

As of 31 August 2021

Fund description

- Investment objective: seek long-term capital growth by investing generally in Japanese large cap stocks (with market capitalisation in excess of US\$ 1bn)
- Investment process: analyse long term company fundamentals through extensive in-house bottom up research with a strong risk management ethos
- Portfolio of around 30 companies which are well managed, profitable and with good prospects. Portfolio managers believe that Cash Flow Return on Investment and value creation are key
- The fund is considered as qualifying as a financial product promoting, among other characteristics, environmental or social characteristics, or a combination of those characteristics, under Article 8 of the European Regulation on sustainability-related disclosures in the financial services sector (SFDR).

Investment manager: ACIM (Alma Capital Investment Management)

- Alma Capital Investment Management is a Luxembourg based asset management company and holds a branch office in London
- ACIM manages assets of \$4bn and is regulated by the Luxembourg regulator the CSSF
- The portfolio managers, led by James Pulsford, worked together at Eikoh Research Investment Management managing the portfolio before joining ACIM in January 2020
- Naohiko Saida based in Tokyo at Milestone Asset Management provides a dedicated research service to the team at ACIM, Naohiko and James have worked together for the last twenty years
- Alma Capital Investment Management is a signatory to the Principles for Responsible Investment (PRI) and a member of LuxFLAG.

Cumulative performance (%)

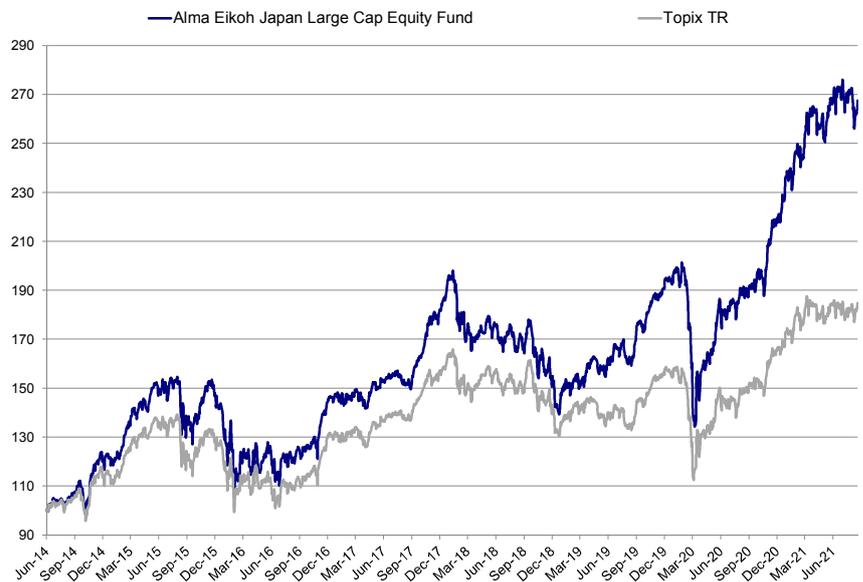
	1 M	3 M	6 M	YTD	1Y	3Y	ITD	ITD (annualized)
I GBP Hedged C shares	0.21	1.36	11.00	16.63	41.77	49.89	155.86	13.89
I GBP C shares	1.39	4.38	9.06	8.87	32.79	43.09	-	-
I EUR Hedged C shares	0.12	1.18	10.76	16.49	41.15	45.94	-	-
I JPY C shares	0.36	1.58	11.61	17.74	42.79	51.24	-	-
I EUR C shares	0.66	4.62	10.82	14.82	38.41	-	-	-
I EUR D shares	0.95	4.94	8.77	12.67	35.77	-	-	-
I USD Hedged C shares	0.29	1.53	11.25	17.28	42.55	55.94	167.54	14.59
Topix (TR)	3.17	2.12	6.33	9.90	23.79	21.24	84.76	8.87

Fund launched on 12 June 2014 (I USD Hedged C and I GBP Hedged C shares)

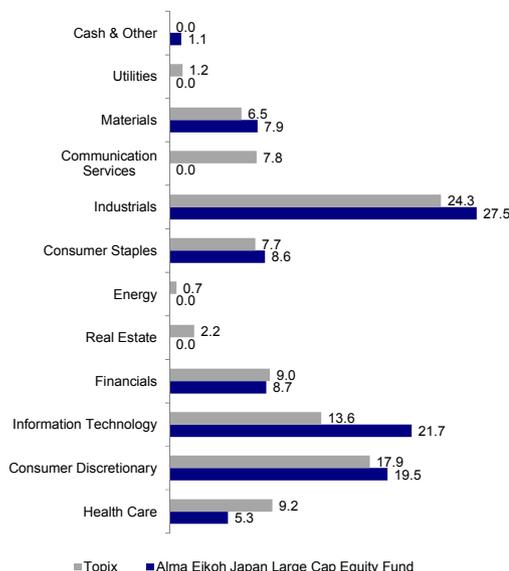
Portfolio characteristics

Main indicators	Fund	Index
No. of securities	35	2 187
Weighted Average Market Cap (¥ bn)	4 216	4 818
Median Market Cap (¥ bn)	1 151	46
Dividend Yield (%)	2.0	2.0
Historical Price / Earnings (x)	19.2	16.0
Historical Price / Cashflow (x)	7.6	8.9
Historical Price / Book (x)	1.4	1.3
Volatility (%)	21.5	19.6
Sharpe ratio	0.7	0.5
Active share (%)	85.1	-
Beta	1.05	-
Tracking error (%)	6.1	-
Information ratio	0.9	-

Performance (Indexed - Base 100)



Sector breakdown (% AUM)



Top 10 positions details

Security name	Sector	% AUM
TOYOTA MOTOR CORP	Consumer Discretionary	5.70
NEC CORP	Information Technology	5.11
MITSUBISHI UFJ FINANCIAL GRO	Financials	5.03
TOKYO ELECTRON LTD	Information Technology	4.68
LIXIL CORP	Industrials	4.41
FANUC CORP	Industrials	4.23
OLYMPUS CORP	Health Care	3.62
ORIX CORP	Financials	3.62
TORAY INDUSTRIES INC	Materials	3.59
MERCARI INC	Consumer Discretionary	3.44
TOTAL:		43.43

Investment manager's commentary

Market Review and Outlook

The Topix rose by 3.17% in August moving higher with US and European bourses and ahead of Asian markets which turned in a more muted performance depressed by COVID lockdown disruption and China regulatory tightening concerns. Japan's better performance after weakness in July was helped by the apparent peaking and decline in COVID-19 cases towards the end of the month following the very sharp rise during July and the first half of August. While the latest infection wave peaked at nearly four times the average weekly infection rate of the previous two, the Japanese vaccination effort continues to make good progress with 133m doses having been administered; enough to have fully vaccinated over 40% of the population on a two dose basis, and continuing to run at a pace equivalent to 10% of the population every 3-4 weeks. The Olympics ran smoothly, albeit without spectators, and Japanese athletes performed strongly lifting the country to 3rd in the medal table, improving public perception of the event. Unfortunately this improvement in sentiment didn't extend to Prime Minister Suga's approval rating which remained close to 30% and the loss of his favoured candidate in the Yokohama Mayoral election on the 22nd August was a blow to his authority and indicative of his lack of support outside the Diet. There was no overall clear thematic trend within the market with economic sensitives both amongst the sector leaders and laggards over the period. The shipping sector was again the top performer, surging on further strength in container rates. Iron and steel also rose sharply but so did areas like services, foods and pharmaceuticals while laggards included cyclical areas such as oil and paper. Topix Growth outperformed Topix Value by 2.9% unwinding part of the outperformance seen year to date.

Economic statistics over the month were again mixed. While it's clear that COVID-19 infections are disrupting economic production in Asia and there are concerns over slowing growth and regulatory tightening in China, there was little new to suggest that overall economic momentum is cooling sharply either domestically or globally. Japan's unemployment rate fell from 2.9% to 2.8% in July and the job offers to applicant ratio improved for the second successive month to 1.15. The Economy Watchers Survey showed an improvement in the current index from 45.4 to 47.7 but the outlook slipped back from 52.6 to 47.1. Industrial production fell 1.5% MoM led by the auto sector where semiconductor shortages are restricting production in the first half of the fiscal year. Shortages are also impacting production in some other industries too. The semiconductor shortage is expected to ease during the last quarter of the year allowing production to recover during this period.

Domestic politics has taken centre stage as we approach the Lower House election for the Japanese parliament which now looks likely to be held in November rather than October. Ahead of this is a LDP leadership election scheduled for the 29th September and reflecting his persistently low approval rating Prime Minister Suga announced on the 3rd September that he would not be standing for election. He will therefore resign as Prime Minister on the 30th September when his term as LDP President expires. While the possibility that he might lose the LDP election was credited, his withdrawal in advance was unexpected. The leading candidate who had already made clear he would stand against Suga is Fumio Kishida, the former foreign minister. Former internal affairs minister Sanae Takaichi has also declared while the popular Administrative Reform Minister Taro Kono and former LDP secretary General Shigeru Ishiba are considered likely to enter the field among other possibilities. Kono and Kishida are considered the most likely to win at the moment but calling between them is tough with factional politics perhaps favouring Kishida and grass roots popularity Kono. Importantly no candidate represents a complete change in economic policy and it is expected that a significant stimulatory package of around Y30trn may be announced before the country goes to the polls.

We retain a broadly positive view of the global economic outlook driven by vaccine facilitated reopening, government stimulus and central bank support. It's clear however that the narrative is more complicated than this with policymakers needing to consider developing inflationary pressures and the negative impact of disruption caused by new and more infectious COVID-19 variants. We are still overweight areas of the market with economic sensitivity such as IT and industrials and underweight the key defensive sectors however the stock changes we have made this month have reduced the magnitude of these bets and the economic risk implicit in the portfolio. In order of size, we are overweight semiconductors & semiconductor equipment, retailing, transportation, food and capital goods. We are underweight pharmaceuticals, tech hardware, telecoms, media & entertainment, and consumer durables. The Topix appears reasonably attractively valued in historical terms, trading on a PBR of 1.27x, a prospective PER of 14.7x and a dividend yield of 1.98%. Japanese companies remain well capitalised and the very positive trend of improving corporate governance among listed Japanese firms continues to be in place. We expect Japanese firms will benefit strongly from a recovery in earnings in fiscal years 2021 & 2022 and expect sharply improved shareholder returns in response to this.

Fund

The Fund rose by 0.36% (JPY share class) in August, underperforming Topix which rose by 3.17% (dividends reinvested).

During the month stock selection was poor and was the major driver of the relative underperformance vs the Topix, sector allocation was marginally negative. The fund's performance in August ends a record streak of outperformance months and was primarily driven by stock specific news in several of the fund's holdings. Being underweight Telecommunication Services and overweight Semiconductors & Semiconductor Manufacturing Equipment and Software & Services added value. Underweights in Pharmaceuticals, Technology Hardware & Equipment and commercial & Professional Services detracted as did the overweight in Retailing. Medical data company JMDC, homeware business Lixil and financial conglomerate Orix added the most value at the stock selection level and having a zero weighting in Softbank Group and Nintendo also added value. Showa Denko was a significant detractor of value during the month; the stock fell sharply upon their announcement of an equity raise in order to allow them to invest more aggressively in growth and strengthen their balance sheet. Yamato Holdings detracted from performance after announcing in-line Q1 results with the market likely hoping for another "beat". BeNext-Yumeshin and Komatsu both detracted value, as did the position in TDK which also announced Q1 results that fell short of analyst estimates.

Over the month we made several changes to the portfolio, all of which were a reflection of stock specific bottom up research, but we also made the decision to reduce the economic sensitivity of the portfolio. This is in light of the outlook for the global economic recovery which looks slightly less clear now than it did before as a result of the increased spread of the delta variant of the coronavirus and subsequent disruption. We decided to sell the remainder our position in the equipment manufacturer CKD in order to buy a position in THK which is geared into a similar capex cycle, has significantly underperformed, and shows substantially higher upside. We also sold our position in Hitachi after a strong run over the last year left it looking fairly fully valued. Similarly, we sold our position in Minebea Mitsumi after a very strong patch of performance left it with little upside on our forecasts and valuations. We sold our position in the shipping company Nippon Yusen where the fundamentals of the company have transformed due to the substantial increase in container rates, up 340% on a one year view and at record highs completely unseen in recent history. The stock price itself has increased five-fold over the last year and we believe the risk reward profile for holding the stock over the medium term is no longer attractive as a result. We sold the remainder of our position in the small AI edge-computing company Neural Pocket as the outlook for the timing of one of their solutions becoming a mass market product seems likely to be delayed and the outlook is more uncertain than it was. Finally, we sold our position in industrial gas company Nippon Sanso which has had a good run of performance and consequently shows little upside. We bought a position in noodle maker Nissin Foods which is a high quality well run business where the outlook for their overseas operations, especially in the Americas, has turned around and looks set to add to growth and enhanced profitability. We also bought a position in Olympus which has displayed strong cost control and where margins, especially in the TSD business, now look rather more sustainable; the company retains a healthy medium term growth outlook. We also bought back a position in Yamaha Motor. It seems likely they will continue to enjoy strong conditions in the marine engines business over the medium term as well as benefitting from a strong recovery in demand for motorcycles in emerging markets in 2022; the stock has recently sold off and looks attractively priced in light of this.

Fund facts

Fund total net assets:	¥50 535.56 M (\$461.41 M)	Base currency: JPY	Countries where the fund is registered:
Fund domicile: Luxembourg		Management fee: 0.90% p.a.	Austria, Germany, Italy, Luxembourg, Switzerland, United Kingdom, France, Singapore
Fund type: UCITS SICAV		Fund launch: 12 June 2014	Identifiers:
Depository, Administrator, Transfer Agent: BNP Paribas Securities Services (LU)			Institutional USD Hedged Capitalisation share class Isin: LU1013117160 Ticker: AEJIUHA LX Launch: 12 June 2014
Dealing: Each day with a 1-day notice. Cut-off time: 12 pm CET			Institutional GBP Hedged Capitalisation share class Isin: LU1013116949 Ticker: AEJIGHA LX Launch: 12 June 2014
Management company: Alma Capital Investment Management (LU)			Institutional EUR Hedged Capitalisation share class Isin: LU1013116782 Ticker: AEJIEHA LX Launch: 10 December 2014
Investment manager: Alma Capital Investment Management (LU)			Institutional JPY Capitalisation share class Isin: LU1013116519 Ticker: AEJPIJA LX Launch: 10 December 2014
Fund managers: James Pulsford Tom Grew			Institutional GBP Unhedged Capitalisation share class Isin: LU1152097108 Ticker: AEKJEGC LX Launch: 17 February 2015
			Institutional EUR Unhedged Capitalisation share class Isin: LU1870374508 Ticker: AEJLIEC LX Launch: 04 February 2019
			Institutional EUR Unhedged Distribution share class Isin: LU1870374920 Ticker: AEJLIED LX Launch: 08 March 2019

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