

# Tokio Marine Japanese Equity Focus Fund

Monthly Report – February 2018

## Fund Manager



Hiroyasu Sato

## Objective

The objective of the Fund is to achieve long-term capital growth over TOPIX Total Return Index by investing in a concentrated, high-conviction portfolio of stocks, focusing on companies' 3-5 year earnings growth.

## Fund Details

**Launch Date**  
31 August 2010

**Month-end Fund Size**  
JPY 93,159 million

**Base Currency**  
JPY

**Benchmark**  
TOPIX Total Return Index

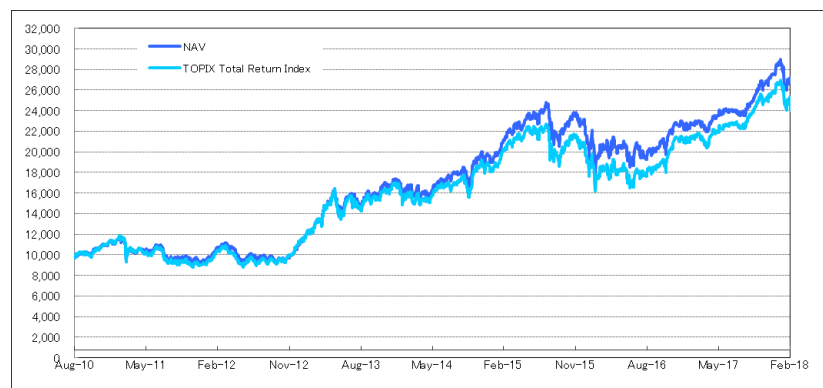
**Sector**  
Japanese Equity

**Number of Holdings**  
39 (as at month-end)

**Domicile / Legal Structure**  
Ireland, OEIC (UCITS)

**Liquidity**  
Daily

## Fund Performance Since Inception in JPY



## Cumulative Performance

	1 month	3 month	6 month	YTD	1 year	3 year (pa)	5 year (pa)	Since Inception (pa)
Fund	-3.13%	0.19%	12.37%	-1.94%	19.18%	8.27%	16.57%	14.10%
Benchmark	-3.70%	-1.15%	10.38%	-2.68%	17.59%	7.28%	14.94%	12.98%
Excess Return	0.58%	1.34%	2.00%	0.74%	1.59%	0.99%	1.64%	1.13%

	2017	2016	2015	2014	2013	2012	2011	2010
Fund	22.29%	-2.93%	17.94%	13.31%	58.60%	16.56%	-14.17%	9.03%
Benchmark	22.23%	0.31%	12.06%	10.27%	54.41%	20.86%	-17.00%	9.37%
Excess Return	0.06%	-3.25%	5.88%	3.04%	4.19%	-4.29%	2.83%	-0.34%

※2010: 31 August (fund launch date) through December-end

※The Fund performance is represented by performance of Class D

※Past performance is not a guide to future performance

Source: Tokio Marine Asset Management Co., Ltd. based on Net Asset Value per share calculated by SMT Fund Services (Ireland) Limited, in JPY.

## Investment Information

**Target Alpha**  
5.0 %

**Annualised Tracking Error**  
4.0% (for the past 3 years)

**Stock Holdings**  
20 – 40 stocks

## Share Information

**Annual Management Charge**  
0.70%\*1

**Min. Initial Investment**  
JPY 100,000,000  
GBP 1,000,000  
EUR 1,000,000  
USD 1,000,000  
CHF 1,000,000

\*1 Annual management charge refers to combined investment management fee and distributor fee. Please see the prospectus or contact the distributor for fund fee structure details.

## Top 10 Holdings as at Month-end

Ticker	Name	Fund	Benchmark
8316	Sumitomo Mitsui Financial Group, Inc.	4.20%	1.38%
6902	Denso Corporation	3.60%	0.55%
6758	Sony Corporation	3.58%	1.44%
9984	Softbank Group Corp.	3.44%	1.56%
6367	Daikin Industries, Ltd.	3.35%	0.68%
7532	Don Quijote Holdings Co.,Ltd.	3.35%	0.15%
4452	Kao Corp.	3.31%	0.76%
4681	Resorttrust, Inc.	3.21%	0.04%
6869	Sysmex Corporation	3.21%	0.27%
4578	Otsuka Holdings Co., Ltd.	3.12%	0.44%

# Tokio Marine Japanese Equity Focus Fund

Monthly Report – February 2018



TOKIO MARINE  
ASSET MGT

## Positive/Negative Contributors

Positive Contributors	Negative Contributors
1 4578 Otsuka Holdings Co., Ltd.	1 4516 Nippon Shinyaku Co., Ltd.
2 4768 Otsuka Corporation	2 2914 Japan Tobacco Inc.
3 2413 M3, Inc.	3 5938 LIXIL Group Corp.
4 4543 Terumo Corporation	4 9719 SCSK Corporation
5 6869 Sysmex Corporation	5 9983 FAST RETAILING CO., LTD.

## Commentary and Outlook

### Market Review

The TOPIX and the Nikkei Stock Average lost 3.73% and 4.46% respectively over February.

The month began with stocks bouncing back from a fall in the preceding days, but US employment figures the following week led to fears that a US interest rate hike may come sooner than expected. With US long-term interest rates rising, and the Dow Jones Industrial Average recording its biggest ever drop, the TOPIX also plunged, and has been unstable since.

Turmoil in the Japanese stock market continued until mid-month, with the TOPIX bottoming out just below 1,700 points during trading hours on the 14th, its lowest since October 2017. The US dollar dipped below JPY 106, but bounced back after the 16th, and Japanese stocks also began to recover.

Instability continued into the latter part of the month. Rising long-term US interest rates in response to the release of FOMC (Federal Open Market Committee) minutes caused US stock markets to drop, but renewed interest in strong performing stocks helped Japanese markets to gradually pick up the pace. At the end of the month, however, comments from newly-appointed Federal Reserve chairman Jerome Powell suggested a more aggressive rate hike policy, leading to higher US long-term interest rates and falling US stocks, as a result of which Japanese stock markets also dropped.

Best performing sectors in a month where stocks fell overall were precision – notably manufacturers of medical devices – and pharmaceuticals, thanks to high earnings stability. Worst performing sectors were shipping and rubber, with earnings going forward seen as unstable.

### Performance Review

Portfolio activity:

The portfolio's performance fell significantly at the start of the month due to rising US interest rates coinciding with the earnings season. US interest rate hikes have previously brought rises in value names in financials and autos, but the recent rate rise was not accompanied by a weaker yen, and a spike in volatility also held back these stocks; movements in the market were mainly based on fundamentals, namely earnings announced.

Given this environment, we have moved to increase exposure and weighting of stocks likely to produce earnings growth next year, and sold stocks where improvements in earnings have already become manifest in the current earnings season. We have continued to focus on identifying transformational growth stocks, as in the last three months.

Performance analysis:

The fund outperformed the benchmark over the month.

Positive contributors were stable growth stocks announcing strong earnings, including Otsuka HD (4578), with its increasingly strong new drug pipeline; Otsuka Corporation (4768), which is enjoying the benefits of increased IT investment by small and medium enterprises against a background of personnel shortages; and M3, Inc. (2413), where earnings clearly demonstrated improvements in overseas sales growth potential.

Main detractors, meanwhile, tended to be stocks with disappointing earnings announcements, including Nippon Shinyaku (4516), whose pharmaceutical competitors overseas announced a new drug; Japan Tobacco (2914), currently behind schedule on launching new products; and LIXIL (5938), where rising metal prices have had a greater impact than expected on costs, leading to a drop in profit margins.

## NAV Information

Month end NAV <sup>*2</sup>	
Class B (EUR)	216.5891
Class G <sup>*3</sup> (USD)	195.3970
Class H <sup>*5</sup> (CHF)	122.4255
Class I <sup>*5</sup> (JPY)	10,914.9833
Class J <sup>*4</sup> (EUR-H)	110.2250
Class K <sup>*4</sup> (CHF-H)	108.1234
Class M <sup>*5</sup> (USD-H)	109.0920

<sup>\*2</sup> FX rate is WM Reuter as at month-end

<sup>\*3</sup> Class G started in February 2012

<sup>\*4</sup> Classes started in July 2015

<sup>\*5</sup> Classes started in August 2015

## Fund Codes

### ISIN

Class B (EUR)	IE00B3ZYDS66
Class G <sup>*3</sup> (USD)	IE00B4100S42
Class H <sup>*5</sup> (CHF)	IE00BYTTL300
Class I <sup>*5</sup> (JPY)	IE00BYTTL417
Class J <sup>*4</sup> (EUR-H)	IE00BYTTL524
Class K <sup>*4</sup> (CHF-H)	IE00BYTTL631
Class M <sup>*5</sup> (USD-H)	IE00BYTTL854

## Key Information

### Investment Manager:

Tokio Marine Asset Management Co., Ltd.

### Administrator:

SMT Fund Services (Ireland) Limited

### Custodian:

SMT Trustees (Ireland) Limited

# Tokio Marine Japanese Equity Focus Fund

Monthly Report – February 2018



## Outlook and Investment Strategy

We believe the Japanese stock market will remain unstable due to fluctuations in interest rates and equity markets in the US, as well as forex trends, and global political and geopolitical risks.

Overseas investors were net buyers of Japanese equities in the first week of January, but became substantial net sellers in the second week, which proved the main reason for the February drop in Japanese stocks.

While sudden increases in the VIX volatility index can generally be traced back to specific geopolitical risks or financial instability, no definitive reason could be seen for this recent volatility. If this is simply a case of investors squaring their positions, we would expect a quick recovery in the market; if, however, this is in anticipation of a sea-change in financial markets supported by excess liquidity from quantitative easing, market corrections may take longer. Matters are further complicated by the situation on the Korean peninsula, increasing confusion in the Middle East, and political uncertainty in Europe, notably in Germany and Italy.

The US dollar remains below JPY 110, and if Japanese companies base their new fiscal year exchange rate assumptions on a strong yen, earnings growth may not reach market expectations. Any failure of expected wage increases to come through could derail the Abenomics plan of higher wages leading to higher consumption and ending deflation, raising the likelihood of a fiscal stimulus from the government in order to keep the planned October 2019 consumption tax hike on track.

---

**Note: Portfolio holdings information and detailed analysis are available to all fund investors upon request.**

---

## Contact Information

**For further information regarding the Tokio Marine Japanese Equity Focus Fund, please contact  
Tokio Marine Asset Management (London) Limited.**

Authorised and Regulated by the Financial Conduct Authority

**Tel:** + 44 (0) 20 7280 8580 (calls may be recorded)

**Business Development:** [tmal@tokiomarine.co.uk](mailto:tmal@tokiomarine.co.uk)

**General Enquiries:** [focus@tokiomarine.co.uk](mailto:focus@tokiomarine.co.uk)

---

## Disclaimer – Portfolio Data Disclosure

The information about the composition of the portfolio of funds managed by Tokio Marine Asset Management Co., Ltd. ("TMAM") or its associate companies ("Confidential Information") is confidential and the exclusive property of TMAM and its affiliates.

Confidential Information is only for the intended recipients, who are officers, employees, and agents (each a "Recipient") who need to know the relevant Confidential Information for the proper performance of their functions in relation to the sole purpose of undertaking bona fide fund research or analysis or regulatory reporting.

TMAM and its affiliates prohibit use of any Confidential Information, directly or indirectly, or copy, reproduce or transcribe any of it, wholly or partly, for any purpose other than the purpose agreed with TMAM or its affiliates.

Confidential Information may not be used, published or redistributed without the prior written consent of TMAM or its affiliates.

Some of the Confidential Information is or may be price sensitive information and its improper use or disclosure may be regulated or prohibited by applicable legislation related to insider dealing and market abuse.

# Disclaimer

## Disclaimer

This document is intended for indicative purposes only and no claims can be made based on the content provided therein. It does not constitute an offer or an investment recommendation to purchase or sell investment funds or to execute any other types of transactions. It makes no guarantee for the accuracy, reliability, currency and completeness of the information provided herein. The content of this document is subject to change without notice. This document is intended for institutional investors only and is only presented to a retail client on the explicit request of such a client. Further details about the Fund are available in the Prospectus and Key Investor Information Document of the Fund, which are available in English and can be obtained from [www.tokiomarineam.co.uk](http://www.tokiomarineam.co.uk). This Fund is not authorised for public distribution and is not registered under the U.S. Securities Act of 1933. The Fund is not offered for sale in the United States of America, its territories or possessions nor to any US person. The information in this document is not intended for persons subject to jurisdictions to which country-specific or individual sales restrictions apply (e.g. United Kingdom). The parties involved with the Fund accept no liability for any damages whatsoever arising from action taken on the basis of the contents of this document. Any simulated performance data and/or past performance data is not a reliable indicator of future performance. Income from investments may fluctuate and investors may not recoup the amount originally invested. This financial promotion has been approved by Tokio Marine Asset Management (London) Limited which is authorised and regulated by the Financial Conduct Authority. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares.

**Portuguese Residents** - The fund's shares are not currently registered for sale. As a consequence, the fund's shares may not be offered or distributed by way of public advertisement or public offer in this jurisdiction. The fund's shares may only be offered and the legal offering documents (KIID, prospectus, annual reports) and marketing materials of the fund may only be distributed in this jurisdiction without public solicitation and in compliance with the private placement rules set forth in the laws, rules and regulations of the jurisdiction concerned.

## Chilean Residents

**English version** - "The offer of the securities mentioned in this presentation is subject to General Rule No. 336 issued by the Superintendence of Securities and Insurance of Chile (Superintendencia de Valores y Seguros) ("SVS"). The subject matter of this offer are securities not registered with the Securities Registry (Registro de Valores) of the SVS, nor with the Foreign Securities Registry (Registro de Valores Extranjeros) of the SVS; therefore, such securities are not subject to the supervision of the SVS. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant securities registry of the SVS."

**Spanish version** - "La oferta de los instrumentos mencionados en esta presentación se acoge a la Norma de Carácter General No.336 de la Superintendencia de Valores y Seguros ("SVS"). Los valores que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el registro de valores correspondiente."

**English version** - The use of these materials is only for general information purposes. The information and materials do not constitute and should not be construed as a public offering. Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will either be suitable or profitable for a client's investment portfolio. Past performance is not indicative of future results. Client should not assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. We cannot assure that the investment objectives of any client will be realized.

## Disclaimer

**Spanish version** - El uso de esta documentación es exclusivamente con propósitos de información general. La información y documentación no constituyen y no debe ser interpretadas como una oferta pública. La inversión en valores implica un riesgo de pérdida que los clientes deben estar preparados para soportar. Los diferentes tipos de inversiones implican diferentes grados de riesgo y no podemos asegurar que una determinada inversión o estrategia de inversión sea adecuada o útil para la cartera de inversiones de un cliente. La rentabilidad pasada no es indicativa de resultados futuros. El cliente no debe asumir que el rendimiento futuro de cualquier inversión o estrategia de inversión tendrá los mismos resultados que sus rendimientos pasados o actuales. No podemos asegurar la obtención de los objetivos de inversión del cliente.

### Peruvian Residents

The placement of Interests has not been registered nor authorized by the Peruvian Superintendence of Securities Market ("Superintendencia del Mercado de Valores") and no public offering is being made in Peru. Accordingly, the Interests offered hereunder may not be marketed and offered for sale in Peru, other than under circumstances which are deemed not to be a public offer in accordance with the Peruvian legislation.

This document may not be available nor may the Interests otherwise be offered or sold in Peru other than to investors who: (i) qualify as Institutional Investors according to the Peruvian Institutional Investors Market Regulation enacted by Resolution SMV N° 021- 2013-SMV/01, and (ii) have provided written confirmation of such qualification to Tokio Marine Asset Management (London) Limited.

This document is for the recipient only and may not in any way be forwarded to any other person or entity in Peru.

### Israeli Residents

Pursuant to Section 3(A2) (2) of the investment Consulting Law in Israel, neither the marketer or Tokio Marine Asset Management (London) do not hold a license and are not insured pursuant to the requirements of the Investment Consulting Law.