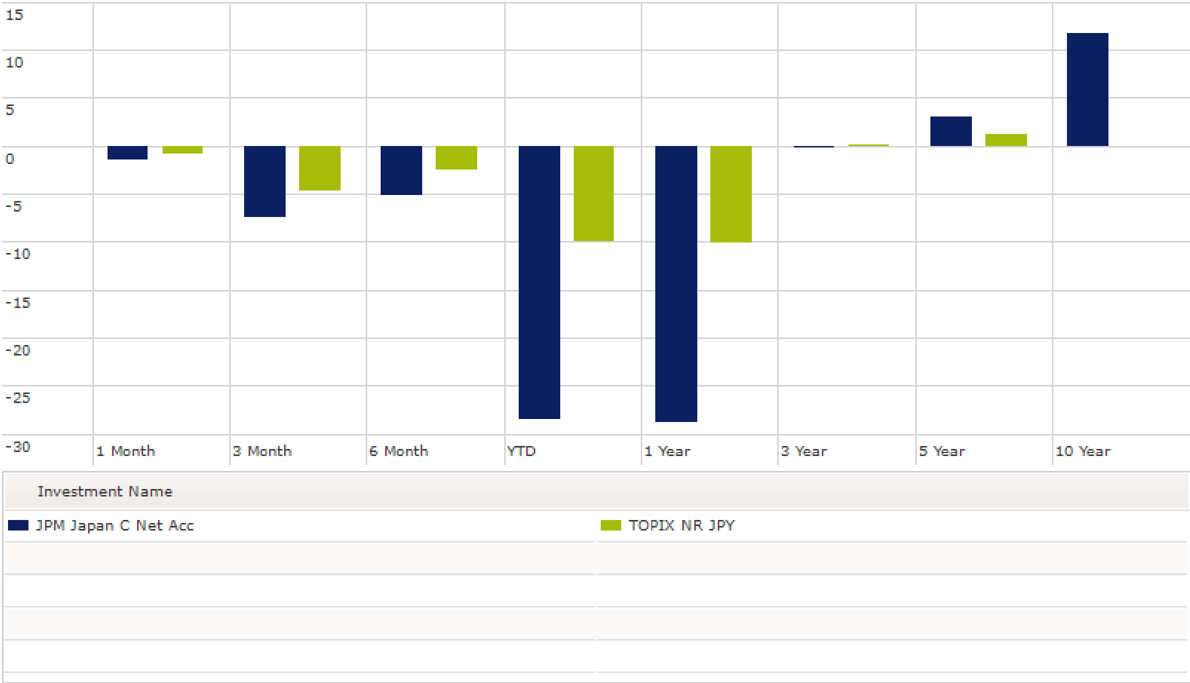
Bull points (pros)	Bear points (cons)
• Japanese companies are delivering excellent returns, and there has been significant improvements in corporate governance • Strategy invests in high quality companies which have been significantly impacted by the downturn in the markets • Valuations have come down offering long term opportunities • Team based in Japan	• Significant underperformance • Reliant on a change in sentiment

UPDATE….

The strategy has had a challenging period due to several factors, including the fund style which is growth focused, the deflation of the yen and the slow opening of Japan post COVID. The team have been managing Japanese equities for JP Morgan since 2007, and JP Morgan have a rich heritage going back many years. The team are also based in Japan and so have been able to continue to meet with companies despite the country not allowing visitors.

This is a best ideas fund and the focus is on future winners. Effectively if they don't like it they won't own it. The team are aware that this is the worst performance since they started managing the strategy, but they have seen this before in 2014, 2016 and 2021. This time the sell-off hit those companies which had the strongest balance sheets and strongest franchises.





The sell-off has meant that valuations have come down significantly, enabling them to buy companies that they have really wanted to buy but have been too expensive. This situation rarely happens. Names they have added include Tokio Marine Holdings, Nippon Paint Holdings, Itochu Corporation and Nippon Telegraph and Telephone Corporation.

They have sold names where pressure is growing from competitors. Some of the sales include Mercari, Giftee, HENNGE, Base, Rakuten Group and Bengo4.com.

The changes mean that around 80% of the strategy ss in premium and quality, with quality increasing to around 53%. The balance is in "trading" which has shorter time frames.

Some of the areas they like currently include robotics and gaming companies. In terms of the arguments for investing in Japan, they sight the following:

1. Inflation is around 2.6% which is significantly lower than other developed world economies. There are no signs of wage inflation or rent increases
2. Where rates around the world have gone up, there have been no changes in Japan, and this has contributed to the yen coming down against the dollar
3. Japan feels cheap now, whether eating out, travelling or staying in hotels
4. Good companies can cope whether the yen is high or low, and whether inflation or deflation they can control pricing
5. It is a stable political environment; things do not change quickly and that is good. It provides confidence on how to invest. It has a majority government in both houses
6. There have been significant improvements in corporate governance and they are starting to see more dividends, share buy-backs and independent boards. Around 55% of non-financial companies are at a net cash position
7. The opportunity set hasn't changed; ecommerce penetration is only around 10%, and it remains a cash society

In summary, this is a strategy that focuses on the very best companies with a strong quality growth tilt. It doesn't invest in what it sees as old Japan where it doesn't see long-term opportunities. This means that when there is a focus on value, "old Japan", tends to do better, and this fund will underperform. However, they believe investing in the very best companies will deliver the best returns over the long term. They are aware that the fund has significantly underperformed recently, and they are using this opportunity to add stocks which they have been watching for many years.

The source of information in this note has been provided by JP Morgan and is correct as of November 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.