

# JK Japan Fund

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December 2022

The Fund fell -5.45% in December, (Yen Class, Net of Fees, performance data below).

### Overview

Global equity markets mostly fell back in December, as fears of recession grew. The S&P 500 fell -6% in the month, with Topix -5%, and Nikkei 225 -7%. Notable exceptions were HK and China as they move away from their zero covid policy. The Hang Seng was up +6% in the month and the MSCI China Index was up +5%. In addition to China opening, there seems to be a distinct warming of relations between China and the US. This will be bumpy for sure, but it appears that finally Asia including Japan is getting going again.

The big news for Japan occurred on December 20th, when the Bank of Japan (BoJ) shocked markets by doubling its cap on the 10-year JGB, allowing it to rise from 0.25% to 0.5%. This caused the Yen to rally sharply from 137 to 130 vs USD, continuing its rise from the recent low of 150 in October.

Most of the world will have been busy with Christmas/holiday preparations, but we view this as a major turning point for Japanese interest rates. If you are driving one way down the motorway/autoroute (and have been for many years) but pull off at the roundabout and head in the opposite direction, however slowly you are travelling, the direction of travel has changed by 180 degrees.

Whilst this move appears small, this looks like a real surprise (in terms of timing) and a major shift in policy. We know the BoJ was concerned by the deteriorating functioning of the JGB market and we believe they were concerned about another rerun of the Yen weakness we saw in Q3 as other Central Banks were tightening. Although inflation has been relatively muted in Japan, it did hit +3.7% for November (CPI Nationwide Ex Fresh Food), which was a four-decade high.

Our conversations with companies lead us to believe that they will be more amenable to wage rises in 1H, thereby supporting this inflationary trend.

Why is this important for Japanese equities?

- This will very likely mean that local pension funds will need to sell JGB's and perhaps buy Japanese Equities
- Japanese institutions and individuals have very large overseas asset holdings and will likely repatriate some as the Yen appears to have bottomed and hedging costs are rising, particularly as the fiscal year approaches at the end of March
- Foreigners have been net sellers of Japanese equities for the last 3 years, and weightings to Japan are therefore low, whilst Domestic investors have been net buyers for the last 2 years.

## JK Japan Fund

The Fund fell -5.45% in December (Net). As a result of the BoJ action, Banks were very strong. Notable strong performances of our stocks during the month came from MUFG +18%, SMFG +13%, and also Shiseido +12%.

Manufacturing and Semicon stocks were generally weak and there are still some supply chain issues for companies like Toyota, although these constraints appear to be improving now.

The Fund **bought** Kawasaki Heavy Industries (7012), IHI Corp (7013), and Resona Holdings (8308). The Fund **increased** Sumitomo Mitsui Financial Group (8316), Tokio Marine Holdings (8766), and Japan Tobacco (2914).

The Fund **sold** Aisin Corp (7259), Ibiden (4062), GMO Payment Gateway (3769), JMDC (4483), Nidec Corp (6594), Fujitsu (6702) and Shiseido (4911). The Fund **Reduced** M3 Inc (2413), and Terumo (4543).

***JK Japan Fund** is a daily dealing UCITS fund. It can be held by ISA's, SIPP's, Pensions, Charities, Family Offices, Endowments, as a direct holding or through a Private Wealth Manager. All classes have UK Reporting Status.*

Top 5 Winners in month	% Contribution	Bottom 5 in month	% Contribution
MITSUBISHI UFJ FINANCIAL	0.9	TOYOTA MOTOR CORP	-0.4
SUMITOMO MITSUI FINANCIAL	0.5	SONY GROUP CORP	-0.3
SHISEIDO CO LTD	0.1	M3 INC	-0.3
RESONA HOLDINGS INC	0.0	KEYENCE CORP	-0.3
GOLDWIN INC	0.0	JMDC INC	-0.3

NAV as at 31-Dec-22	
YEN class	14,301.70
GBP class	144.11
USD class	146.95
Euro Class	114.08
GBP (Unhedged)	96.63

Source: Apex Fund Services (Ireland) Ltd.

For more information on the Fund, please see [www.jkim.co.uk](http://www.jkim.co.uk)

**Administrator for JK Japan Fund (Orders by Noon, Dublin time Daily)**

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Historic performance is not a guide to future returns.

<b>Yen Class (%) ISIN IE00BJBY7C47</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2022</b>	-8.82	+0.02	+6.20	-4.69	+1.22	-5.90	+4.18	0.40	-6.60	+5.41	+2.75	-5.45	<b>-12.05</b>
<b>2021</b>	-0.84	+0.07	+4.41	-0.48	+1.99	+2.70	-2.02	+4.55	+3.58	-0.29	-1.93	+2.10	<b>+14.40</b>
<b>2020</b>			-1.90*	+7.29	+7.23	+2.46	-0.05	+4.34	+2.58	-1.31	+14.42	+1.74	<b>+42.13</b>

\*Yen Class started on 03-Mar-20 Source: Apex Fund Services (Ireland) Ltd

<b>GBP Class (%) ISIN IE00BJBY7B30</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2022</b>	-8.83	+0.08	+6.24	-4.58	+1.21	-5.92	+4.28	0.52	-6.64	+5.64	+3.10	-5.24	<b>-11.04</b>
<b>2021</b>	-0.83	+0.07	+4.47	-0.42	+1.89	+2.74	-1.98	+4.49	+3.60	-0.35	-1.95	+2.02	<b>+14.33</b>
<b>2020</b>			-2.16*	+7.28	+7.15	+2.58	-0.03	+4.31	+2.59	-1.32	+14.37	+1.74	<b>+41.69*</b>

\*GBP Class started on 03-Mar-20 Source: Apex Fund Services (Ireland) Ltd

<b>USD Class (%) ISIN IE00BJBY7911</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2022</b>	-8.78	+0.06	+6.20	-4.64	+1.25	-5.90	+4.47	0.43	-6.32	+5.61	+3.34	-5.05	<b>-10.31</b>
<b>2021</b>	-0.79	+0.09	+4.49	-0.39	+1.99	+2.70	-1.97	+4.55	+3.58	-0.26	-1.94	+2.21	<b>+14.92</b>
<b>2020</b>			-2.02*	+7.44	+7.21	+2.56	-0.03	+4.35	+2.62	-1.29	+14.40	+1.84	<b>+42.57*</b>

\*USD Class started on 03-Mar-20 Source: Apex Fund Services (Ireland) Ltd

<b>EUR Class (%) ISIN IE00BJBY7D53</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2022</b>	-8.92	+0.00	+6.00	-4.74	+1.06	-6.01	+4.30	0.30	-6.49	+5.81	+2.95	-5.38	<b>-11.93</b>
<b>2021</b>	-0.81	+0.01	+4.38	-0.51	+1.91	+2.69	-2.03	+4.50	+3.52	-0.34	-1.89	+2.05	<b>+14.01</b>
<b>2020</b>										-2.26*	+14.29	+1.71	<b>+13.62*</b>

\*EUR Class started on 28-Oct-20 Source: Apex Fund Services (Ireland) Ltd

<b>GBP (Unhedged) Class (%) ISIN IE00BMY4TW65</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2022</b>	-8.28	+0.34	+2.48	-6.58	+1.84	-7.67	+6.09	0.89	-6.71	-0.05	+5.29	-0.68	<b>-13.55</b>
<b>2021</b>	-2.47	-3.22	+1.53	+0.53	-1.08	+4.08	-1.26	+5.38	+4.50	-4.18	+1.68	-1.32	<b>+3.70</b>
<b>2020</b>										-3.69*	+11.72	+0.17	<b>+7.78*</b>

\*GBP (Unhedged) Class started on 14-Oct-20 Source: Apex Fund Services (Ireland) Ltd

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