

JK Japan Fund

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June 2022

The Fund fell -5.90% in June, (Yen Class, Net of Fees, performance data below).

Overview

Post the very sad news of the assassination of former PM Shinzo Abe, last Friday, the LDP and its coalition partner Komeito won a strong 76 seats in Sunday's Upper house election. This was well above the 56 seats they needed to retain their majority and the 69 seats they needed to increase their size in the body. This also opens the way for a "golden three years" in which PM Kishida need not face another national election. He has said his top priority after the vote would be reviving the economy. A record 35 women were elected this time, compared with 28 in the last upper house election.

Soaring energy prices and the threat of power shortages during a recent heatwave have boosted expectations the government will restart some of the dozens of nuclear reactors idled after the 2011 Fukushima nuclear disaster. Japan gets most of its primary energy needs from crude oil, while liquefied natural gas (LNG) accounts for more than a third of its electricity production. LNG supply has been complicated by Russia's invasion of Ukraine. Only 10 of Japan's nuclear reactors are operational, compared with 54 before 2011. Kishida has said Japan must make "better use" of nuclear energy. Last month, he said Japan would make the "greatest possible" use of nuclear power as long as safety was secured.

The search for the next Bank of Japan (BOJ) governor is likely to intensify, now the election is over. The incumbent, Haruhiko Kuroda, will end his second five-year term in April. Kishida's choice is likely to determine whether the bank will stay on a dovish course or change tack after years of ultra-easy policy that has now weighed on the yen and drawn fire from the public as prices rise. Two people seen as top candidates are incumbent deputy governor Masayoshi Amamiya, who masterminded many of the BOJ's stimulus measures, and former deputy governor, Hiroshi Nakaso, who has hinted the bank's near-term focus should be on ending Kuroda's stimulus. The latter, if appointed, would have significant implications for both the Yen and the JGB market.

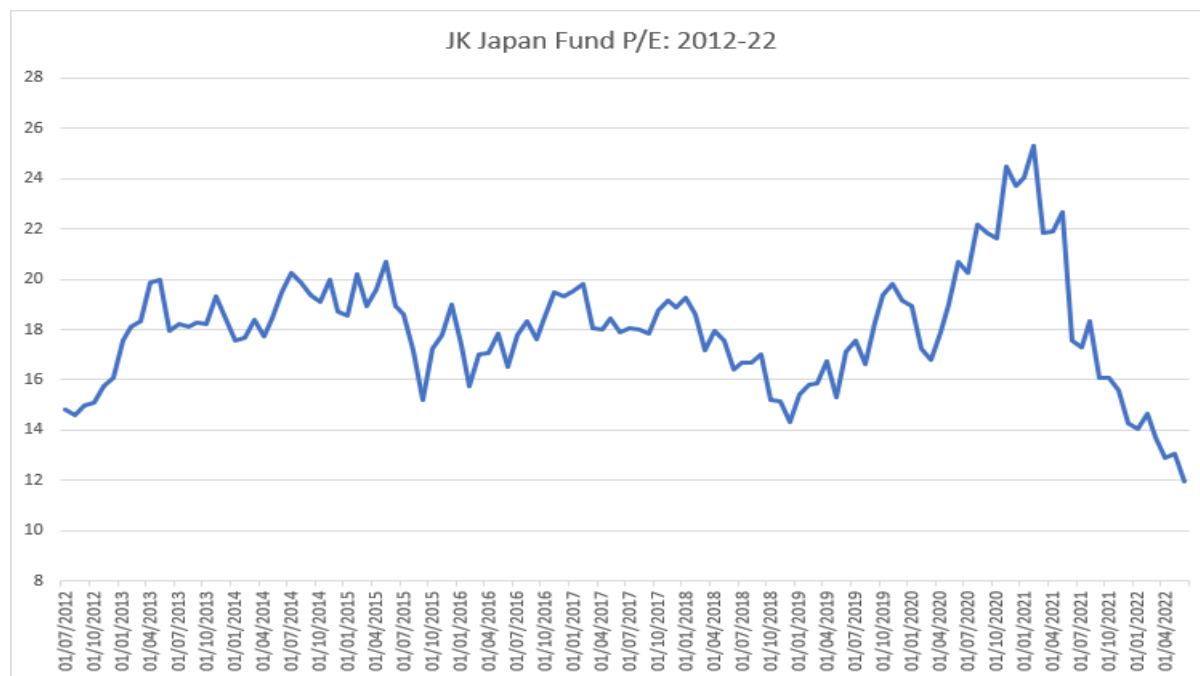
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During June, the Fund sold Inpex (1605), Screen Holdings (7735), and reduced Hoya (7741) and Nippon Yusen (9101). The Fund bought Tokio Marine Holdings (8766), and added to Toyota (7203), NTT (432) and MUFJ Group (8306). Over the last few months, the Fund has significantly reduced its commodity, SPE and cyclical exposures, focusing instead on businesses with resilient and forecastable earnings (e.g. NTT, Toyota). Recent high frequency economic data globally indicates the potential for a sharp slowdown in our view over the next twelve months. This is not discounted in equity markets.

Earnings season gets underway in Japan now for Q1 to 30th June and it will be interesting to see how earnings have been affected by rising commodity and energy prices, balanced in many cases by help from the weaker Yen. Asia in general is still being affected by stricter lockdowns and inward bound foreigner visitors to Japan are still down around 90% from pre-covid levels. Earnings for the Fund as a whole are expected to increase +6.3% for FY22 (Next Fiscal Year) and around 75% of the stocks are

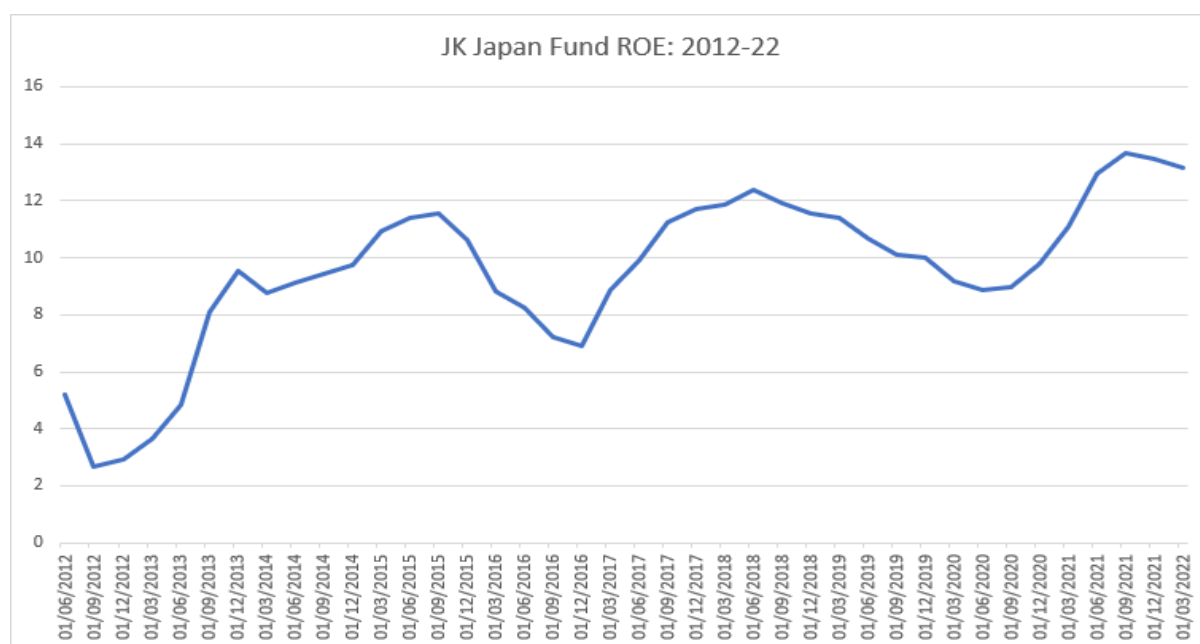
expecting EPS to increase. Taking those companies with positive EPS growth expectations (30 stocks) EPS is expected to grow an average of +15.6%. Across the Fund, falling EPS is only expected in Banks (often categorised as value stocks) and commodities (Source: Bloomberg).

Whilst the outlook surrounding inflation, interest rates (excl. Japan), energy prices etc remains uncertain, valuations of the stocks in our fund look compelling for the medium-term investor. The PER of the Fund is 12x and that is the lowest PER that this group has traded on in the last 10 years.



Source: Bloomberg, JKIM

The Fund contains companies, which for the most part have strong balance sheets, robust cashflow generation and critically do not need to finance. The ROE of the Fund is around 13%, the highest it has been for 10 years.



Source: Bloomberg, JKIM

Top 5 Winners in month	% Contribution	Top 5 Losers in month	% Contribution
JMDC INC	0.13	TOKYO ELECTRON LTD	-0.68
DAIKIN INDUSTRIES LTD	0.09	SCREEN HOLDINGS CO LTD	-0.61
M3 INC	0.08	HOYA CORP	-0.52
NINTENDO CO LTD	0.08	SHIN-ETSU CHEMICAL CO LTD	-0.40
SMFG	0.07	KONAMI GROUP CORP	-0.36

NAV as at 30-Jun-22	
YEN class	14,296.02
GBP class	142.68
USD class	144.29
Euro Class	113.15
GBP (Unhedged)	92.59

Source: Apex Fund Services (Ireland) Ltd.

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.

For more information on the Fund, please see www.jkim.co.uk

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Historic performance is not a guide to future returns.

Yen Class (%) ISIN IE00BJBY7C47													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-8.82	+0.02	+6.20	-4.69	+1.22	-5.90							-12.08
2021	-0.84	+0.07	+4.41	-0.48	+1.99	+2.70	-2.02	+4.55	+3.58	-0.29	-1.93	+2.10	+14.40
2020			-1.90*	+7.29	+7.23	+2.46	-0.05	+4.34	+2.58	-1.31	+14.42	+1.74	+42.13

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

GBP Class (%) ISIN IE00BJBY7B30													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-8.83	+0.08	+6.24	-4.58	+1.21	-5.92							-11.92
2021	-0.83	+0.07	+4.47	-0.42	+1.89	+2.74	-1.98	+4.49	+3.60	-0.35	-1.95	+2.02	+14.33
2020			-2.16*	+7.28	+7.15	+2.58	-0.03	+4.31	+2.59	-1.32	+14.37	+1.74	+41.69*

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

USD Class (%) ISIN IE00BJBY7911													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-8.78	+0.06	+6.20	-4.64	+1.25	-5.90							-11.93
2021	-0.79	+0.09	+4.49	-0.39	+1.99	+2.70	-1.97	+4.55	+3.58	-0.26	-1.94	+2.21	+14.92
2020			-2.02*	+7.44	+7.21	+2.56	-0.03	+4.35	+2.62	-1.29	+14.40	+1.84	+42.57*

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

EUR Class (%) ISIN IE00BJBY7D53													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-8.92	+0.00	+6.00	-4.74	+1.06	-6.01							-12.65
2021	-0.81	+0.01	+4.38	-0.51	+1.91	+2.69	-2.03	+4.50	+3.52	-0.34	-1.89	+2.05	+14.01
2020										-2.26*	+14.29	+1.71	+13.62*

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

GBP (Unhedged) Class (%) ISIN IE00BMY4TW65													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-8.28	+0.34	+2.48	-6.58	+1.84	-7.67							-17.16
2021	-2.47	-3.22	+1.53	+0.53	-1.08	+4.08	-1.26	+5.38	+4.50	-4.18	+1.68	-1.32	+3.70
2020										-3.69*	+11.72	+0.17	+7.78*

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

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