

Goldman Sachs Japan Equity Partners Fund – August 2023

LWM FUND SPOTLIGHT GOLDMAN SACHS JAPAN EQUITY PARTNERS FUND

INVESTMENT OBJECTIVE

The Portfolio seeks long-term capital appreciation by investing primarily in a concentrated portfolio of equity securities of Japanese companies.

INCEPTION DATE

27th May 2015

FUND FACTSHEET

<https://www.trustnet.com/factsheets/o/fugd/gs-japan-equity-partners-portfolio>

MANAGEMENT

Manager Name

Ichiro Kosuge

Start Date

27th May 2015

RATIO DATA (3-years)

| Alpha | Beta | Max Drawdown | Max Gain | Max Loss | Negative Periods | Positive Periods | Tracking Error |
|-------|------|--------------|----------|----------|------------------|------------------|----------------|
| -0.53 | 1.10 | -28.45 | 13.29 | -15.60 | 70 | 85 | 7.62 |

OTHER DATA

| | |
|-----------|----------------|
| Benchmark | Topix |
| Fund Size | JPY 375,368.15 |
| Fees | 0.83% |

BULL POINTS (PRO)

- Sweet spot between early stage and mature businesses.
- Strong performance vs peers.
- Team based in Japan.
- Japan back in favour.

BEAR POINTS (CONS)

- Higher levels of volatility.
- May underperform in periods of sector focus on banks, utilities, and energy.

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FUND PERFORMANCE

Performance Chart in (GBP)



Cumulative Performance (GBP)

| | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|--------------------|----------|----------|--------|---------|---------|
| Fund | -3.10% | 5.79% | 4.51% | 10.96% | 30.02% |
| Sector | -1.43% | 2.74% | 1.68% | 12.91% | 13.59% |
| Relative to Sector | -1.70% | 2.96% | 2.79% | -1.73% | 14.46% |
| Rank in Sector * | 6 / 93 | 2 / 92 | 2 / 92 | 4 / 85 | 1 / 75 |
| Fund Quartile * | 1 | 1 | 1 | 1 | 1 |

Performance by Calendar Year in (GBP)

| | YTD | 2022 | 2021 | 2020 | 2019 |
|--------------------|--------|---------|--------|---------|--------|
| Fund | 7.35% | -17.72% | 4.73% | 31.00% | 23.01% |
| Sector | 4.44% | -8.10% | 1.76% | 13.75% | 17.22% |
| Relative to Sector | 2.79% | -10.47% | 2.92% | 15.16% | 4.94% |
| Rank in Sector * | 2 / 92 | 73 / 89 | 3 / 86 | 13 / 83 | 3 / 80 |
| Fund Quartile * | 1 | 4 | 1 | 1 | 1 |

Discrete Annual Performance to Last Quarter End (GBP)

| | 0-12m | 12m-24m | 24m-36m | 36m-48m | 48m-60m |
|--------------------|--------|---------|---------|---------|---------|
| Fund | 20.22% | -16.56% | 8.95% | 22.24% | 1.78% |
| Sector | 12.66% | -11.43% | 13.23% | 7.83% | -3.36% |
| Relative to Sector | 6.71% | -5.80% | -3.78% | 13.36% | 5.32% |
| Rank in Sector * | 1 / 92 | 53 / 88 | 4 / 85 | 14 / 83 | 55 / 75 |
| Fund Quartile * | 1 | 3 | 1 | 1 | 3 |

Fund Price Movement (GBP)

| | | | |
|---------------|-------------------------|--------------|-------------------------|
| 12 Month High | 24.22 (Pounds Sterling) | 12 Month Low | 19.30 (Pounds Sterling) |
|---------------|-------------------------|--------------|-------------------------|

Annualised Ratios Over 36 Months

| | Alpha | Beta | Sharpe | r ² | Volatility |
|-----------------|-------|------|--------|----------------|------------|
| Fund | -2.91 | 1.29 | 0.11 | 0.84 | 16.79 |
| Fund Quartile * | N/A | N/A | 2 | N/A | 4 |

*Ranks & quartiles shown are for the primary share class, GS Japan Equity Partners Portfolio R Hedged Acc

Please 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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Holdings

| Current Portfolio Date | Equity Holdings | Bond Holdings | Other Holdings | % Assets in Top 10 Holdings | Reported Turnover % |
|------------------------|-----------------|---------------|----------------|-----------------------------|---------------------|
| 30 Jun 2023 | 32 | 0 | 5 | 44 | — |

Active Share ⓘ

82.19

| Holdings | % Portfolio Weight | First Bought | Market Value GBP as of 30 Jun 2023 | Ct |
|---------------------------|--------------------|--------------|------------------------------------|----|
| Sony Group Corp | 5.73 | 31 Oct 2018 | 20,020,152,497 | |
| Advantest Corp | 5.33 | 31 Jul 2020 | 18,599,196,775 | |
| Tokio Marine Holdings Inc | 4.59 | 31 May 2019 | 16,027,347,388 | |
| Shin-Etsu Chemical Co Ltd | 4.47 | 31 Aug 2016 | 15,625,182,912 | |
| Nitori Holdings Co Ltd | 4.10 | 31 Oct 2017 | 14,324,298,817 | |
| Recruit Holdings Co Ltd | 4.09 | 28 Feb 2017 | 14,288,289,561 | |
| Fuji Electric Co Ltd | 4.02 | 28 Feb 2021 | 14,030,668,808 | |
| Capcom Co Ltd | 3.93 | 31 Jul 2022 | 13,730,477,052 | |
| ORIX Corp | 3.78 | 30 Jun 2015 | 13,192,762,634 | |
| Olympus Corp | 3.68 | 30 Apr 2020 | 12,861,257,685 | |

Holdings as of 30 Jun 2023 | The top 10 largest holdings are available for display across Equity, Bond and Other. Active Share as of 30 Jun 2023. Active Share index: Daiwa Topix Listed

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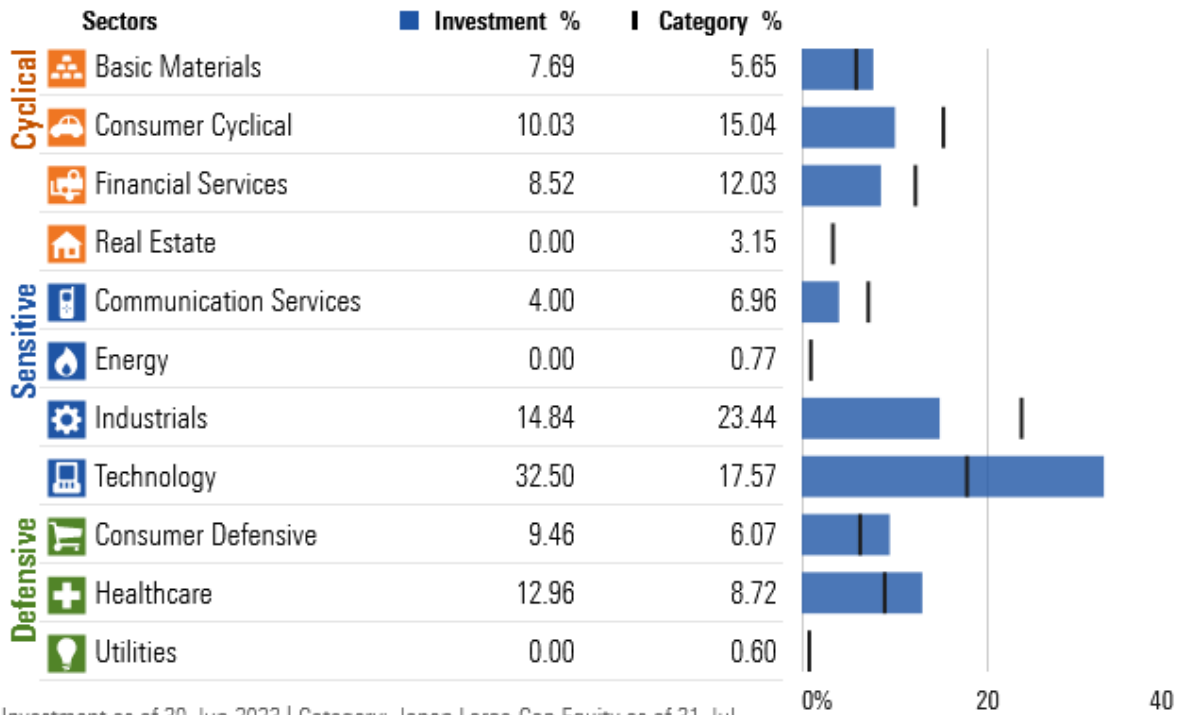
Exposure

Sector

Region

Country

vs. Category ▾



Investment as of 30 Jun 2023 | Category: Japan Large-Cap Equity as of 31 Jul 2023 | Sector data is based on the rescaled long position of the equity holdings. | Source: Holdings-based calculations.

Style Measures

Measures

Market Cap

Avg Market Cap

2.82 Tril

Category Avg Market Cap

4.14 Tril

Index Avg Market Cap

29.32 Bil

| Size | Investment % | Cat. Average % | Index % |
|-------|--------------|----------------|---------|
| Giant | 32.80 | 57.62 | 52.70 |
| Large | 52.36 | 19.55 | 38.71 |
| Mid | 13.08 | 15.32 | 8.59 |
| Small | 0.00 | 1.60 | 0.00 |
| Micro | 0.00 | 0.02 | 0.00 |

JPY | Investment as of 30 Jun 2023 | Category: Japan Large-Cap Equity as of 31 Jul 2023 | Index: Morningstar Japan TME GR JPY as of 31 Jul 2023 | Data is based on the long position of the equity holdings.

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Style Measures

Measures

Market Cap

| Value & Growth Measures | Investment | Cat. Average | Index |
|-------------------------|------------|--------------|-------|
| Price/Earnings | 20.00 | 15.65 | 15.09 |
| Price/Book | 2.51 | 1.41 | 1.31 |
| Price/Sales | 1.64 | 0.98 | 0.90 |
| Price/Cash Flow | 11.47 | 8.57 | 7.37 |
| Dividend Yield % | 1.39 | 2.66 | 3.02 |
| Long-Term Earnings % | 9.65 | 9.09 | 9.36 |
| Historical Earnings % | 13.02 | 10.76 | 11.98 |
| Sales Growth % | 7.92 | 8.74 | 9.67 |
| Cash-Flow Growth % | -1.17 | 1.94 | 0.07 |
| Book-Value Growth % | 12.28 | 10.23 | 10.40 |

Investment as of 30 Jun 2023 | Category: Japan Large-Cap Equity as of 31 Jul 2023 | Index: Morningstar Japan TME GR JPY as of 31 Jul 2023 | Data is based on the long position of the equity holdings.

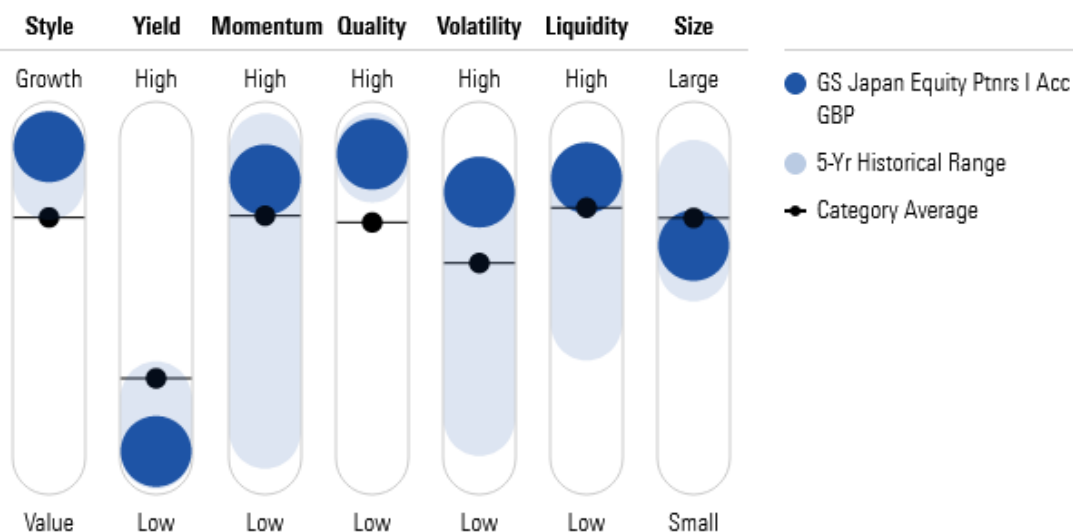
Factor Profile

1-Yr

3-Yr

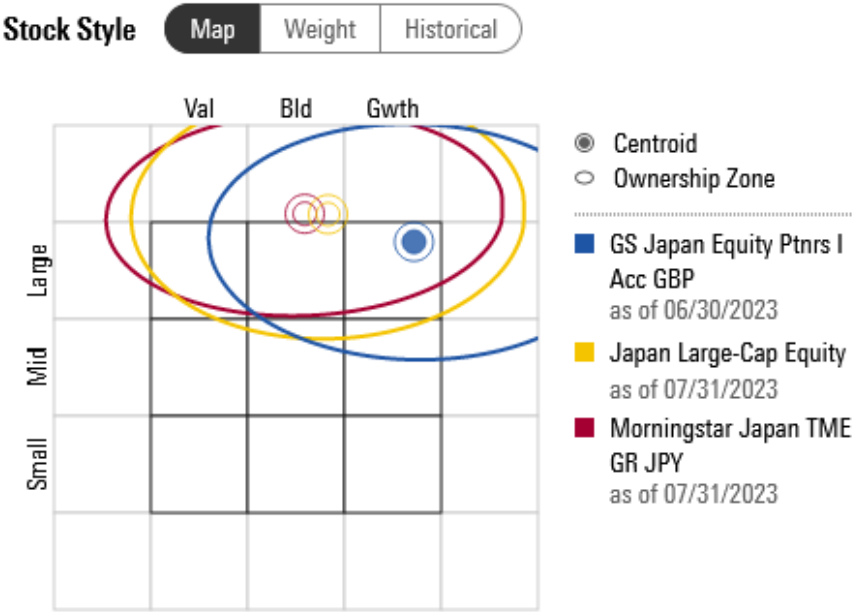
5-Yr

vs. Category

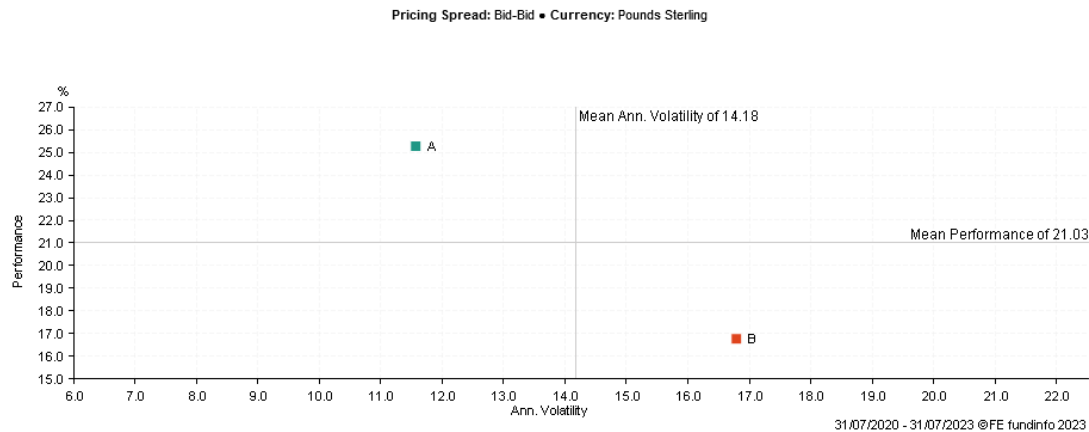


Investment as of 31 May 2023 | Category: Japan Large-Cap Equity as of 31 May 2023

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Volatility



| Key | Name | Performance | Annualised Volatility |
|-----|--|-------------|-----------------------|
| ■ A | TSE TOPIX TR in GB | 25.27 | 11.57 |
| ■ B | GS - Japan Equity Partners Portfolio I Acc GBP in GB | 16.78 | 16.79 |

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LWM FUND ANALYSIS

The chart below shows the Nikkei 225 index since 1991.

Nikkei 225

32,226.97 ↑ 33.89% +8,157.79 MAX

Aug 29, 3:15:02 PM UTC+9 · INDEXNIKKEI · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX

[Key events](#)



This places Japan in context and their resurgence as an investment opportunity. This all started to change when the late Prime Minister, Shinzo Abe, set up what would be his legacy, “Abenomics”. It was a policy to restart an economy that had been in decline. The reforms included cutting red tape and the encouragement of more women, seniors and immigrants into the workplace.

These reforms have continued, especially in terms of corporate governance and better shareholder practices. On top of the reforms we are seeing the backdrop to Japan is positive. This includes domestic drivers, cheap valuations, stronger outlook for corporate earnings and attractive exchange rate levels.

Japan as an investment region has been unloved for many years. It seems there are normally two options for investors. Investing in “old” Japan, which is seeing old businesses decline, or “new” Japan which are those businesses which are investing in the changing trends within the country.

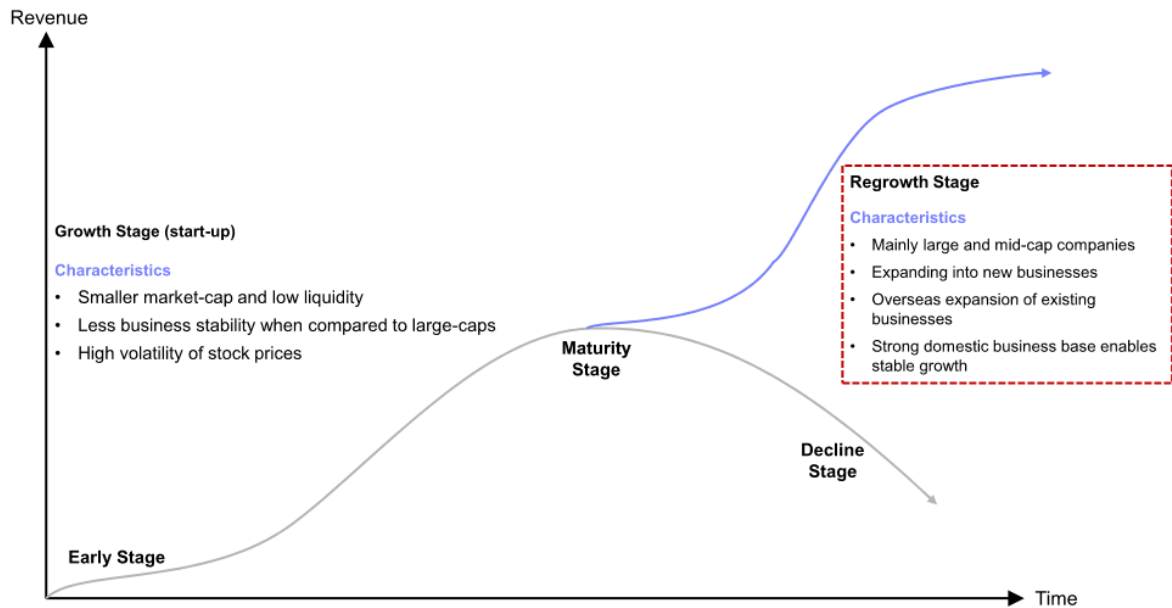
Although this fund carries a high level of volatility compared to the index, it is very clear on the types of businesses they like.

- **Qualitative criteria:**
 - **Strong business franchise:** Robust fundamentals and secular earnings growth prospects
 - **Excellent management:** Good track record of shareholder friendly decision making and execution
 - **Favorable market environment:** Operating in a growing market or has the potential for market share gain
- **Quantitative criteria**
 - **Above average Return on Equity (ROE):** Companies maintaining high level of ROE or committing to improve ROE
 - **Sustainable earnings growth (EPS):** Companies with a high single digit/low double digit predictable EPS growth
 - **Attractive upside:** Companies with a strong upside driven by a combination of earnings and valuation

This fund is different for a simple reason; they are not chasing those early stage growth companies, nor are they chasing old legacy businesses. Effectively they are sat in the sweet spot between the two. They are looking for those businesses which are established but are innovating. So effectively these are strong businesses which are investing in the future of Japan.

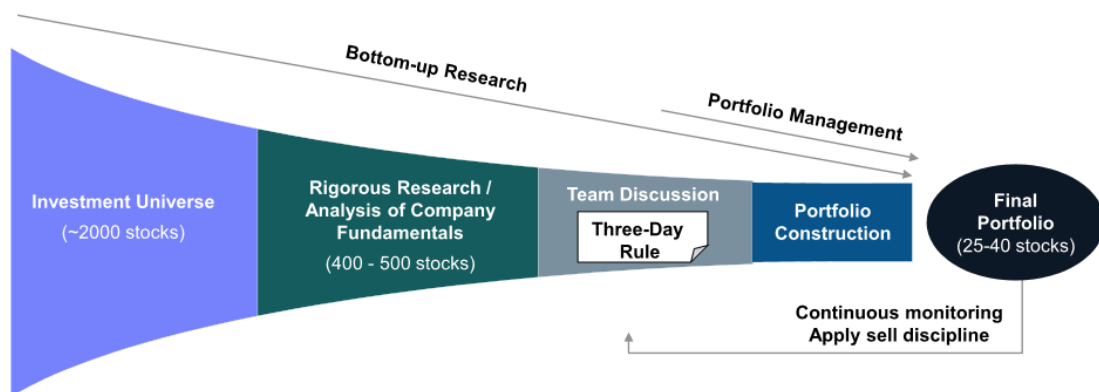
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Focusing on Companies at the Regrowth Stage



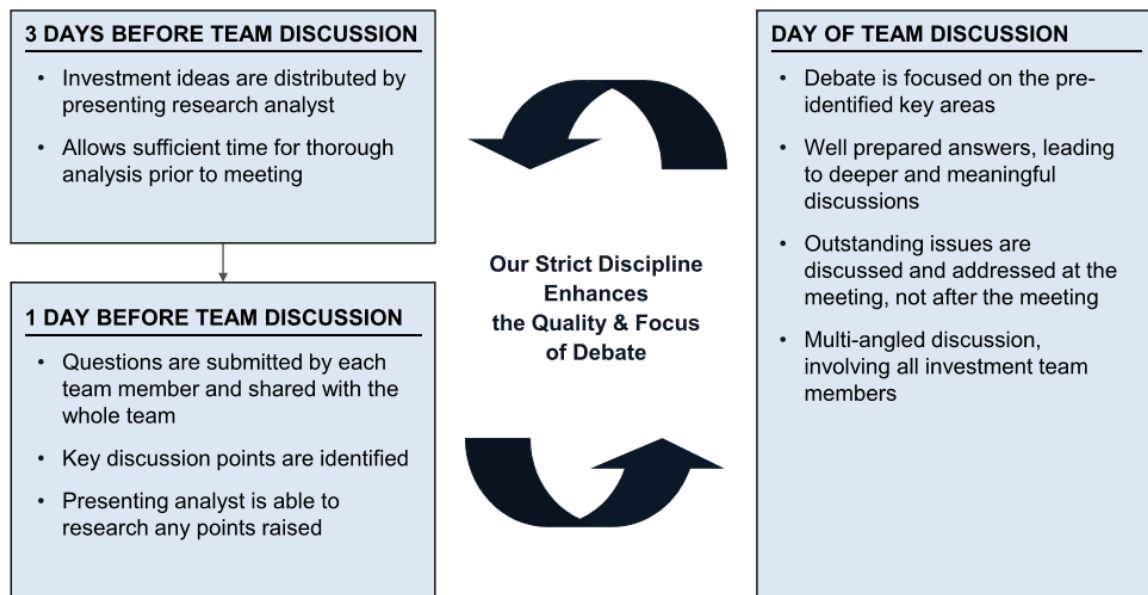
This is what really makes this stand out from the crowd.

The team are based in Japan so are on the ground and understand the drivers within the economy. The process is also slightly different.



The three-day rule is the additional point of difference.

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This is a fully integrated ESG Fund with an exclusionary strategy. So ESG is not just a quality screen but is active in excluding certain businesses. This really reflects the strategy of investing in those businesses which are growing.

| | Excluded Area | | Description of What We Seek to Avoid (Revenue Exposure) |
|---------------|-----------------------------|--|---|
| Environmental | Oil and Gas | | • >1% - arctic oil, arctic gas & oil sands |
| | Coal | | • >10% - thermal coal mining |
| | Palm Oil | | • >10% - palm oil production & trading |
| Social | Tobacco | | • >10% - tobacco |
| | For-Profit Prisons | | • >10% - for-profit prisons |
| | Adult Entertainment | | • >10% - adult entertainment |
| | Weapons | | <ul style="list-style-type: none"> >10% - civilian firearms All - tied to nuclear weapon systems All - tied to controversial weapons Inc. cluster munitions, land mines, biological weapons |
| Global Norms | UN Global Compact Violators | | • All - companies violating the 10 UN Global Compact principles |

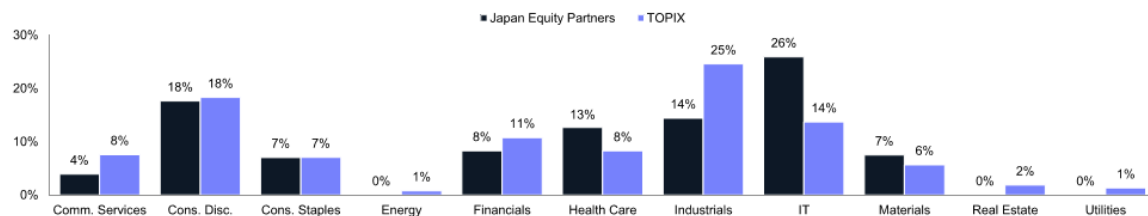
Engagement is also an active part of the strategy, as is reported below:

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| Proxy Voting CY22 | Direct Engagement CY22 | Industry Leadership |
|--|--|---|
| 11,677 Meetings voted | 765 Engagements conducted | ✓ UK Stewardship Code ✓ Japan Stewardship Code ✓ Principles for Responsible Investing ✓ Singapore Stewardship Principles |
| 13% Proposals voted against management | 687 Issuers engaged | |
| 49% Meetings with at least one vote against management | 36 Markets represented |   |
| 3,055 Directors voted against for lack of board diversity | 226 Engagements with CEOs, CFOs or Directors |  |
| 54% Shareholder proposals supported | 30% Engagements done alongside investment teams |  |

In terms of how the fund looks, the chart below seems busy but is a good indication of what investors would expect to see. There is no exposure to energy, real estate, and utilities. There are higher weightings to IT and healthcare.

SECTOR ALLOCATION (%)



TOP 10 HOLDINGS

| Company Name | GICS Sector | TOPIX Sector | Weight (%) |
|------------------------|------------------------|-----------------------------|------------|
| Sony Group Corporation | Consumer Discretionary | Electric Appliances | 5.7 |
| Advantest Corporation | Information Technology | Electric Appliances | 5.3 |
| Tokio Marine Holdings | Financials | Insurance | 4.6 |
| Shin-Etsu Chemical | Materials | Chemicals | 4.4 |
| Nitori Holdings | Consumer Discretionary | Retail Trade | 4.1 |
| Recruit Holdings | Industrials | Services | 4.0 |
| Fuji Electric | Industrials | Electric Appliances | 4.0 |
| Capcom | Communication Services | Information & Communication | 3.9 |
| ORIX Corporation | Financials | Other Financing Business | 3.7 |
| Olympus Corporation | Health Care | Precision Instruments | 3.7 |

PORTFOLIO CHARACTERISTICS

| Characteristics | Portfolio | TOPIX |
|---|-----------|-------|
| Wtd. Avg. Market Capitalization (JPYBn) | 4,584 | 6,039 |
| Wtd. Median Market Capitalization (JPYBn) | 3,033 | 3,226 |
| Dividend Yield (%) | 1.2 | 2.3 |
| FWD P/E ¹ | 20.1x | 14.6x |
| Price/Book Value | 4.4x | 2.4x |
| ROE (%) | 14.8 | 10.4 |
| ROA (%) | 8.6 | 5.9 |
| Historical Standard Deviation (3Y) | 16.5 | 13.3 |
| Historical Beta (3Y) | 1.0 | - |

This seems to tie in with the opportunities as shown below.

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| Legacy sectors <i>with limited growth opportunities</i> | | Upcoming themes <i>with a wide range of growth opportunities</i> | |
|---|--------------------------|---|-------------------------------|
|  | Automobile Manufacturers |  | Factory Automation |
|  | Banks |  | Industrial & Auto Electronics |
|  | Trading Companies |  | 5G & IoT |
|  | Capital Equipment |  | Semiconductor Equipment |
|  | Roads & Railways |  | Fintech |
|  | Consumer Electronics |  | Advanced HealthCare |
|  | Utilities |  | Energy Efficiency |

In terms of recent performance, IT and financials contributed to performance whereas consumer discretionary and health care were detractors. The strategy will struggle where utilities, industrials and energy do well, as they have little or no exposure to these sectors. The main changes to the portfolio are detailed below.

| Company Name | Change in Portfolio Weight (%) |
|-------------------------|--------------------------------|
| New Positions | |
| Otsuka Corporation | +2.4 |
| Exited Positions | |
| Kurita Water Industries | -1.9 |
| BayCurrent Consulting | -1.4 |

In summary, this is different from many of the Japan Funds currently available. They seem to have effectively chosen the sweet spot between new and up coming businesses and fading old industries. Matched alongside this is the exclusionary policy and 3-day rule. All of this has helped the fund deliver strongly against its peers. It is worth noting that it is more volatile than the index, and it may underperform in periods where certain sectors such as financials (banks), utilities and energy do well.

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The source of information in this note has been provided by Goldman Sachs and is correct as of August 2023. 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.

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