

Fund Fact Sheet

29/05/2020

Asset Class

Equities Japan, all caps

Fund Characteristics

AUM (¥)	¥ 67'913 mn
AUM (€)	€ 567,0 mn
Launch date	27/06/2011
Oldest share class (B)	LU0578148453
Turnover (2019) ¹	48%
Reference currency	JPY
Hedged share classes available in	EUR / USD / CHF
Legal structure	SICAV, UCITS
Domicile	Luxembourg
European Passport	Yes
Countries of registration	AT, BE, DK, FI, FR, DE, ES, IT, LU, NL, NO, SG, SE, CH, GB

Representative Market Index

MSCI Japan NR JPY

Fund Manager

Steve Glod joined Banque de Luxembourg's Financial Analysis and Asset Management department in 2001. Since 2011, he has been in charge of Japanese equity investments for the Bank's funds range. Between 2005 and 2010, he was co-manager of US equity investments for the Bank's funds range. Steve has a degree in Mechanical Engineering with a specialisation in business management, and a doctorate in technical sciences from the Swiss Federal Institute of Technology in Zurich (ETH Zurich). He obtained the CEFA (Certified EFFAS Financial Analyst) diploma in 2002.

Management Company

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www.bli.lu

Dealing & Administrator Details

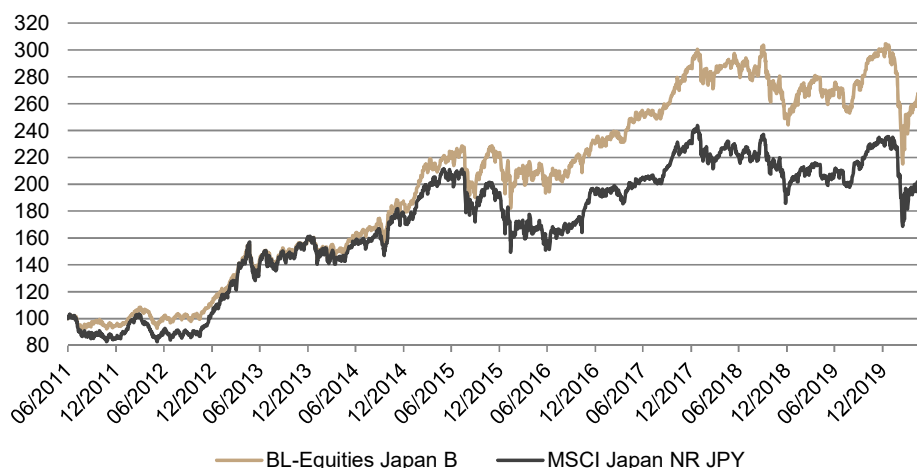
European Fund Administration (EFA)	
Tel	+352 48 48 80 582
Fax	+352 48 65 61 8002
Dealing frequency	daily**
Cut-off time	12:00 CET
Front-load fee	max. 5%
Redemption fee	none
NAV calculation	daily ²
NAV publication	www.fundinfo.com

Investment Objective

The objective of the fund is to achieve long-term capital gains and to outperform its relevant market index by investing in Japanese companies benefiting from a sustainable competitive advantage. In order to achieve this objective, the fund manager implements an active investment strategy based on strong convictions.

Key Facts

- Concentrated portfolio of Japanese companies (50-70 securities).
- Bottom-up investment approach with a focus on companies enjoying a strong competitive advantage.
- Significant deviations from its relevant market index in terms of sector and market cap allocations.
- Sound balance between export and domestic oriented companies.
- Low turnover.
- Lower volatility than the market.
- Fully invested.



Performance	YTD	2019	2018	2017	2016	2015
Fund (B shares)	-6,0%	19,6%	-12,7%	23,9%	3,4%	20,6%
MSCI Japan NR JPY	-7,9%	18,5%	-15,1%	19,7%	-0,7%	9,9%

Performance	1 month	3 months	6 months	1 year	3 years	5 years	since launch ³
Fund (B shares)	7,9%	9,0%	-4,7%	6,8%	13,2%	27,6%	184,2%
MSCI Japan NR JPY	6,7%	3,5%	-6,7%	6,2%	7,5%	1,1%	118,1%

Annualised Performance	1 year	3 years	5 years	since launch ³
Fund (B shares)	6,8%	4,2%	5,0%	12,4%
MSCI Japan NR JPY	6,2%	2,4%	0,2%	9,1%

Annualised Volatility	1 year	3 years	5 years	since launch ³
Fund (B shares)	23,9%	18,2%	18,9%	17,5%
MSCI Japan NR JPY	27,6%	20,0%	20,9%	20,1%

The market index (MSCI Japan NR) is shown in the performance chart as well as in the performance tables above for performance measurement purposes only and it should under no circumstances be considered as an indication of a specific investment style or strategy. Investors are also invited to consult the performance chart disclosed in the key investor information document of the sub-fund.

¹ min (purchases, sales) / average of net assets

² Luxembourg & Japan banking business day

³ since 28/06/2011

Current Portfolio

29/05/2020

Top Holdings

Shimano	2,9%
Secom	2,6%
Nihon M&A Center	2,6%
Kao	2,5%
Systemex	2,5%
Obic	2,5%
Ship Healthcare Holdings	2,4%
Meiji Holdings	2,4%
Santen Pharmaceutical	2,3%
Calbee	2,3%
Weight of Top 10	25,1%
Number of holdings	54

Asset Allocation

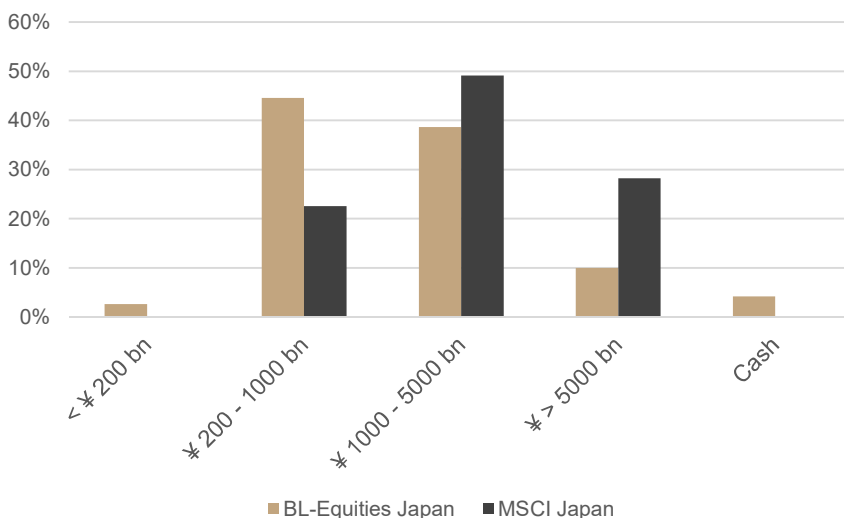
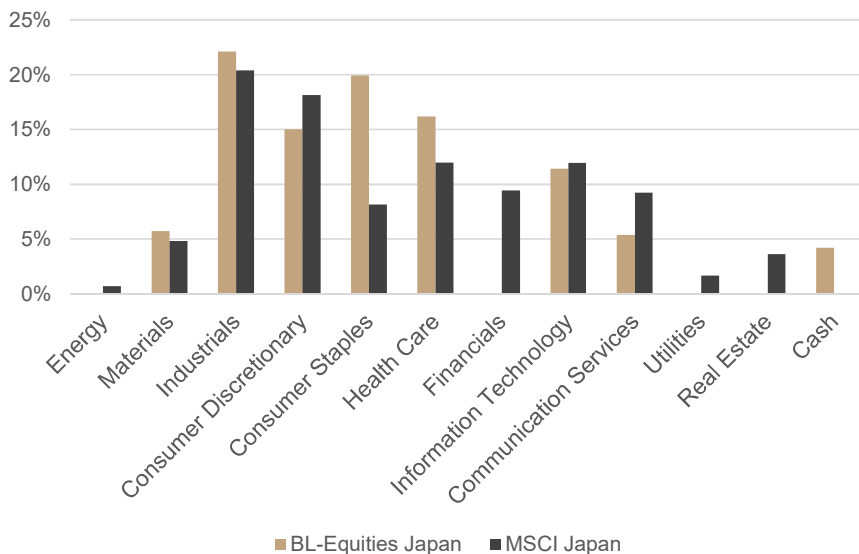
Japan	95,8%
Cash	4,2%

New Investments in May

Koito Manufacturing
NSK

Investments sold in May

Seven & I Holdings



Investor Type	Clean Share	Eligibility Restrictions	Share class	Currency	Currency Hedging	Income	Mgmt Fees	On-going Charges	SRRI	ISIN	Bloomberg Ticker
Retail	No	No	A	JPY	No	Dis	1,25%	1,45%	6	LU0578147992	BLEJPBA LX
Retail	No	No	B	JPY	No	Cap	1,25%	1,45%	6	LU0578148453	BLEJPBC LX
Retail	No	No	B EUR Hedged	EUR	Yes	Cap	1,25%	1,45%	6	LU0887931292	BLEJHAE LX
Retail	No	No	B CHF Hedged	CHF	Yes	Cap	1,25%	1,41%	6	LU1305478007	BLEJBCH LX
Retail	No	No	B USD Hedged	USD	Yes	Cap	1,25%	1,45%	6	LU1008595644	BLEJPH2 LX
Retail	Yes	Yes	AM	JPY	No	Dis	0,85%	1,04%	6	LU1484141814	BLEJBAM LX
Retail	Yes	Yes	BM	JPY	No	Cap	0,85%	1,04%	6	LU1484141905	BLEJPBM LX
Retail	Yes	Yes	BM EUR Hedged	EUR	Yes	Cap	0,85%	1,05%	6	LU1484142036	BLEJBME LX
Retail	Yes	Yes	BM CHF Hedged	CHF	Yes	Cap	0,85%	1,03%	6	LU1484142200	BLEJBMC LX
Retail	Yes	Yes	BM USD Hedged	USD	Yes	Cap	0,85%	1,04%	6	LU1484142119	BLEJBMU LX
Institutional	No	Yes	BI	JPY	No	Cap	0,60%	0,74%	6	LU0578148610	BLEQJAI LX
Institutional	No	Yes	BI EUR Hedged	EUR	Yes	Cap	0,60%	0,75%	6	LU1484142465	BLEJBIE LX
Institutional	No	Yes	BI CHF Hedged	CHF	Yes	Cap	0,60%	0,75%	6	LU1484142382	BLEJBIC LX

Management Report

29/05/2020

The Japanese market continued its rebound in tandem with global equity markets and the MSCI Japan finished the month up by 6.7%. Investor sentiment improved on hopes for gradual unlocking of the economies and on support from fiscal and monetary authorities across the globe. Corporate results publications also provided some support. Weak results were already widely anticipated and priced-in, and especially the outlook for China related activities seems to be brighter than feared by many investors. As a result, cyclical and export related sectors did well, while quality growth stocks continued their strong rebound. Companies benefiting from the perspectives of a reopening of the Japanese economy were also in demand. Towards the end of the month, battered down value stocks (deep cyclicals, commodity related companies, financials) regained some investor interest and managed to catch up some of their massive losses recorded since the start of the year

The fund also continued to rebound and the BL-Equities Japan B Cap ended the month up by 7.9%, ahead of its relevant market index. The fund benefitted from its structural exposure to quality growth stocks and quite favourable earnings season (considering the circumstances) for many of the companies held in the portfolio. The biggest contributors to performance were Shimano (bike components), Nihon M&A Center (consulting services for Japanese SMEs), Sushiro Global (sushi restaurants) and Ryohin Keikaku (retailer operating under the Muji brand). The latter two are beneficiaries of the gradual lifting of the confinement measures, while Shimano was bought on hopes for higher bicycle sales due to commuters looking to avoid public transportation and increased health awareness due to the pandemic. Among the few companies posting negative returns, one can find defensive companies from the health care and consumer sectors, as we saw some rotation from these very stable names into higher beta companies. As a result, the biggest performance detractors were Calbee (snacks), Ship Healthcare (hospital equipment and renovation) and Seven & I Holdings (convenience stores).

In terms of management transactions, Seven & I was sold in anticipation of stricter ESG criteria for the fund, due to its exposure to the sale of tobacco products. On the other hand we reintroduced NSK in the portfolio and took a position in Koito Manufacturing. Both of these companies were bought in the Established Value category and can be classified as cyclical value names. While we are not market timers and have no view on a potential continuation of the recent rally on value stocks, we have the impression that normalized valuation in some of these more cyclical industrial companies are attractive, while for our preferred types of companies, namely quality growth companies in the health and consumer sector, valuations are quite stretched. In these circumstances, and with the outlook for improving news flow on the virus situation, it makes sense to gradually raise the exposure to more cyclical names, without compromising on quality.

Both NSK and Koito are innovative companies with leading positions in their respective fields and generate high profitability over a whole business cycle. NSK supplies car components (power steering, power steering columns, electrical accessories and bearings) and is one of the world's leading bearing manufacturers. Koito Manufacturing is the world's largest manufacturer of automotive headlamps, with strong technological capabilities in the growing space of LED headlamps. While both of these companies are heavily exposed to the automotive sector, they are less vulnerable to the fundamental changes that this industry will be facing in future (electric vehicles, autonomous driving) than other automotive equipment companies.

Investment Approach

Investment Principles

Master Investment Risks

Risks arise when the parameters of an investment are not properly understood.

Focus on an entire business cycle

Only over the long term stock markets reflect underlying economic fundamentals

Focus on quality

We invest in companies enjoying a sustainable competitive advantage.

Focus on valuation

The price paid for an investment determines its potential return.

Focus on active management

Portfolio structure deviates significantly from its relevant market index .

Equity Investment Approach: Business-Like Investing

Rationale

We consider an equity investment as a long-term participation in a quality business. Our focus is on companies enjoying a tangible and sustainable competitive advantage ensuring high levels of profitability and strong free cash-flow generation.

Quality

In the first step of our investment process, we perform an in-depth review of the targeted company's business model in order to identify its tangible competitive advantage. A competitive advantage makes it stand out and creates barriers to entry for competitors.

In the second step we analyse whether the competitive advantage translates into high profitability and high levels of free cash-flow. We put a special emphasis on the analysis of the maintenance capex requirements of the targeted companies to make sure that the generated cash-flow is not absorbed by high investment needs to sustain its current business operations.

In the third step, we analyse how the company uses its capital. Company management faces the following options: investment in current business activities, development of new activities, takeovers, dividend payments, stock buybacks or debt repayments. It is important that the company reinvests its cash flow in activities that offer a similar or better return potential than its current businesses.

Valuation

Even investments in quality companies may lead to significant capital losses if the price paid for the investment is too high. To avoid this pitfall, we derive a fair value for each targeted company prior to investing. This fair value is based on the company's normalised free cash-flow and serves as reference point for our buy and sell discipline.

We only initiate a position if the company's stock price offers a discount against its fair value.

Portfolio characteristics

BL-Equities Japan's investment portfolio consists of 40 to 60 stocks that meet our quality and valuation criteria.

Investments are concentrated in defensive sectors, such as health care or consumer goods as well as sectors in which Japanese companies benefit from significant competitive advantages (industrials, materials, technology). On the other hand there are sectors like financials, utilities or telecom where we find few - if any - companies that meet our criteria.

The portfolio of BL-Equities Japan tends to be geared towards mid-sized companies. In this market segment we find many candidates benefiting from competitive advantages in market niches. The large cap market segment of the Japanese stock market tends to be dominated by large industrial conglomerates, financial holdings and automobile companies that do not comply with our investment criteria.

While the portfolio structure (by sectors, market cap, ...) is purely the outcome of individual investment decisions, we differentiate between export-oriented and domestic companies. Since these two types of companies are influenced by different external factors, their market reactions also tend to be very different. In order to master the volatility level of the fund, we make sure to have a sound balance between the two types of companies.

We are convinced that our strategy to limit our investments to quality companies benefiting from a strong competitive advantage results in a superior risk - return profile compared to the benchmark over an entire market cycle.

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