

Fund Fact Sheet

29/10/2021

Asset Class

Equities Japan, all caps

Fund Characteristics

| | |
|-----------------------------------|--|
| AUM (¥) | ¥ 100'836 mn |
| AUM (€) | € 765,2 mn |
| Launch date | 27/06/2011 |
| Oldest share class (B) | LU0578148453 |
| Turnover (2020) ¹ | 55% |
| 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, CH, DE, DK, ES, FI, FR, GB, IT, LU, NL, NO, SE, SG, PT |

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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Dealing & Administrator Details

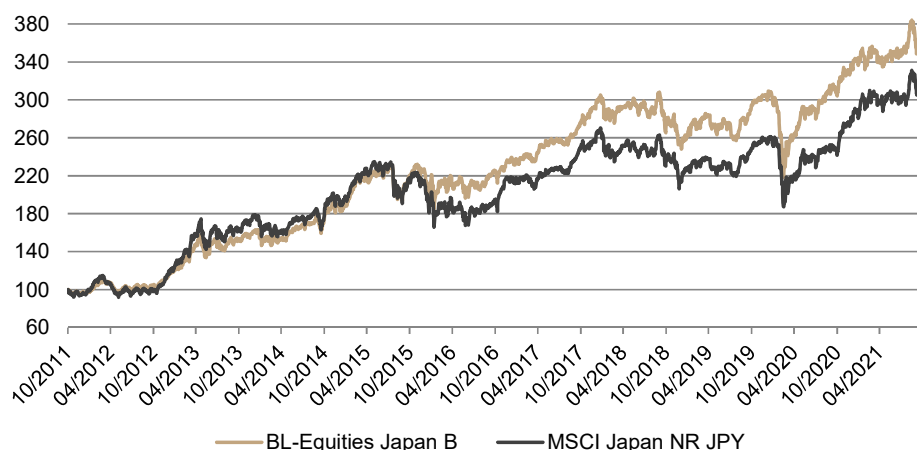
| | |
|------------------------------------|--------------------|
| European Fund Administration (EFA) | |
| Tel | +352 48 48 80 582 |
| Fax | +352 48 65 61 8002 |
| Dealing frequency | daily** |
| Cut-off time | 12:00 CET |
| Front-load fee | max. 5% |
| Redemption fee | none |
| NAV calculation | daily 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 (40-60 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 | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------------|-------|-------|-------|--------|-------|-------|
| Fund (B shares) | 7,0% | 10,3% | 19,6% | -12,7% | 23,9% | 3,4% |
| MSCI Japan NR JPY | 13,0% | 8,8% | 18,5% | -15,1% | 19,7% | -0,7% |

| Performance | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | since launch ³ |
|-------------------|---------|----------|----------|--------|---------|---------|---------------------------|
| Fund (B shares) | -1,4% | 3,6% | 5,8% | 17,8% | 30,2% | 59,3% | 256,9% |
| MSCI Japan NR JPY | -1,2% | 6,3% | 6,7% | 30,8% | 32,7% | 61,8% | 191,1% |

| Annualised Performance | 1 year | 3 years | 5 years | since launch ³ |
|------------------------|--------|---------|---------|---------------------------|
| Fund (B shares) | 17,8% | 9,2% | 9,7% | 13,1% |
| MSCI Japan NR JPY | 30,8% | 9,9% | 10,1% | 10,9% |

| Annualised Volatility | 1 year | 3 years | 5 years | since launch ³ |
|-----------------------|--------|---------|---------|---------------------------|
| Fund (B shares) | 13,7% | 17,9% | 16,3% | 17,0% |
| MSCI Japan NR JPY | 15,1% | 20,3% | 18,1% | 19,6% |

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

29/10/2021

Top Holdings

| | |
|---------------------------|--------------|
| Nichirei Corp | 2,9% |
| Asahi Intecc | 2,8% |
| Shin-Etsu Chemical | 2,8% |
| Komatsu | 2,7% |
| Obic | 2,7% |
| Shimano | 2,7% |
| Secom | 2,6% |
| Kao | 2,6% |
| Nabtesco | 2,4% |
| Disco | 2,3% |
| Weight of Top 10 | 26,5% |
| Number of holdings | 52 |

Asset Allocation

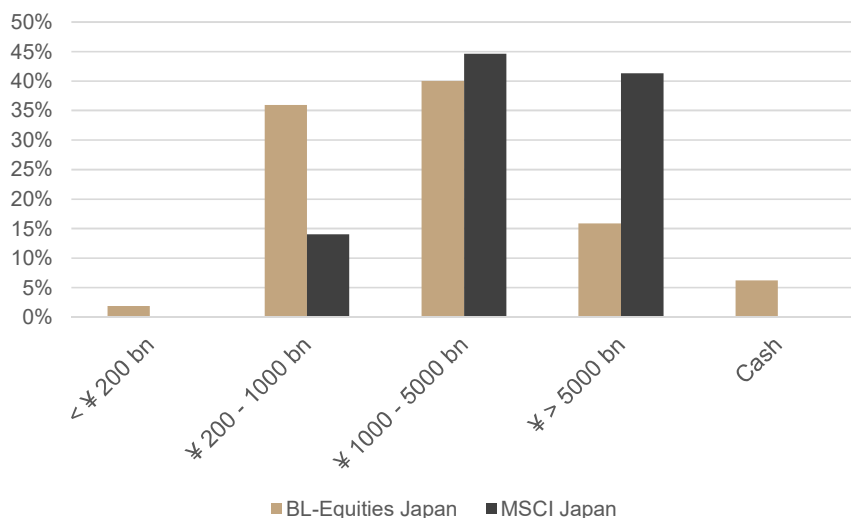
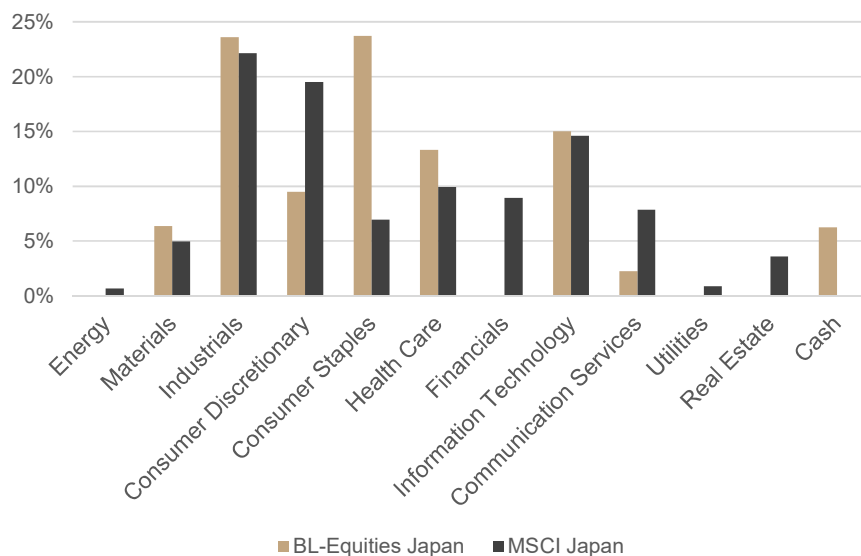
| | |
|-------|-------|
| Japan | 93,8% |
| Cash | 6,2% |

New Investments in October

THK

Investments sold in October

Koito Manufacturing



| 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% | 1,43% | 5 | LU0578147992 | BLEJPBA LX |
| Retail | No | No | B | JPY | No | Cap | 1,25% | 1,43% | 5 | LU0578148453 | BLEJPBC LX |
| Retail | No | No | B EUR Hedged | EUR | Yes | Cap | 1,25% | 1,42% | 5 | LU0887931292 | BLEJHAE LX |
| Retail | No | No | B CHF Hedged | CHF | Yes | Cap | 1,25% | 1,43% | 5 | LU1305478007 | BLEJBCH LX |
| Retail | No | No | B USD Hedged | USD | Yes | Cap | 1,25% | 1,44% | 5 | LU1008595644 | BLEJPH2 LX |
| Retail | Yes | Yes | AM | JPY | No | Dis | 0,85% | 1,03% | 5 | LU1484141814 | BLEJBAM LX |
| Retail | Yes | Yes | BM | JPY | No | Cap | 0,85% | 1,03% | 5 | LU1484141905 | BLEJPBM LX |
| Retail | Yes | Yes | BM EUR Hedged | EUR | Yes | Cap | 0,85% | 1,00% | 5 | LU1484142036 | BLEJBME LX |
| Retail | Yes | Yes | BM CHF Hedged | CHF | Yes | Cap | 0,85% | 1,02% | 5 | LU1484142200 | BLEJBMC LX |
| Retail | Yes | Yes | BM USD Hedged | USD | Yes | Cap | 0,85% | 1,03% | 5 | LU1484142119 | BLEJBMU LX |
| Institutional | No | Yes | BI | JPY | No | Cap | 0,60% | 0,74% | 5 | LU0578148610 | BLEQJAI LX |
| Institutional | No | Yes | BI EUR Hedged | EUR | Yes | Cap | 0,60% | 0,74% | 5 | LU1484142465 | BLEJBIE LX |
| Institutional | No | Yes | BI CHF Hedged | CHF | Yes | Cap | 0,60% | 0,74% | 5 | LU1484142382 | BLEJBIC LX |

Management Report

29/10/2021

During the month, the BL-Equities Japan (retail share class B Cap in JPY) returned -1.4%, while the MSCI Japan NR returned -1.2%. The market trended lower during the first week of the month on rising oil and energy prices, inflation concerns, rising global rates and signs of slowdown in China. It then started to recover with investors being motivated by the weak Yen, a more optimistic stance towards the semi-conductor sector, the fading pandemic and high expectations for the coming earnings season. The best performing sectors were the ones related to commodities and metals, while oil consumers and some domestic sectors were lagging. Individual stock price performance was heavily impacted by the start of the earnings season, as it was the case for the three major contributors to performance this month, Komatsu, Sansan and Shin-Etsu Chemical. All three companies posted results that were better than expected. The three major performance detractors were Nabtesco, Murata Manufacturing and Makita, who suffered from profit taking after their results fell short of expectations. We will go into more detail about the earnings season in next month's report.

In terms of portfolio management, the position in Koito Manufacturing, a holding in the "Established Value" category, was sold. The outlook for the company has not improved as much as for other industrial companies, while at the same time the stock price has appreciated to levels close to our target price. On the other hand, industrial company THK was reintroduced into the portfolio.

THK is the global leader for linear motion systems for industrial applications. Linear motion guideways allow to convert sliding motion into rolling motion by using elements such as rolling balls, which helps to minimize frictional resistance and increase energy efficiency. Its products are used in industrial automation processes and for mechanical and electronic equipment, including auto components, robots, machine tools, and semiconductor equipment. THK's strong intangible assets, technology know-how and network are key to its dominant global market share of over 50% (around 70% in Japan), more than twice that of Hiwin, its major competitor. The market can be best described as a "competitive oligopoly", with a limited number of players, all in the business for more than 30 years. Since becoming the first company in the world to develop an LM guide system based on rolling bearings in 1972, THK has kept its technological lead in this field, even though the technological gap between the main companies has narrowed over time. Technological barriers for new entrants are reasonably high, as the manufacturing process is very machining-intense and requires deep knowledge of high-precision machining and assembly as well as deep pockets to sustain a high level of capex. Through its global production network and the use of local production plants, THK remains very competitive in terms of cost control and pricing, while its position as volume leader also leads to economies of scale.

THK is trading with a significant discount to our intrinsic value. While the company faces issues in terms of volatile and slow demand from the automotive sector, as well as pressure on input costs, it remains exposed to some very attractive end markets like semi-conductors or factory automation. It is an interesting quality play on a cyclical recovery, without trading at the same lofty valuations than other industry actors. Although challenged, THK remains the leader in an area that provides attractive growth opportunities. The company aims to expand its business domains by expanding its geographical range through full-scale globalization and by broadening the range of its product applications through the development of new business areas. The biggest challenges are related to its ability to unlock more recurrent and less cyclical revenue streams and potential market share losses going forward. Fiercer competition arising from Hiwin (both on product quality and prices) and to a lesser extent from other peers, represent potential threats for THK's business in Asia.

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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