

# FSSA Japan Equity Fund (Irish VCC)

## Investment objective and policy

The Fund aims to grow your investment.  
The Fund invests at least 70% of its assets in shares of companies based in, or closely associated with, Japan.  
The Fund may invest up to 100% in any industry.  
The Fund may use derivatives with the aim of risk reduction or efficient management.

## Fund information

Fund Launch Date	02 February 2015
Fund Size (US\$m)	437.7
Benchmark	MSCI Japan Net Index*
Number Of Holdings	46
Fund Manager(s)	Sophia Li/Martin Lau

\* The benchmark of the Fund changed from MSCI Japan Gross to MSCI Japan Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance.

## Available share classes

Share class	Sedol	ISIN
FSSA Japan Equity Fund USD Class I (Accumulation)	BSJWPNO	IE00BSJWPNO4
FSSA Japan Equity Fund USD Class I Hedged P (Accumulation)	BM95BG2	IE00BM95BG26
FSSA Japan Equity Fund USD Class III (Accumulation)	BSJWPM9	IE00BSJWPM96
FSSA Japan Equity Fund EUR Class VI Hedged (Accumulation)	BFY84Q8	IE00BFY84Q86
FSSA Japan Equity Fund GBP Class VI (Accumulation)	BMFPHB3	IE00BMFPHB31
FSSA Japan Equity Fund JPY Class III (Accumulation)	BZC0S08	IE00BZC0S080
FSSA Japan Equity Fund EUR Class VI (Accumulation)	BYXW3V2	IE00BYXW3V29

## About FSSA Investment Managers

FSSA Investment Managers is an autonomous investment management team within First Sentier Investors, with dedicated investment professionals based in Hong Kong, Singapore and Edinburgh. We are specialists in Asia Pacific and Global Emerging Markets equity strategies, managing assets on behalf of clients globally.

We are bottom-up investors, using fundamental research and analysis to construct high-conviction portfolios. We conduct more than a thousand direct company meetings a year, seeking to identify high quality companies to invest in. We look for founders and management teams that act with integrity and risk awareness; and dominant franchises that have the ability to deliver sustainable and predictable returns over the long term. As responsible, long-term shareholders, we have integrated ESG analysis into our investment process and engage extensively on environmental, labour and governance issues.

## Risk Factors

This document is a financial promotion for the FSSA Japan Equity Fund in the EEA and elsewhere where lawful. Investing involves certain risks including:

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back substantially less than the original amount invested.**
- **Currency risk:** The Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund and could create losses. Currency control decisions made by governments could affect the value of the Fund's investments and could cause the Fund to defer or suspend redemptions of its shares.
- **Single country / specific region risk:** investing in a single country or specific region may be riskier than investing in a number of different countries or regions. Investing in a larger number of countries or regions helps spread risk.
- **Smaller companies risk:** investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.

Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell. Reference to the names of any company is merely to explain the investment strategy and should not be construed as investment advice or a recommendation to invest in any of those companies.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document.

**If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.  
If you are unsure of the terminology used in this report, please seek independent financial advice.**

# FSSA Japan Equity Fund (Irish VCC)

## Quarterly Investment Report



### Annual Performance in USD (%) to 30 June 2021

	12 mths to 30/06/21	12 mths to 30/06/20	12 mths to 30/06/19	12 mths to 30/06/18	12 mths to 30/06/17
FSSA Japan Equity Fund	30.3	25.7	-8.0	31.3	6.9
MSCI Japan Net Index	24.8	3.1	-4.2	10.5	19.2

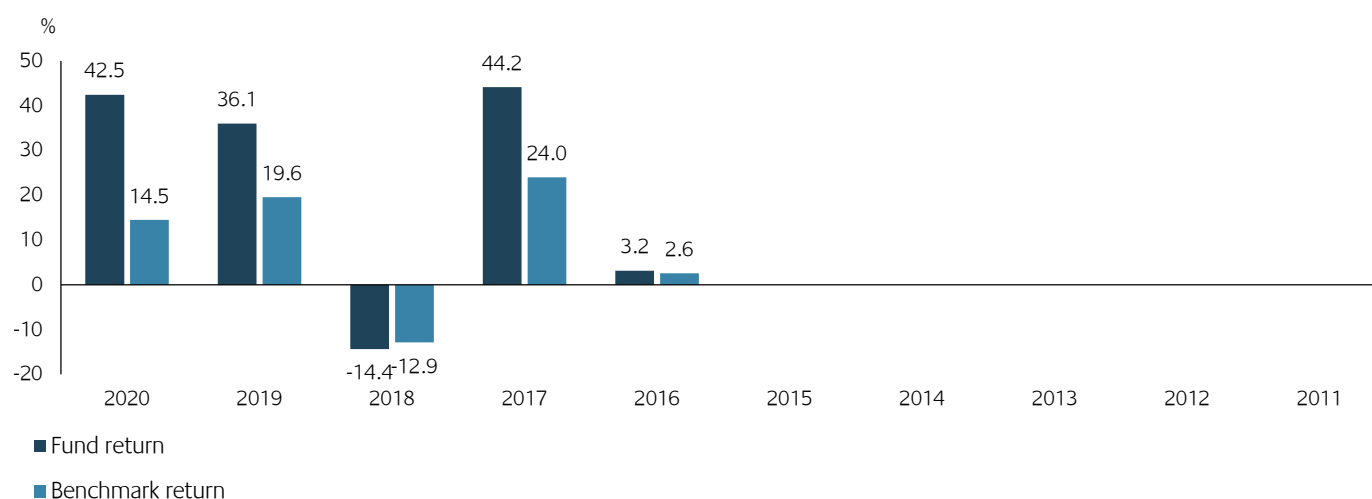
### Cumulative Performance in USD (%) to 30 June 2021

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Japan Equity Fund	185.5	-	111.5	50.7	30.3	-3.5	-3.5	3.6
MSCI Japan Net Index	65.4	-	62.4	23.3	24.8	1.3	1.3	-0.3

### Performance Review

Over the past 12 months, key contributors to performance included M3, which continued to increase its engagement with doctor subscribers globally. E-detailing orders surged as doctors refrained from holding in-person meetings with medical representatives during the Covid pandemic. Additionally, new product launches (such as its AI imaging diagnostics tool and remote health consultation services with LINE) helped to boost sales. Lasertec reported significant sales and profit growth as EUV lithography systems have become more widely adopted. Key client Taiwan Semiconductor (TSMC) also announced a large mid-term capital expenditure plan, which raised investor confidence on Lasertec's longer-term growth outlook. On the negative side, Kao Corp weakened on concerns about mid-term growth prospects, amid greater competition in the cosmetics and diaper businesses. Workman declined on market concerns about whether its "Workman Plus" stores can maintain its strong same-store sales growth.

### Calendar Year Performance (% in USD) to 30 June 2021



These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 02 February 2015. All performance data for the FSSA Japan Equity Fund Class III (Accumulation) USD as at 30 June 2021. Source for fund - Lipper IM / First Sentier Investors (UK) Funds Limited. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management fee and other fund expenses), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source for benchmark - MSCI, income reinvested net of tax.

On 22 September 2020, First State Japan Equity Fund was rebranded as FSSA Japan Equity Fund.

# FSSA Japan Equity Fund (Irish VCC)

## Quarterly Investment Report



### Portfolio Review

There were no significant new purchases or complete disposals over the quarter.

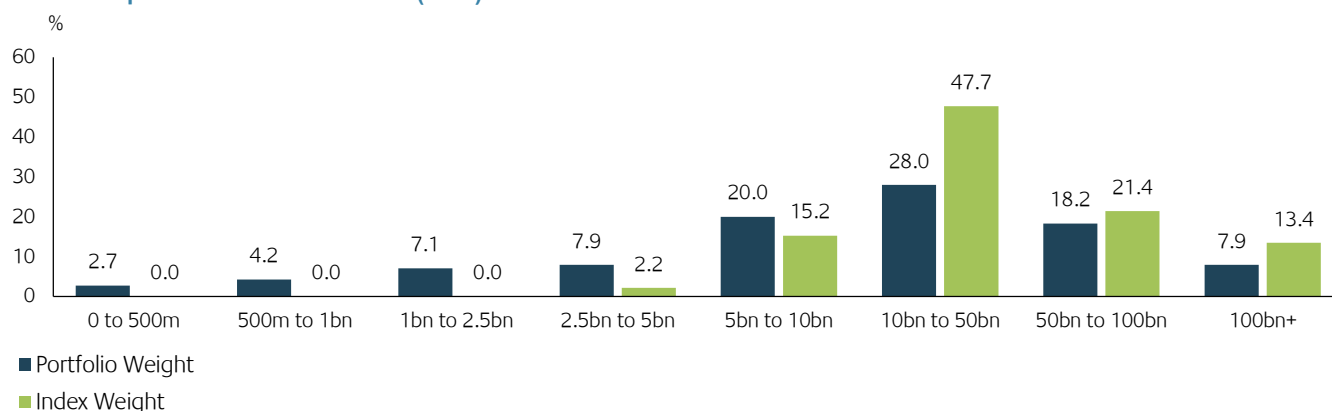
### Stock Spotlight

Recruit Holdings is a leading job search and temporary staffing company headquartered in Japan. In 2012, it acquired Indeed, the world's largest global online career search engine, which is available in more than 60 countries and has more than 250 million unique visitors monthly. The culture, as might be expected of a quasi-tech company, is entrepreneurial and innovative.

Although Indeed is in the early stages of monetisation it is growing rapidly in terms of user traffic. Its business model is similar to Google's search engine, where advertisers (e.g. job boards and recruiters) are charged on keyword searches and cost-per-click (CPC).

Recruit estimates it has 38% US market share (75% of USD4bn HR technology sales and 50% of the USD16bn global online job ads market) and can increase wallet share with competitive unit-hiring costs. While margins are still low when compared to peers, Recruit is currently investing to create a simplified and automated hiring process. Over the medium to long term, it believes that its HR Technology segment (which includes Indeed) can reach competitor margin levels, thus improving profitability.

### Market Capitalisation Breakdown (USD)



Data source: For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by First Sentier Investors. Past performance is not indicative of future performance. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time. These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations.

# FSSA Japan Equity Fund (Irish VCC)

## Quarterly Investment Report



### Outlook

Given the uncertainties around the global outlook, our Japan portfolio is positioned predominantly towards companies with exposure to domestic demand. The companies we like to own are managed by strong management teams and can generate sustainable earnings growth and return on equity without relying on leverage or the macro environment. We also own regional consumer companies, global industrials and medical equipment/services companies with dominant franchises, strong balance sheets and steady cash flow. These businesses should remain relatively defensive in the event of a recession.

Amid the market volatility, we see the current panic selling as an excellent opportunity for long-term investors (like us) to accumulate leading franchises at much cheaper prices. We took the opportunity to consolidate the portfolio and initiate new positions in high conviction companies on our watch list that had become more reasonably valued.

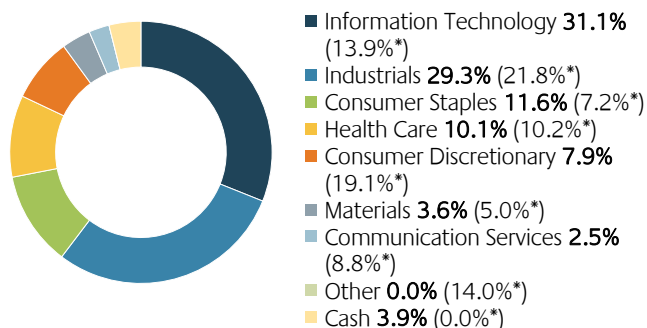
### Our long-term investment themes:

- Global factory automation and robotics leaders.
- Best-in-class consumer franchises that are dominant in the Asia Pacific region.
- Manufacturers in niche industries which have a leading edge globally.
- Solutions providers for Japan's structural labour shortage.
- Leading internet verticals that disrupt old-school industries.

### Ten Largest Company Holdings as at 30 June 2021

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Recruit Holdings Co Ltd	Japan	Industrials	5.6	1.7
Keyence Corporation	Japan	Information Technology	4.9	2.5
Tokyo Electron Ltd.	Japan	Information Technology	4.9	1.6
Benefit One Inc	Japan	Industrials	4.9	0.0
Lasertec Corp.	Japan	Information Technology	4.4	0.4
GMO Payment Gateway, Inc.	Japan	Information Technology	4.3	0.1
Rakus Co Ltd	Japan	Information Technology	4.2	0.0
Shin-Etsu Chemical Co., Ltd.	Japan	Materials	3.6	1.5
M3, Inc.	Japan	Health Care	3.4	0.8
MonotaRO Co., Ltd.	Japan	Industrials	3.0	0.2

### Sector Breakdown



\*Index Weight

Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. The above Fund weightings may or may not include reference to multiple securities. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%.

Past performance is not indicative of future performance. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time. These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations.



### Top 5 contributors to absolute performance

#### 3 months to 30 June 2021

Stock Name	Country	Sector	Value added (bps*)
Lasertec Corp.	Japan	Information Technology	190
Rakus Co Ltd	Japan	Information Technology	125
Benefit One Inc	Japan	Industrials	79
Shift Inc NPV	Japan	Information Technology	76
Keyence Corporation	Japan	Information Technology	50

#### 12 months to 30 June 2021

Stock Name	Country	Sector	Value added (bps*)
Rakus Co Ltd	Japan	Information Technology	567
Lasertec Corp.	Japan	Information Technology	329
M3, Inc.	Japan	Health Care	241
Tokyo Electron Ltd.	Japan	Information Technology	221
Benefit One Inc	Japan	Industrials	217

### Bottom 5 contributors to absolute performance

#### 3 months to 30 June 2021

Stock name	Country	Sector	Value added (bps*)
Nexon Co Ltd	Japan	Communication Services	-46
Kamakura Shinsho Ltd	Japan	Communication Services	-40
MonotaRO Co., Ltd.	Japan	Industrials	-33
S-Pool Inc	Japan	Industrials	-23
Sony Corporation	Japan	Consumer Discretionary	-22

#### 12 months to 30 June 2021

Stock name	Country	Sector	Value added (bps*)
Kao Corp.	Japan	Consumer Staples	-71
Workman Co Ltd	Japan	Consumer Discretionary	-55
Yappli Inc	Japan	Information Technology	-47
Welcia Holdings Co Ltd	Japan	Consumer Staples	-45
Asahi Intecc Co Ltd	Japan	Health Care	-44

Stock Contributions show the impact of the individual stock's performance to the total fund performance. These stock contributions show the top 5 and bottom 5 contributors to the fund and are not representative of the performance of the fund as a whole.

**These figures refer to the past. Past Performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuation.**

This stock information does not constitute any offer or inducement to enter into investment activity.

Contributions are calculated at the investee company level before the deduction of any fees incurred at fund level (e.g. the management fee and other fund expenses) but after deduction of transactional costs. Stocks held/listed in non-index countries have economic activity > 50% from developing economies.

\* A basis point is a unit of measure used in finance to describe the percentage change in value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Data source: This information is calculated by First Sentier Investors.



### Portfolio Risk Analysis - Ex-Post 3 Years Annualised to 30 June 2021

Risk Measure	Value	Risk Description
Beta	1.08	Beta is a measure of volatility relative to the market. A beta of 1 would indicate that the fund tended to move in line with the market; a beta greater than 1 would indicate that the fund has been more volatile than the market; whereas a beta less than 1 would indicate that the fund has been less volatile than the market.
Information Ratio	0.74	The fund's excess return divided by its tracking error. It is designed to assess a portfolio's performance relative to its level of benchmark risk. The higher the fund's information ratio, the more excess return it generates for each unit of tracking error.
Portfolio Standard Deviation	19.61%	A measure of how much the returns of the fund vary relative to the arithmetical average. The higher the fund's standard deviation, the more its returns tend to deviate from the mean.
Benchmark Standard Deviation	14.96%	A measure of how much the returns of the index vary relative to the arithmetical average. The higher the index's standard deviation, the more its returns tend to deviate from the mean.
Tracking Error	11.29%	The standard deviation of the difference between the fund's returns and those of the index. The higher the fund's tracking error, the more its performance relative to the benchmark may vary.

### Portfolio Risk Analysis - Ex-Ante at 30 June 2021

Risk Measure	Value	Risk Description
Dividend Yield (Fund)	0.56%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Dividend Yield (Index)	1.99%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Price to Book (Fund)	7.79	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Book (Index)	1.46	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Earnings (Fund)	50.77	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.
Price to Earnings (Index)	16.60	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.



### Disclaimer

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