

iMGP Funds

iMGP Japan Opportunities

Managed by
Eurizon Capital SGR S.p.A.

Share class : I EUR HP
ISIN : LU1158909215

For qualified investors only

Investment objective

The objective of this Sub-fund is to provide its investors with capital growth; at least two thirds of the Sub-fund's assets are invested at all times in equities and other similar instruments issued by companies having their registered office in Japan. The Sub-fund may purchase securities traded on the regulated markets listed in section 13 "Investment restrictions" and in particular on the Jasdaq. The TOPIX Net TR index is used, in the appropriate currency of a given Share Class of the Sub-fund, for comparison mainly, including for performance comparison. Although the Sub-fund is actively managed and the Sub-Manager is not limited to investing in accordance with the composition of the index, the Sub-fund may be constrained by certain risk indicators or restrictions that refer to the index. The Sub-fund includes the integration of ESG factors into its investment selection process.

Risk/Return profile

LOWER RISK
(Typically lower rewards)

HIGHER RISK
(Typically higher rewards)



Performance & risk measures

Data as of 2022.10.31



Topix Net TR

Monthly returns	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	4.6%	0.3%	-1.3%	3.2%	-2.3%	0.4%	-0.4%	3.0%	0.6%	-3.6%	3.7%	-	-
2021	9.3%	0.1%	4.5%	7.0%	-2.9%	1.0%	0.3%	-2.1%	0.5%	4.5%	-1.1%	-4.7%	3.0%
2020	-6.1%	-1.3%	-10.8%	-9.0%	2.1%	5.7%	-0.6%	-6.1%	8.3%	1.7%	-3.9%	7.8%	1.9%
2019	18.8%	5.0%	3.6%	-1.7%	2.6%	-5.1%	2.7%	0.9%	-2.3%	6.1%	4.3%	-0.1%	1.9%
2018	-16.9%	-0.1%	-4.3%	-1.6%	4.0%	-0.6%	-0.5%	1.7%	-1.1%	3.0%	-8.5%	-0.1%	-9.4%
2017	17.0%	-0.6%	1.2%	0.8%	1.0%	2.0%	1.1%	0.4%	0.6%	3.4%	4.2%	2.0%	0.6%

Cumulative performance	Fund	Index
1M	3.7%	5.0%
3M	0.5%	0.4%
6M	3.4%	2.9%
1Y	2.7%	-1.8%
3Y	9.3%	21.0%
5Y	7.8%	16.5%
Since inception	27.8%	34.1%

Calendar year performance	Fund	Index
YTD	4.6%	-1.3%
2021	9.3%	11.7%
2020	-6.1%	6.1%
2019	18.8%	16.9%
2018	-16.9%	-17.3%
2017	17.0%	21.2%

Annualized risk measures	Fund	Index
Volatility	20.3%	20.8%
Sharpe ratio	0.2	0.3
Tracking error	5.5%	-
Information ratio	-0.6	-
Beta	0.9	-
Correlation	1.0	-

Annualized performance	Fund	Index
3Y	3.0%	6.5%
5Y	1.5%	3.1%
Since inception	3.5%	4.3%

Source: iM Global Partner Asset Management. Past performance does not guarantee or predict future performance. Annualized risk measures based on 3-year weekly returns if more than 3-year history or 1-year if less than 3-year history.

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Manager Comment

Highlights

- Japan intervened in the FX market again to defend the yen.
- Market reversal occurred but still trading at almost a decade low.
- Fund well-positioned with free cash flow generators.

Cumulative performance	Fund	Index
1M	3.7%	5.0%
YTD	4.6%	-1.3%

Market Review

The TOPIX Net Total Return gained by 5%, lagging the 9% return of global equities in yen terms. The market was led by mega caps and was style neutral.

Sector rotation occurred and all sectors apart from Consumer Staples and the tiny Utilities sector ended in positive territory. Information Technology was up by 9%, led by semiconductor names, reversing September losses. Communication Services was up by 7% as Softbank Group rallied by 30%. Consumer Staples was down by 2%.

The Japanese yen weakened further, losing another 3% vs. the USD. The Tokyo core CPI rose to 3.5% year on year, its highest in over four decades excluding the consumption tax hikes, and the Bank of Japan revised up its FY22 CPI estimate from 2.3% to 2.9%. Nevertheless, the Bank of Japan maintained its ultra-low rates policy. The yen crossed 150 per dollar for the first time in three decades, forcing the Ministry of Finance to spend a further 6.3 trillion yen to defend it.

Fund Review

The fund has lagged the benchmark by circa 1.5 points, giving up most of its outperformance in September. Sector allocation was slightly negative. The stock selection was poor in Communication Services, Information Technology and Health Care. Around one-third of the poor stock picking came from not having index heavy Softbank Group +30%, and Keyence +17%.

The largest detractors were Toyo Suisan -6%, Chugai Pharma -5% and Fanuc -3%. Toyo Suisan went down on sector rotation giving up a part its 24% yearly gains up to September. That said the noodle maker has delivered a solid set of September quarter results. Chugai Pharma dropped after the CEO mentioned a potential decline in exports of Haemophilia A treatment Hemlibra to Roche next year. Fanuc declined after revising down the guidance on China macro concern which was broadly know by the market. The largest contributor was Denso +12%, a pure reversal along with semiconductor names from the previous month.

Sony was initiated as valuation became attractive after share price dropped 30% in 2022 on gaming demand normalizing post-COVID. We expect its broad content library of music, pictures, and games to support earnings in an uncertain economic environment. MatsukiyoCocokara was halved earlier in the month to a symbolic weight as upside potential has literally vanished after an over 50% 2022 run up to early October.

Industrials became the main overweight with 5pt at 29% after topping up Recruit. The overweight in Financials shrank to 5pt at 15% after reducing Resona. The largest underweight to Health Care increased to 5pt at 5% after cutting Chugai Pharma on its unclear outlook. The underweight in Consumer Discretionary reduced to 4pt at 15% as Sony entered the portfolio.

The fund is more exposed to domestic service names, taking advantage of reopening on milder inflation relative to the rest of the world. That said the team continues to favour companies with strong pricing power to absorb cost inflation and maintain prices beyond. Cash is slightly higher than the maintenance level. The ESG profile of the fund has improved significantly since the start of the year thanks to portfolio moves.

Outlook

Consensus earnings estimates for the TOPIX were flat for FY22 but started to decline as the September quarter earnings season started and declined by 1% for FY23. The market expects a 13% EPS growth in FY22 on a weak yen tailwind but only 4% in FY23. Domestic activities are likely to pick up along with the border reopening, but inflation is weighing on consumption recovery. The visibility of the manufacturing sector has become low on slow supply chain normalisation and weakening end demand.

TOPIX valuations are 12x 12-month forward P/E, 1.15x P/B and 2.6% dividend yield. On March 2024 earnings the market is trading close to a decade low of 11.9x on low macro visibility. The Fund is trading at 12.3x, 1.15x and 2.8% respectively broadly in line with the market but focusing on reasonably priced free cash flow generators. At this point, the team favours idiosyncratic names immune to macro recession. At the same time, the team is keeping eyes on quality manufacturing companies that could benefit from eventual bottom out of cost inflation, weak demand outlook and supply chain issues.

Portfolio Breakdown

By Country		By Sector		Top 10	
JAPAN	96.1%	Industrials	29.3%	TOYOTA MOTOR	5.9%
Cash & Others	3.9%	Technology	18.9%	NINTENDO CO LTD	5.2%
		Financials	15.0%	KOMATSU LTD	4.1%
		Consumer Discretionary	14.0%	SEKISUI CHEMICAL	4.0%
		Consumer Staples	5.8%	FANUC CORP	3.7%
		Materials	5.1%	RECRUIT HOLDINGS CO LTD	3.7%
		Health Care	4.9%	MIZUHO FINANCIAL	3.7%
		Communications	3.1%	SECOM	3.6%
		Cash & Others	3.9%	KAMIGUMI CO LTD	3.2%
				SUMITOMO BAKELITE	3.1%
					40.2%
By Currency		By Market Capitalization		Top 3 Contributors	
JPY	100.0%	Mega Cap > 30 bn	28.9%	TOYOTA MOTOR	0.6%
		Large Cap 5 bn - 30 bn	36.3%	RECRUIT HOLDINGS CO LTD	0.3%
		Mid Cap 1 bn - 5 bn	30.7%	RESONA HOLDINGS INC	0.3%
		Small Cap < 1 bn	0.2%		
		Cash & Others	3.9%		
				Top 3 Detractors	
				TOYO SUISAN KAISHA	-0.2%
				CHUGAI PHARMACEUTICAL CO LTD	-0.2%
				FANUC CORP	-0.1%

Source: iM Global Partner Asset Management



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Dealing information

Liquidity	Daily
Cut-off time	TD-1 12:00 Luxembourg
Minimum initial investment	1,000,000
Settlement	TD+2
ISIN	LU1158909215
CH Security Nr	26497573
Bloomberg	OYJOIE2 LX

Fees

Subscription fee	Max 0.00%
Redemption fee	Max 1.00%
Management fee	Max 0.75%
Performance fee	-

Administrative information

Central Administration	CACEIS Bank, Luxembourg Branch	Auditor	PwC Luxembourg
Transfert Agent	CACEIS Bank, Luxembourg Branch	Management company	iM Global Partner Asset Management S.A.
Custodian Bank	CACEIS Bank, Luxembourg Branch		

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