

## Fund Fact Sheet

29 January 2021

JPY Class S Dist<sup>1</sup>  
ISIN: IE00B8843R79



### NAV per Share

JPY Class S Dist<sup>1</sup>      ¥243.7

### Fund Particulars

Fund Size                      ¥18,145 million  
Base Currency                JPY  
Denominations              JPY / US\$ / GBP / EUR  
Fund Structure              Open-ended UCITS  
Domicile                      Dublin, Ireland  
Listing                         Irish Stock Exchange  
Launch Date                 31 October 2012  
Management                 Polar Capital LLP

### Fund Manager



#### Gerard Cawley

##### Fund Manager

Gerard has managed the Fund since launch, he joined Polar Capital in 2005 and has 20 years of industry experience.



#### Chris Smith

##### Co-Manager

Chris has co-managed the Fund since 2018. He joined Polar Capital in 2012 and has 9 years of industry experience.

## Fund Profile

### Investment Objective

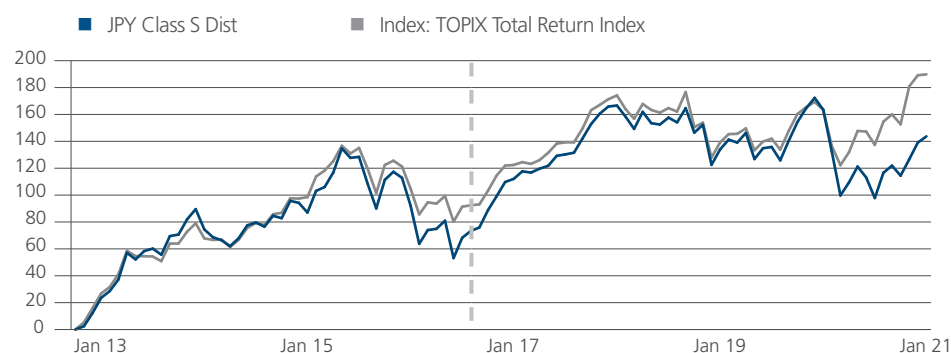
The Fund aims to generate long-term capital growth by investing in the shares of Japanese companies, or companies that generate a significant amount of their business in Japan. The Fund will apply a 'value' based stock picking approach, investing in a concentrated portfolio of large, medium and small capitalisation companies.

### Key Facts

- Team of 2 industry and investment specialists
- Typically 45-55 positions
- No benchmark or tracking error constraints
- Fundamentally-driven analysis and stock selection

## Share Class Performance

### Performance Since Launch (%)<sup>1,2</sup>



	Since Launch						
	1 month	3 month	YTD	1 year	3 years	5 years	Ann. Cum.
JPY Class S Dist	1.94	13.64	1.94	-7.53	-8.61	26.87	11.40 143.68
Index	0.23	14.70	0.23	9.99	5.71	41.52	13.76 189.81

### Discrete Annual Performance (%)

12 months to	29.01.21	31.01.20	31.01.19	31.01.18	31.01.17
JPY Class S Dist	-7.53	12.63	-12.25	25.72	10.42
Index	9.99	10.17	-12.76	23.26	8.61

Source: Northern Trust International Fund Administration Services (Ireland) Ltd, monthly percentage growth, JPY and has been calculated to account for the deduction of fees. Fund performance does not take account of any commissions or costs incurred by investors when subscribing for or redeeming shares. The JPY Class S Dist was launched on 31 October 2012. The index performance figures are sourced from Bloomberg and are in JPY terms. These figures refer to the past. Investments in funds are subject to risk. **Past performance is not a reliable indicator of future returns.** The money invested in a fund can increase and decrease in value and past performance is not a reliable indicator that you will get back the full amount invested. The performance calculation is based on JPY. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Please see the Important Information on the last page of this document for further information on the risks to your investment.

1. All institutional share classes of the Japan Value Fund were changed to S Classes as at 29 December 2016.

2. On 12 January 2018 the Polar Capital Japan Alpha Fund was renamed the Polar Capital Japan Value Fund. The Polar Capital Japan Value strategy change occurred as at 29 July 2016, denoted by the grey dotted line on the graph. Investors can review the Fund's prospectus for further information and a full explanation of the strategy for the Fund.

# Polar Capital Funds plc - Japan Value Fund

## Portfolio Exposure & Attribution

As at 29 January 2021

### Performance Attribution - 1 Month (%)

#### Top Contributors

Name	Active Weight	Attrib. Effect
Nikon	1.68	0.41
TV Asahi Holdings Corp	2.22	0.40
Toshiba Corp	2.08	0.37
Bridgestone	2.59	0.34
Toyota Motor	-3.41	0.33

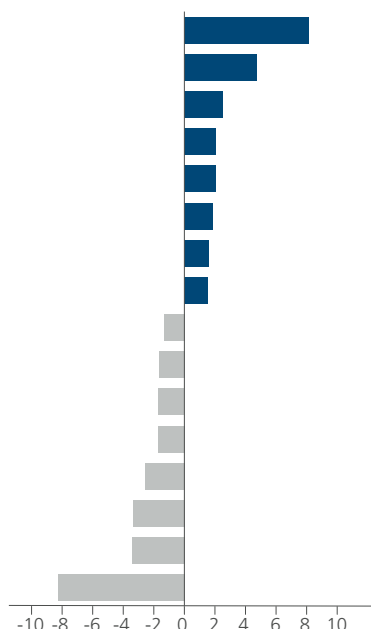
#### Top Detractors

Name	Active Weight	Attrib. Effect
Cosel Co	2.93	-0.31
San-A	2.53	-0.19
Topre	1.91	-0.17
Mirait Holdings Corp	2.46	-0.15
Maeda Corp	1.87	-0.13

Performance attribution is calculated in JPY on a relative basis.

### Sector Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund (%)	Relative (%)
Information & Communication	17.4	8.2
Services	10.3	4.7
Rubber Products	3.1	2.5
Insurance	3.9	2.0
Real Estate	3.9	2.0
Construction	4.2	1.9
Mining	1.7	1.6
Precision Instruments	4.3	1.6
Electric Power & Gas	0.0	-1.4
Foods	1.9	-1.7
Pharmaceutical	4.3	-1.7
Banks	2.9	-1.7
Wholesale Trade	2.0	-2.6
Transportation Equipment	3.4	-3.4
Land Transportation	0.0	-3.4
Electric Appliances	9.9	-8.3



The column headed "Fund (%)" refers to the percentage of the Fund's assets invested in each sector. The column headed "Relative (%)" refers to the extent to which the Fund is overweight or underweight in each sector compared (relative) to the index.

## Share Class Information

### Codes & Fees

Share Class	Bloomberg	ISIN	SEDOL	OCF	Annual Fee
US\$ Class I Dist	POJAVIU ID	IE00BYW63S21	BYW63S2	1.16%	1.00%
JPY Class I Dist	PCJAIJY ID	IE00BYMD0W65	BYMD0W6	1.16%	1.00%
GBP Class I Dist	POJAVIG ID	IE00BYW63T38	BYW63T3	1.16%	1.00%
EUR Class I Dist	POJAVIE ID	IE00BYW63V59	BYW63V5	1.16%	1.00%
USD Class I Dist Hedged	POJAIUH ID	IE00BFX4HR96	BFX4HR9	1.16%	1.00%
GBP Class I Dist Hedged	POJAIGH ID	IE00BFX4HT11	BFX4HT1	1.16%	1.00%
EUR Class I Dist Hedged	POJVLRS ID	IE00BFX4HW40	BFX4HW4	1.16%	1.00%
CHF Class I Dist Hedged	POJVHIC ID	IE00BK63DF82	BK63DF8	1.16%	1.00%
US\$ Class R Dist	PCJARUI ID	IE00B3KK5164	B3KK516	1.51%	1.35%
JPY Class R Dist	PCJARJI ID	IE00B88S7N36	B88S7N3	1.51%	1.35%
GBP Class R Dist	POJVLRS ID	IE00BK63S973	BK63S97	1.51%	1.35%
EUR Class R Dist	POJVLRE ID	IE00BK63S866	BK63S86	1.51%	1.35%
US\$ Class R Dist Hedged	PCJARUH ID	IE00B88DDG32	B88DDG3	1.51%	1.35%
GBP Class R Dist Hedged	PCJARBH ID	IE00B4WY8142	B4WY814	1.51%	1.35%
EUR Class R Dist Hedged	PCJAREH ID	IE00B7G7VV19	B7G7VV1	1.51%	1.35%
CHF Class R Dist Hedged	POJVRHC ID	IE00BK63DD68	BK63DD6	1.51%	1.35%

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### Top 10 Positions (%)

Daiwa Industries	4.8
Secom Joshinetsu	4.1
Tokio Marine Holdings	3.9
HI-Lex	3.4
Okinawa Cellular Telephone NPV	3.4
Bridgestone	3.1
KDDI	2.9
Sumitomo Mitsui Financial	2.9
Taisho Pharmaceutical Holdings	2.7
Alps Alpine	2.7

**Total** **33.9**

**Total Number of Positions** **42**

**Active Share** **95.36%**

### Market Capitalisation Exposure (%)

	Fund	Index
Large (Topix 100)	19.7	60.9
Medium (Topix mid 400)	29.8	29.8
Small (Topix small)	49.1	9.4
Cash	1.5	-

### Administrator Details

Northern Trust International Fund Administration Services (Ireland) Ltd

**Telephone** +353 1 434 5007

**Fax** +353 1 542 2889

**Dealing** Daily

**Cut-off** 15:00 Dublin time

### Additional Share Class Information

**Performance Fee** 10.00% of outperformance of TOPIX Total Return Index.

**Ongoing Charges Figure (OCF)** is the latest available, as per the date of this factsheet.

All Institutional share classes of the Japan Value Fund were changed to S share classes as at 29 December 2016. Please refer to the Prospectus for further information.

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

## Fund Managers Comments

As at 29 January 2021

### Market review

After a strong finish to 2020, global equities struggled to make further gains in January as rising expectations of further US fiscal stimulus were offset by profit-taking on valuation concerns. Success in the Georgia run-off election by the Democrats gives the incoming Joe Biden administration a stronger mandate for broader fiscal stimulus measures which led to a rise in US bond yields and favoured reflationary strategies in the equity market. High-profile speculative retail investor activity centred around Reddit Forum users trading shares such as GameStop on the Robinhood app appeared to dampen institutional investor risk appetite towards month end.

Despite a weak start to the year on news, large parts of Japan entered a new state of emergency in order to control COVID-19 infection rates and the TOPIX managed to close the month marginally higher. The influence of the US election and resulting stimulus expectations were evident in market factor trends with a notable shift in favour of return reversal, value and yield strategies. At a sector level, leadership was more ambiguous with oil-related shares leading and steels, shippers and autos among the weakest areas. Elsewhere, technology shares remained in vogue on reports of semiconductor shortages in the auto industry while smaller companies continued to lag the broader market.

### Performance

The JPY S Share Class rose 1.9% versus a 0.2% increase in the TOPIX Total Return Index over the period. Clearly the shift in market leadership towards undervalued shares supported portfolio performance, however the ongoing underperformance of small caps remained a headwind. Relative outperformance was mainly driven by stock selection with notable success within information and communications (TV Asahi Holdings), precisions (Nikon) and services (Secom Joshinetsu) only partially offset by problems within construction (Mirait Holdings), metal products (Topre) and technology (Cosel). Sector allocation was broadly neutral with the benefit from our overweight in rubber products (tyres) offset by continued outperformance of technology where we are underweight.

### Portfolio turnover

**Medikit:** we elected to return to Medikit, a niche medical device manufacturer, given pronounced relative share price weakness since we sold our holding in August 2019. The business was somewhat impacted by the pandemic in 2020 but we expect a full recovery once hospitals return to normal activity levels post-COVID-19. The shares currently trade on 5x EV/EBITDA, with 50% of the market cap covered by net cash, a steep discount to the medical device sector's average valuation.

**Benesse Holdings:** a new position was taken in Benesse Holdings, a provider of education services, language schools and senior care homes, following a sharp derating of valuations. We believe the core education and senior home businesses will make a V-shaped recovery in the years ahead and await further action from management on the lossmaking language school business. Given the current depressed share price level, we also believe it is likely management will use their high cash reserves to conduct a share buyback in 2021.

**Denso:** the holding in Denso was sold as it approached our fair value target. Positive investor sentiment on the acceleration of penetration of electric vehicles and hybrid cars lead to Denso's share price doubling versus March 2020 lows. We agree the company is well positioned for the major technology transition occurring in the auto sector but would argue most of the good news is already discounted in the share price in the short term.

**JAFCO:** JAFCO, a leading Japanese venture capital business, was sold on share price strength as it achieved our target price level. Despite buoyant markets, the company has failed to generate significant gains this year given limited IPO activity within their portfolio of holdings, with the large unrealised gain on their holding in Nomura Research Institute a more significant driver of the share price.

**NTT Data:** Since the nadir of the pandemic-induced market selloff in April, its share price has subsequently risen around 50%. Given the parent company NTT appears less likely to buy in NTT Data, having recently acquired 100% of NTT Docomo, and with the government's plans for greater digitalisation of service already discounted, we decided to recycle the funds in NTT Data into higher conviction ideas including increased weightings in their smaller peers, NS Solutions and DTS.

### Outlook and strategy

Global equity markets appear to be looking through the current surge in worldwide coronavirus cases, despite the risk of a double dip in economic activity, given the prospects of a continuation of supportive monetary and fiscal policies until well after vaccine distribution has hopefully achieved herd immunity. Given President Biden's aggressive plans for further fiscal stimulus and developed world consumers' high savings rates in 2020 it is possible the world economy could enter another period of synchronised global growth in late 2021/early 2022 as pent-up demand is unleashed offering a very supportive environment for corporate profits.

At the time of writing, we are in the middle of the third quarter earnings season in Japan with results to date clearly surprising to the upside although share price reactions have been somewhat muted. The manufacturing sector appears to be leading the recovery in corporate profits with technology earnings at all-time highs in many cases and the auto sector generally positively surprising in terms of cost-cutting measures and operational leverage to the recovery in production volumes. The non-manufacturing sector is more exposed to the negative impact of social distancing measures so is likely to be more reliant on a successful vaccination programme allowing a full return to normal life later in the year. The Japanese government have decided to extend the current state of emergency through to early March and plans to start vaccination of healthcare personnel in the middle of February.

Portfolio turnover this month focused on profit-taking in winning shares which appeared more fully valued after a period of strong share price performance, with proceeds recycled into laggards more reliant on a full normalisation of economic activity to return profits to previous peak levels. We continue to believe the current portfolio offers broad exposure to an economic recovery at exceptional valuation levels given the unusual level of herding by investors in highly valued, quality large-cap shares in 2020.

### Gerard Cawley & Chris Smith

5 February 2021



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# Polar Capital Funds plc - Japan Value Fund

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