

JK Japan Fund

September 2022

The Fund fell -6.60% in September, (Yen Class, Net of Fees, performance data below).

Overview

September was a bad month for financial assets. Equities were led down by the S&P -9.34% and Topix was down -6.48%.

The Bank of Japan and Currency intervention

The Ministry of Finance disclosed last Friday that it spent 2.84 trillion yen (\$19.7 billion) in September to slow the yen's slide in its first intervention to support the currency since 1998. Some private analysts had estimated the intervention at up to 3.6 trillion yen (Source: Bloomberg).

The Bank of Japan (BOJ) has two new members on its Board as of September. Hajime Takata and Naoki Tamura have joined and there is beginning to be talk of a possible change in direction for Japanese interest rates. This is not likely to happen in the short term as Governor Kuroda is not due to retire until April 2023, however, Japan's key inflation gauge rose 2.8% in August, the highest level in 31 years outside tax-hike years, and is expected to gain further in coming months to move above the BOJ's 2% target.

Japan Capex steepest growth YoY since 1973

A combination of a surveys by the Nikkei (June) and the Tankan (Oct) are suggesting that big firms in Japan expect to increase their capital expenditure by around 25% in the current fiscal year to 3/23. If this occurred it would be steepest YoY increase for 50 years. Some of this is a catch-up post Covid, but it is being driven by a growing interest in decarbonisation, and growing demand for electric vehicles, as well as the global shortage of semiconductors.

Japan finally opens up

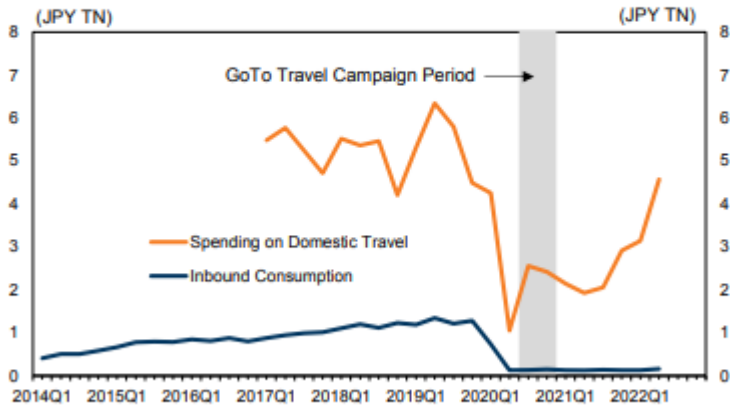
The government had announced its plans to ease the country's COVID-19 border measures on Oct. 11 by scrapping the daily cap on arrivals from abroad, accepting independent tourists and waiving visa requirements for short-term stays. And on September 26, the Japan Tourism Agency announced that the "Nationwide travel support program" to stimulate domestic tourism would also be implemented from Oct 11th to late December (Tokyo is scheduled to begin on October 20) (Source Goldman Sachs).

Under the program, discounts of up to 8,000 yen per night per person will be available for package tours with public transportation on weekdays. The discount will be reduced to 5,000 yen for accommodation only.

In addition, coupons worth 3,000 yen for weekdays and 1,000 yen for weekends will be given for use at local restaurants and other places.

"We want people to enjoy traveling long distance and on weekdays while taking basic measures against infection such as wearing a mask," Saito told a press conference.

Exhibit 1: Expecting Domestic Travel and Inbound Consumption to Rise Sharply Going Forward



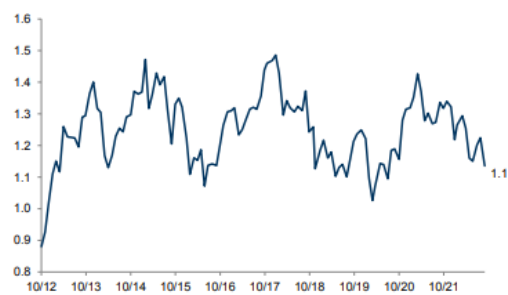
Valuations look attractive in absolute and relative terms

Exhibit 8: TOPIX 12-month forward P/E
Consensus



Source: I/B/E/S, FactSet, Goldman Sachs Global Investment Research

Exhibit 9: TOPIX P/B
Actual



Source: Toyo Keizai, FactSet, Goldman Sachs Global Investment Research

Source: Goldman Sachs

Still cheaper

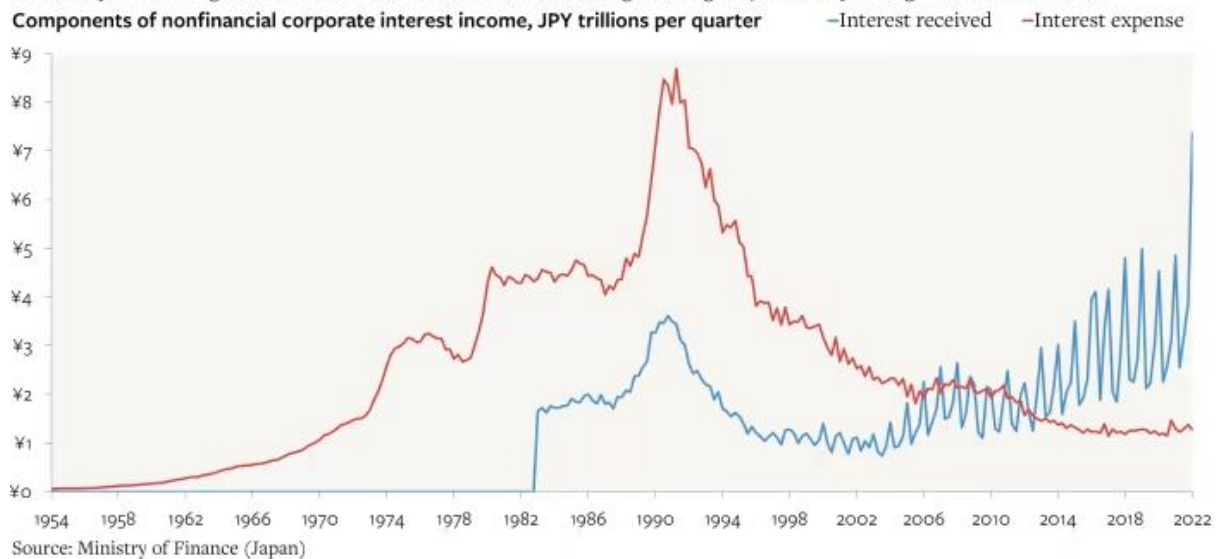
Enterprise value/Earnings before interest, taxation, depreciation and amortisation



Source: Bloomberg, FT

Interesting Balance Sheet Dynamics

Japanese nonfinancial companies have amassed such a large net cash position, including cash held outside of Japan, that the combination of a weak yen and rising interest rates in the rest of the world is leading to a surge in profitability through net interest income.



JK Japan Fund

During September, the only change in the Fund was that we bought Japan Tobacco (2914). We expect earnings in aggregate to be up in Q2 for our portfolio, despite the headwinds.

Buy backs are strong in Japan and more are expected.

Below is a selection of buy backs in the JK Japan Fund stocks announced so far.

| | Announcement Date | Latest End Date | Max # shares | % of Outstanding |
|------------------|-------------------|-----------------|--------------|------------------|
| Nippon Telegraph | 12/05/2022 | 31/03/2023 | 110,000,000 | 3.0% |
| Fujitsu | 28/04/2022 | 31/03/2023 | 12,000,000 | 4.2% |
| Mitsubishi UFJ | 16/05/2022 | 11/11/2022 | 600,000,000 | 3.1% |
| Terumo | 12/05/2022 | 30/12/2022 | 15,000,000 | 1.5% |
| Shin-Etsu | 27/07/2022 | 30/12/2022 | 9,000,000 | 1.4% |
| Sony | 10/05/2022 | 10/05/2023 | 25,000,000 | 1.4% |
| Hoya | 06/05/2022 | 20/07/2022 | 5,000,000 | 1.1% |
| | 04/08/2022 | 20/10/2022 | 5,200,000 | 1.1% |
| Murata | 28/04/2022 | 31/10/2022 | 16,000,000 | 1.5% |
| SMFG | 12/11/2021 | 11/11/2022 | 33,000,000 | 1.8% |
| Toyota | 11/05/2022 | 30/09/2022 | 140,000,000 | 0.6% |
| Tokio Marine | 20/05/2022 | 22/09/2022 | 12,500,000 | 1.0% |
| Nidec | 21/04/2022 | 24/01/2023 | 5,500,000 | 0.8% |

Sysmex (6969)

- Sysmex are expecting sales to grow and made the following announcement
- *“Sysmex launches the UF-1500 Fully Automated Urine Particle Analyzer (UF-1500), a new product for use in urine sediment testing. The UF-1500 inherits the high levels of functionality and usability of the UF-5000 Fully Automated Urine Particle Analyzer (UF-5000),¹ our flagship model in urine sediment testing, while achieving a downsizing of the former model. By expanding the product line up, we will deliver a wider range of solutions tailored to the customer’s environment and contribute to the streamlining and standardization of urine testing at small and medium-sized facilities.”*

Nintendo (7974)

- Stock split 10 for 1

Tokio Marine Holdings (8766)

- Stock split 3 for 1

JMDC (4483) – (Medical data statistics company)

- JMDC fell -29% during the month due to announcing it is raising up to Yen 32 billion in an overseas offering as well as a private placement to its largest shareholder Omron (6634), who is increasing its holding from the current 33%. At the time of writing the stock is at Yen 5160. Nomura published a “Buy” report on JMDC on 28th September with a target price of Yen 10,600 (+100%), based on their DCF model (Discounted Cash Flow).

| Top 5 Winners in month | % Contribution | Top 5 Losers in month | % Contribution |
|---------------------------|----------------|-----------------------------|----------------|
| NIPPON TELEGH & TELEPH | 0.25 | TOYOTA MOTOR CORP | -0.62 |
| NINTENDO CO LTD | 0.08 | SONY GROUP CORP | -0.51 |
| MODEC INC | 0.03 | MAKITA CORP | -0.37 |
| TOKIO MARINE HOLDINGS INC | 0.02 | JMDC INC | -0.37 |
| CHUGAI PHARMACEUTICAL | 0.01 | mitsubishi UFJ FINANCIAL GR | -0.36 |

| NAV as at 30-Sep-22 | |
|---------------------|-----------|
| YEN class | 13,965.66 |
| GBP class | 139.63 |
| USD class | 141.82 |
| Euro Class | 110.68 |
| GBP (Unhedged) | 92.45 |

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

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

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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 | +4.18 | 0.40 | -6.60 | | | | -14.11 |
| 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 | +4.28 | 0.52 | -6.64 | | | | -13.80 |
| 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 | +4.47 | 0.43 | -6.32 | | | | -13.44 |
| 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 | +4.30 | 0.30 | -6.49 | | | | -14.56 |
| 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 | +6.09 | 0.89 | -6.71 | | | | -17.29 |
| 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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