

## SHINING A LIGHT ON THE..... Jupiter Japan Income Fund

### AT A GLANCE

Investment Objective	
The Fund objective is to achieve long term capital and income growth. The fund seeks to attain the objective by investing in a combination of Japanese equities and convertible bonds as well as cash, deposits and money market instruments. The Manager may enter into derivative transactions on behalf of the Fund to the extent that these are for the purposes of efficient management of the portfolio, as permitted. The Manager will only enter into derivative transactions for the purposes of hedging and tactical asset allocation, and not for speculative purposes.	

<b>Inception Date</b>	15 <sup>th</sup> September 2005
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000OSWG">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000OSWG</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Dan Carter	30 <sup>th</sup> June 2016

Investment Style Details	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	32.81%
Large	23.88%
Medium	34.45%
Small	8.14%
Micro	0.72%

Top 10 Holdings		
<b>Total number of holdings</b>	41	
<b>Assets in Top 10 Holdings</b>	40.82	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Toyota Motor Corp	Consumer Cyclical	6.03%
Sumitomo Mitsui Financial Group Inc	Financial Services	5.34%
KDDI Corp	Communication Services	5.06%
Nippon Telegraph & Telephone Corp	Communication Services	4.37%
ORIX Corp	Financial Services	3.64%
TechnoPro Holdings Inc	Industrials	3.62%
Tokio Marine Holdings Inc	Financial Services	3.49%
Tateru Inc	Technology	3.34%
Nissan Motor Co Ltd	Consumer Cyclical	2.99%
Bridgestone Corp	Consumer Cyclical	2.95%

Volatility Measurements	
<b>3-Yr Std Dev (volatility)</b>	12.34%
<b>3-Yr Mean Return (average)</b>	17.60%

## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2013 to 31<sup>st</sup> August 2018:

	2013	2014	2015	2016	2017	2018
<b>Jupiter Japan Income</b>	20.83%	1.47%	24.52%	20.66%	18.48%	4.19%
<b>X MSCI Japan ETF</b>	24.61%	0.07%	14.20%	23.48%	11.64%	1.62%

Performance over 12 months, 3 years, 5 years and 10 years:

	1 year	3 years	5 years	10 years
<b>Jupiter Japan Income</b>	13.17%	59.33%	95.63%	164.86%
<b>X MSCI Japan ETF</b>	7.30%	46.88%	70.17%	107.00%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

This was our first introduction to the fund. It doesn't have a currency hedge and so in periods where the currency is weak this fund tends to underperform. In terms of where they believe it is different to the top 5 competitors, they have 50% unique holdings, they offer the highest yield, volatility is one of lowest in the group and it has the highest total return over 12 months. In terms of performance, where some Japanese Funds have big swings in performance this has shown steady, consistent returns so may be preferred by investors who want some exposure to Japan without the big swings seen in other funds.

Dan took over the management of the fund in 2016 but has been involved with the running of the fund since 2010. Since taking on the fund he has outperformed the index by about 25%. Dan is positive about Japan and believes that Japanese companies are making more money than ever before, and this hasn't been fully reflected in returns. In terms of the markets they have de-rated since Abe was first elected and the price to earnings ratio is lower meaning the markets haven't fully reflected the profitability of these companies.

In terms of performance he feels that Japan has moved away from the peaks and troughs experience over the last 20 years and we are now seeing more predictable returns similar to other developed economies. In terms of the trade wars Japan is more sheltered than other economies and is a strategic partner with the US. For this reason it has been less damaged by the ongoing tensions although if the global economy starts to slow as a result it will also suffer.

In terms of the economy demographics is an issue. but can be seen as a positive for the economy. Those retiring tend to be older Japanese men who were paid well, and they are being replaced by younger people and robots. Women now make up 40 to 45% of the workforce and this is expected to peak around 50% over the next five to ten years. Although women should be paid the same as men this is mainly not the case so a younger workforce including women and robots is reducing costs and making companies more profitable. There will be a point where demographics become an issue, but

Dan feels that is about ten years away and over time this will hit the GDP figures. The only way around this is immigration but this is unlikely to change any time soon.

In terms of investments they look at where sales are generated and often the impact of the dollar vs emerging markets currency has little impact because of where companies are based and how they supply goods. Japanese companies have seen improving governance and are becoming more shareholder friendly, meaning they tend to have more independent bodies on the board and are more aligned with shareholders. The dividend ratio is still low, especially compared to the UK, US and Australia, but this is expected to change.

About 50% of earnings are held on the balance sheets and many companies are net cash and are not spending. They could easily reduce the amount they hold on balance sheets and increase the amount paid out to shareholders, without any major impact on the overall cash they hold. For this reason, Dan believes over time dividends will increase and this will help returns.

In terms of holdings the types of companies they like are Kamatsu, who will benefit if Caterpillar lose out in China because of trade war tensions, and Asahi Intecc, which has unique technology that can reduce costs in healthcare for the government.

In summary, for those looking to invest in Japan this might be a fund to consider due to its more defensive approach. Although this delivers an income it is not an income fund in its true sense but more focused on good quality companies whose outlook is aligned with shareholders. If investors feel the currency will weaken then this fund will underperform, and they may want to consider alternative options.

*The source of information in this note has been provided by Jupiter and is correct as at September 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*