

## Fund Fact Sheet

31/07/2019

### Asset Class

Equities Japan, all caps

### Fund Characteristics

AUM (¥)	¥ 65'855 mn
AUM (€)	€ 546.6 mn
Launch date	27/06/2011
Oldest share class (B)	LU0578148453
Turnover (2018) *	20%
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 has managed the fund since launch. He joined BLI in 2001.

### Management Company

BLI - Banque de Luxembourg Investments S.A.  
16, boulevard Royal  
L-2449 Luxembourg  
Tel: (+352) 26 26 99 - 1

### Dealing & Administrator Details

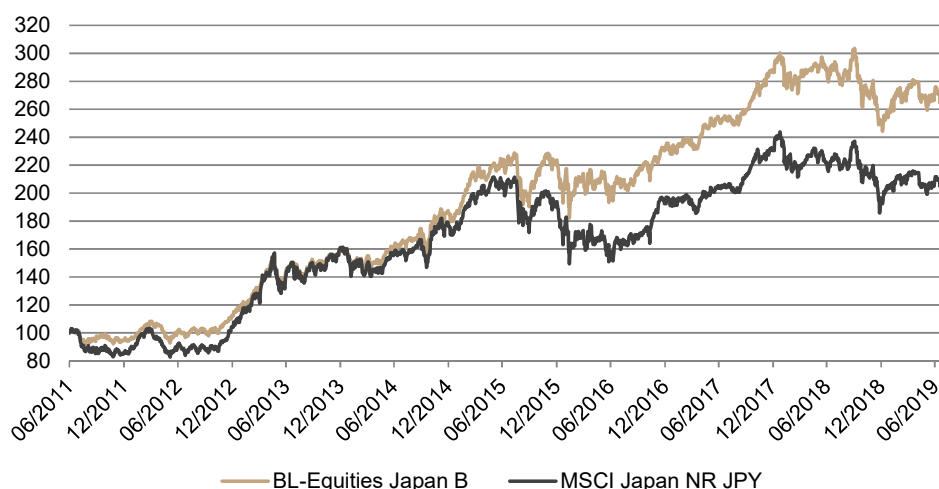
European Fund Administration (EFA)  
Tel +352 48 48 80 582  
Fax +352 48 65 61 8002  
Dealing frequency daily\*\*  
Cut-off time 12:00 CET  
Front-load fee max. 5%  
Redemption fee none  
NAV calculation daily\*\*  
NAV publication [www.fundinfo.com](http://www.fundinfo.com)

### 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	2018	2017	2016	2015	2014
Fund (B shares)	7.6%	-12.7%	23.9%	3.4%	20.6%	16.7%
MSCI Japan NR JPY	6.8%	-15.1%	19.7%	-0.7%	9.9%	9.5%

Performance	1 month	3 months	6 months	1 year	3 years	5 years	since launch***
Fund (B shares)	-0.4%	-3.7%	3.2%	-7.6%	28.3%	62.1%	172.0%
MSCI Japan NR JPY	0.9%	-2.7%	1.5%	-7.3%	25.7%	30.8%	113.4%

Annualised Performance	1 year	3 years	5 years	since launch***
Fund (B shares)	-7.6%	8.7%	10.1%	13.2%
MSCI Japan NR JPY	-7.3%	7.9%	5.5%	9.8%

Annualised Volatility	1 year	3 years	5 years	since launch***
Fund (B shares)	13.7%	12.4%	15.8%	15.8%
MSCI Japan NR JPY	15.0%	14.9%	18.3%	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.

\* min (purchases, sales) / average of net assets

\*\* Luxembourg & Japan banking business day

\*\*\* since 28/06/2011

## Current Portfolio

31/07/2019

### Top Holdings

Secom	2.6%
Bridgestone	2.5%
Sysmex	2.4%
Shimano	2.3%
Obic	2.3%
Murata Manufacturing	2.2%
Asahi Group Holdings	2.2%
Kao	2.1%
Nihon M&A Center	2.1%
Hoya	2.0%
<b>Weight of Top 10</b>	<b>22.8%</b>
<b>Number of holdings</b>	<b>62</b>

### Asset Allocation

Japan	98.3%
Cash	1.7%

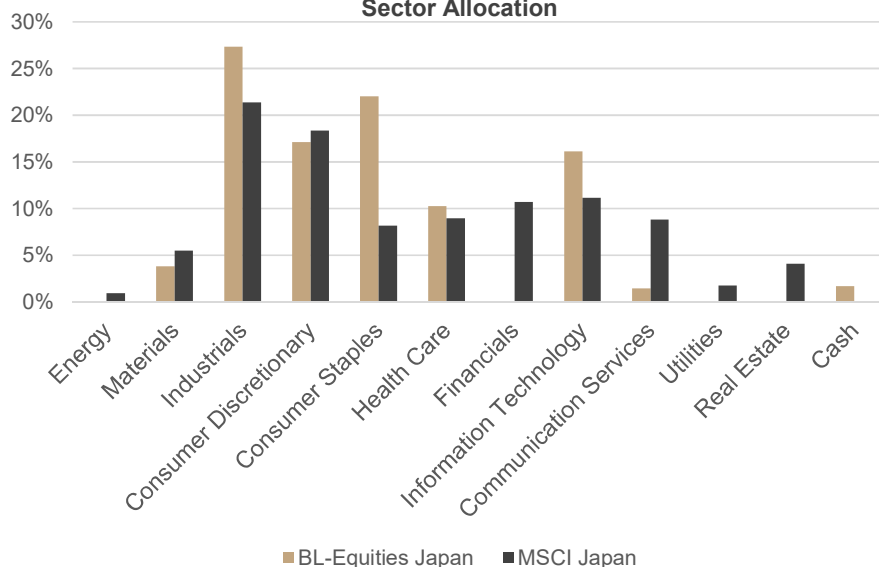
### New Investments in July

Rohto Pharmaceutical

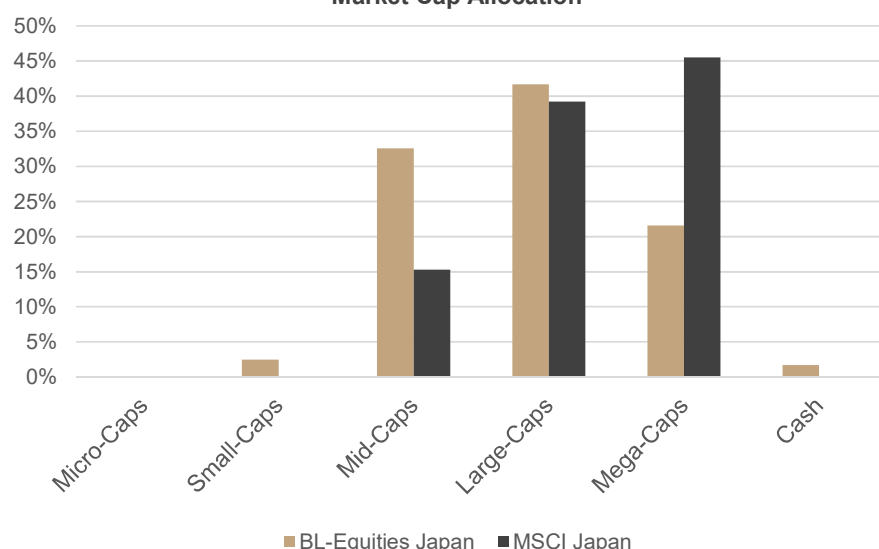
### Investments sold in July

no transactions

### Sector Allocation



### Market Cap Allocation



Market capitalisation classifies stocks based on their position in the cumulative capitalisation of their market region. Mega-cap stocks account for the top 40% of the market capitalisation of the market region, large-cap stocks represent the next 30%, mid-cap stocks the next 20%, small-cap stocks the next 7% and micro-cap stocks the remaining 3%.

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%	1.46%	6	LU0578147992	BLEJPBA LX
Retail	No	No	B	JPY	No	Cap	1.25%	1.46%	6	LU0578148453	BLEJPBC LX
Retail	No	No	B EUR Hedged	EUR	Yes	Cap	1.25%	1.46%	6	LU0887931292	BLEJHAE LX
Retail	No	No	B CHF Hedged	CHF	Yes	Cap	1.25%	1.46%	6	LU1305478007	BLEJBCH LX
Retail	No	No	B USD Hedged	USD	Yes	Cap	1.25%	1.47%	6	LU1008595644	BLEJPH2 LX
Retail	Yes	Yes	AM	JPY	No	Dis	0.85%	1.06%	6	LU1484141814	BLEJBAM LX
Retail	Yes	Yes	BM	JPY	No	Cap	0.85%	1.06%	6	LU1484141905	BLEJPBM LX
Retail	Yes	Yes	BM EUR Hedged	EUR	Yes	Cap	0.85%	1.06%	6	LU1484142036	BLEJBME LX
Retail	Yes	Yes	BM CHF Hedged	CHF	Yes	Cap	0.85%	1.06%	6	LU1484142200	BLEJBMC LX
Retail	Yes	Yes	BM USD Hedged	USD	Yes	Cap	0.85%	1.05%	6	LU1484142119	BLEJBMU LX
Institutional	No	Yes	BI	JPY	No	Cap	0.60%	0.77%	6	LU0578148610	BLEQJAI LX
Institutional	No	Yes	BI EUR Hedged	EUR	Yes	Cap	0.60%	0.76%	6	LU1484142465	BLEJBIE LX
Institutional	No	Yes	BI CHF Hedged	CHF	Yes	Cap	0.60%	0.77%	6	LU1484142382	BLEJBIC LX

## Management Report

31/07/2019

During the month of July, the Japanese market traded in a narrow range and the MSCI Japan NR rose by 0.9%, with transaction volume being very low. The absence of major news flow and the publication of economic data showing no clear trend, led to this rather uninspired mood on the stock market. In terms of sector performance, communication services and utilities enjoyed the best performance while the more cyclical sectors, like materials or industrials were underperforming. The sole exceptions in these sectors were semiconductor related names that benefited from good results from TSMC and Texas Instruments. Aggressive growth stocks also performed very well during most part of the month.

The fund had a slightly negative performance in July and the BL-Equities Japan B Cap fell by 0.4%, thus lagging the main market indexes. While the absence of communication and utilities stocks clearly did not help, weak performances from several individual stocks were the main cause for the underperformance. Among the companies that fell after the publication of quarterly results is Konica Minolta, a global technology company that offers office services, medical solutions and industrial products. Our thesis on Konica Minolta is based on the potential for reorganisation and improvement in overall profitability. As such it is ranked into the "Established Value" category. While we are aware that the road to recovery for these types of companies can be rocky and short term visibility is low, the potential reward over the long-term justifies the investment. In terms of positive contributors to return, Nihon M&A Center, specialized in offering consulting and arranging deals for companies that are struggling to find a successor, and Disco, a provider of cutting tools for the semiconductor industry lead the table. As for the market, aggressive growth stocks in the "Growing Franchises" category had much higher returns than stocks in the other two categories.

In terms of management operations, Rohto Pharmaceutical was reintroduced into the portfolio, after having been sold in October 2018 for valuation reasons. Rohto Pharmaceutical is an major player in the domestic consumer healthcare sector. The company is specialised in dermatology and eyecare products, and also markets over-the-counter pain-relief and gastrointestinal medication. Following significant R&D efforts and targeted acquisitions, Rohto has reached a leading position in anti-allergy, eyecare, lip care, solar filters and dry skin products. The company is very active outside Japan, generating roughly 30% of its revenue in Asian markets with strong growth potential.

## 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.

## Legal Information

This document is issued by Banque de Luxembourg Investments S.A. ("BLI"), with the greatest care and to the best of its knowledge and belief. However, no guarantee is provided with regard to its content and completeness and BLI does not accept any liability for any losses which might arise from making use of the information contained herein. The opinions expressed in this document are those of BLI at the time of writing and are subject to change at any time without notice. If nothing is indicated to the contrary, all figures are unaudited.

The product description contained herein is for information purposes only and is for the exclusive use of the recipient. Nothing in this document should be construed as an offer and is therefore not a recommendation to purchase or sell shares. It does not release the recipient from exercising his own judgement. Unless specifically indicated, this description is solely aimed at institutional investors according to the Luxembourgish law of 17 december 2010.

The securities and financial instruments described in this document may generate considerable losses and are not therefore suitable for all investors. Among other risks, these include market risks, currency fluctuation risks, credit or payment default risks, liquidity risks and interest rate risks. BLI cannot guarantee that the securities and financial instruments will achieve the intended investment objectives. Each investor must ensure that he is aware of the risks and the consequent legal, tax, accounting and commercial aspects related to these securities and financial instruments.

The accuracy of the data, the evaluation, opinions and estimates of which are included in this document, has been very carefully checked. Any statements made in this document may be subject to change without prior warning.

References to past performances of financial instruments should not be interpreted as a guarantee of future returns.

The recipient is recommended in particular to check that the information provided is in line with his own circumstances with regard to any legal, regulatory, tax or other consequences, if necessary with the help of a professional adviser. It is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under local law. Neither this document nor any copy thereof may be sent, taken into or distributed in the United States or to any U.S. person as defined in the fund's prospectus. This material is not for distribution to the general public. It is intended for the recipient personally, and it may be used solely by the person to whom it was presented. It does not constitute and may not be used for or in connection with a public offer in Luxembourg of the products referred to herein.

The prospectus, the articles of incorporation, the annual and semi-annual reports of BL as well as the key investor information document (KIID) of the sub-fund are available on [www.bli.lu](http://www.bli.lu) or upon request from BLI. The KIIDs are available in French, English and in any other official language of registration of BL.

This document may not be reproduced either in part or in full without the prior written consent of BLI.

### **Specific Information concerning MSCI Data:**

All MSCI data is provided "as is". Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the result to be obtained by the use thereof) and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

### **Specific Information concerning GICS Data:**

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed to use by Banque de Luxembourg S.A.. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if noticed of the possibility of such damages.

### **Specific Information for Switzerland:**

Legal documentation of the fund may be obtained, free of charge, at the offices of the Swiss representative, CACEIS (Switzerland) S.A., 7-9, Chemin de Précossy, CH-1260 Nyon, Switzerland, in accordance with the provisions of the Swiss Collective Investment Schemes Act of 23 June 2006 ("CISA"). The SICAV has appointed Banque CIC (Suisse) SA, Marktplatz 13, CH-4001 Bâle, Switzerland to act as paying agent for Switzerland. The present document may be distributed to Swiss qualified investors.

### **Specific Information for France:**

The present document may be distributed to French professional investors.