



## RWC Nissay Japan Focus Fund

30th December 2020

## Fund Aim

Through a process of close engagement with a small number of rigorously selected companies, we aim to capture and generate significant alpha.

Fund AUM ¥41,209.0m

Team AUM ¥63,093.3m

Firm AUM ¥2,445,404.2m

## Fund Details

Manager	Yasuaki Kinoshita (Nissay)
Chief Analyst	Koji Nakatani (Nissay)
Investment Advisors	Nicola Takada Wood (RWC) Mike Connors (RWC)
Launch Date	30th March 2015
Structure	UCITS IV Lux SICAV
Domicile	Luxembourg
Share Classes	EUR, GBP, JPY, USD
Minimum Investment	All ex JPY JPY (000)
Share Class A	25,000 ¥4,000
Share Class B	10,000,000 ¥1,500,000
Share Class R	25,000 ¥4,000
Annual Management Charge	
Share Class A	1.80%
Share Class B	0.90%
Share Class R	0.90%
Performance Fee*	
Share Class A	15%
Share Class B	15%
Share Class R	15%
Distribution Frequency	Annual
XD Dates	30 Dec
Pay Dates	15 Jan
Dealing - Subscriptions	Daily
Dealing - Redemptions	Daily
Notice Period	3 Days
Dealing Cut Off	13:00 CET (Trade date-3)
Administrator	Brown Brothers Harriman
Auditor	PricewaterhouseCoopers (LUX)

## Fund Codes

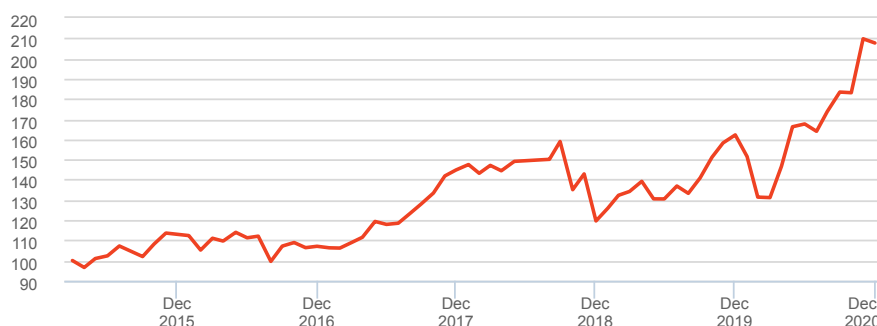
Share Class	ISIN	Sedol	Bloomberg
A EUR HDG	LU1212748765	BVXBRF0	RWNJAEH LX
A JPY	LU1212749227	BVXBRL6	RWCNJAJ LX
A USD HDG	LU1212749573	BVXBRQ1	RNJFAUS LX
B EUR HDG	LU1212064981	BW4NJC3	RNJFBEH LX
B GBP	LU1209894218	BWH58M9	RWCNJBG LX
B GBP HDG	LU1212065442	BW4NNZ4	RNJFBGH LX
B JPY	LU1209895025	BWH58P2	RWCNJBH LX
B USD HDG	LU1212066416	BW4NP14	RNJFBUH LX
R EUR HDG	LU1751004588	BFWJL84	RWJFREH LX
R GBP	LU1209895967	BWH58R4	RWCNJRJ LX
R GBP HDG	LU1212749144	BVXBRK5	RNJFRGH LX
R GBP Dist.	LU1348820694	BYW8MK3	RWNJRJH LX
R JPY	LU1751004745	BFWJL95	RWJAFRJ LX
R USD HDG	LU1751014389	BFWJLD9	RWJFRUH LX
R USD Dist.	LU1788848080	-	RWJFRUD LX
R USD Dist.	LU1966011717	BJVM687	RWNJRJH LX

Please note Firm AUM includes emulation account values from the previous month-end. Source: RWC, TOPIX

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

\*Performance fee is only applied to performance over the relevant performance index. Total Fund returns are calculated on a NAV-NAV basis net income reinvested and are shown net of all fees.

## Cumulative Performance - Class B JPY



## Cumulative Performance (%)

	NAV per Share	1M	3M	YTD	1Y	3Y	5Y	SI
B JPY	20,038.39	-0.99	13.24	28.05	28.05	43.42	82.77	100.38
TOPIX TR		2.97	11.19	7.39	7.39	6.58	30.69	31.25

## Discrete Monthly Performance - Class B JPY (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	-6.61	-13.25	-0.18	11.78	13.37	0.84	-2.18	5.95	5.57	-0.18	14.58	-0.99	28.05
2019	5.26	5.08	1.44	3.73	-6.23	-0.03	4.90	-2.65	5.75	7.24	4.69	2.51	35.60
2018	1.87	-2.93	2.73	-1.81	3.22	0.21	0.24	0.22	5.88	-15.01	5.79	-16.29	-17.40

## Historic Annual Returns (%)

2015	2016	2017
9.64	-5.76	35.23

## Commentary

## Summary

The strategy underperformed its TOPIX benchmark by 3.96% in December, in a volatile market where profit-taking in erstwhile strong performers was the dominant overall tone.

## Outperformers

**Milbon** was strong in the absence of any news flow, as investors finally concluded that hair salons were busy, even under the Covid-19 restrictions and one broker-initiated coverage with a Buy recommendation. **Lasertec** was strong on semiconductor demand growth particularly for 5G and IT servers. **JCU**, which had been a laggard in previous months likely benefited from the same improved perception of the sector. **Nabtesco** was solid, reflecting improved demand for robot makers. **Daifuku** continued strong on demand for logistics automation.

## Underperformers

**MonotaRO** and **Nihon M&A Center** were prominent victims of profit-taking. **Cosmos Pharmaceutical** continued to suffer from investors' expectations of a slowdown in sales and earnings momentum year-over-year. **Relo Group** rolled over its ¥23bn convertible bond, which could dilute EPS by 4.5% at maturity in 2027 and investors took this as an opportunity to take profits. **Lixil** suffered as uncertainties about demand in the construction sector caused one broker to downgrade the stock from Buy to Neutral.

## Outlook

The managers are moderately confident in predicting that, in the early part of 2021, there will be frequent risk-on/off swings in investor sentiment, driven by news flow relating to the Covid-19 pandemic and the prospects for a post-Covid recovery, both in Japan and globally. The sum of known uncertainties – plus any unknown risks which may emerge – will likely cause investors to continue to favour a risk-off stance in 2021.

Although it has favoured quality/growth stocks for some time, the strategy is essentially style-agnostic, and the portfolio already contains shares which can be expected to rebound sharply in any kind of broader economic recovery. Stock selection is always conducted on a strictly bottom-up basis, and always with a view to potential enhancement of shareholder value through engagement with management. If market sentiment becomes more generally optimistic about a recovery, this, in time, is likely to become a stronger factor in the managers' new selections and the weightings in existing holdings, although such decisions will always be based on real earnings expectations.

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**Income Distribution**

Share Class	Period	Dist per share
R GBP Hedge Dist.	2020	£1.12
R USD Dist.	2020	\$0.10
R USD Hedge Dist.	2020	\$0.98

**Exposure Summary (%)**

Equities	94.7
Index Futures	0.0
Cash	5.3

**Financial Ratios**

	Fund	Index
Dividend Yield**	0.9	2.1
P/E Ratio (FY1)	48.3	-
P/Book Value	5.0	-

**Market Cap Breakdown (% of NAV)**

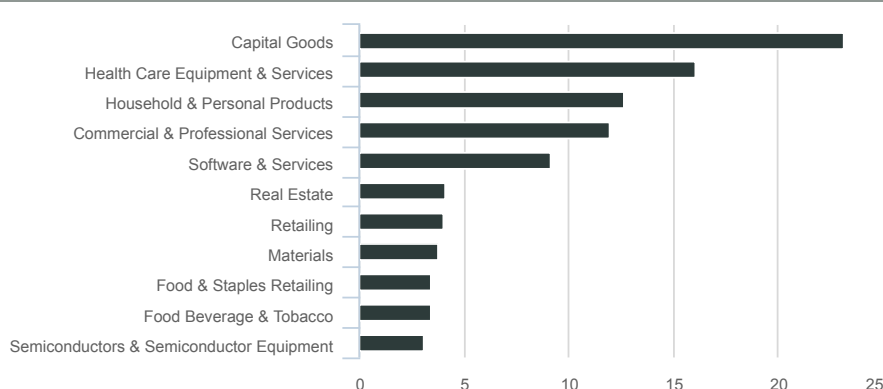
> \$25bn	11.1
\$5bn - \$25bn	56.8
\$1bn - \$5bn	32.1
< \$1bn	0.0

**Statistical Analysis^**

	Fund
Volatility (Annualised)	21.2
Sharpe Ratio	0.7
Beta	0.8

**Additional Share Class NAV & Performance**

Share Class	NAV	1 Month (%)	YTD (%)
A EUR HDG	189.12	-1.10	26.08
A JPY	19,596.48	-1.06	26.94
A USD HDG	204.22	-0.99	27.60
B EUR HDG	191.39	-1.03	26.95
B GBP	248.60	-1.85	29.98
B GBP HDG	195.18	-1.02	27.52
B JPY	20,038.39	-0.99	28.05
B USD HDG	206.49	-0.91	28.31
R EUR HDG	139.60	-1.03	27.04
R GBP	251.70	-1.86	30.76
R GBP HDG	182.55	-1.02	27.60
R GBP Dist. HDG	190.38	-1.02	27.54
R JPY	13,839.41	-0.99	28.00
R USD HDG	149.19	-0.92	28.41
R USD Dist.	118.11	-0.39	10.67
R USD Dist. HDG	156.86	-0.92	28.38

**Sector Breakdown (%)**


R USD Dist. share class relaunched on 02/10/2020.

\*\*This is the historical portfolio yield.

^Relating to JPY share class using daily data.

Source: RWC, FactSet (using GICS Sector Classifications via MSCI), Morningstar.

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