

## Optimizing Your Equity Allocation to Japan

# Yuki Japan Value Select Fund

**Aggressive Long-Only Value and Growth-Type Japanese Equity Fund**

### **Investment Manager**

Yuki Management & Research  
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***September 2017***

# Executive Summary

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- Independent Family-Owned Tokyo-Based Fund Manager Established in 1992, Licensed by Financial Services Agency
- Style: Research Driven, Long-Only, Aggressive Growth, All Cap, Sector Agnostic
- Strategy Capacity: JPY600 billion
- Proprietary Quantitative Screening Process and Database
- Bottom-Up Process, 400 Company Visits a Year, No Reliance on Third Party Research
- Group Staff: 5-member investment team, 1 compliance officer, 5-member data management team
- Yuki Japan Value Select Fund Launched October 2005 (Current AUM: JPY156 million, Domicile: Ireland Unit Trust for Qualified Institutional Investors)
  - Performance\*: 5-Year: 34.1% p.a. (cum: 333.9%); 3-Year: 18.8% p.a. (cum: 68.1%); 1-Year: 48.8%, TOPIX: 19.6% (5Y, (cum: 121.1%)), 10.4% (3Y, (cum: 26.6%)), 24.3% (1Y)
- International Distribution: UK, US, Hong Kong



\*As of August 31, 2017

## Profile and Ownership

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### **Magoyuki Oshitani (66)**

- Owner and Founder of the Yuki Group in 1992, CIO
- 39 Years of Investment Experience
- Head of Data Management Group (Quantitative Screening Process)
- Originator of Yuki Matrix and Investment Process
- Senior Portfolio Manager/Director at Fidelity (Japan) Prior to Setting up Firm



### **Magotaka Oshitani (34)**

- Owner, Director, Portfolio Manager, Senior Analyst
- 14 Years of Investment Experience (Data Management Team, Analyst and Portfolio Manager)
- Portfolio Manager of Flagship Fund, Yuki Japan Rebounding Growth Fund (5-Star Morningstar Rating) Since Its Inception in March 2011
- Portfolio Manager of Yuki Japan Value Select Fund and Yuki Japan Low Price Fund Since August 2012



## Philosophy, Strategy & Process

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Yuki Seeks First to Preserve the Value of Customer Assets and Achieve Consistent Out Performance of the Market Through Aggressive Growth-Type and Value Select-Type Investment Strategy.

Thus, Achieve Positive Absolute Returns for Investors Through:

- I. Quantitative Screening of Entire Market to Identify “Growth Universe” and “Value Select Universe”
- II. Disciplined Bottom Up Process of Frequent On-Site Company Visits
- III. Primary Research, Prepare Own 3-Year EPS Estimates and Company Valuations
- IV. Invest with Conviction in Best Growth Companies

Result: Excellent Returns and Benefits, Both for Yuki’s Customers and the Companies in which We Invest

## Yuki Japan Value Select Fund (Unit Trust)

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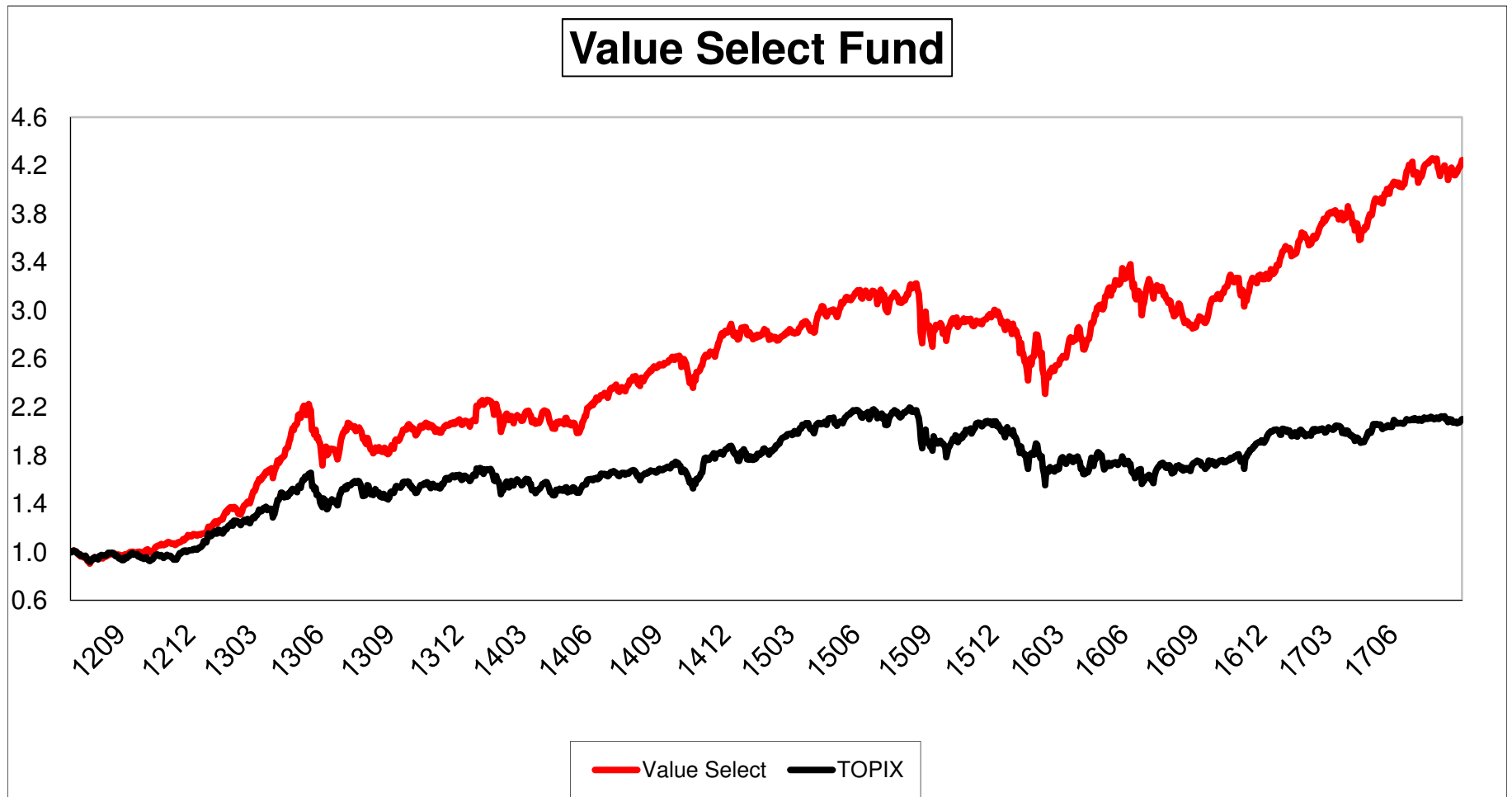


- ✓ Top-Ranked Offshore Long-Only Japanese Equity Fund
- ✓ 5-Year Net Returns of 34.1% p.a. compared to 19.6% for TOPIX
- ✓ ★★ ★★ ★ Rating by Morningstar for Outstanding 5-Year Performance
- ✓ Disciplined Adherence to Time-Tested Proprietary Growth-Type Investment Process
- ✓ Consistent Long-Term Outperformance Without Taking Undue Risks (IR: 1.03\*, Sharpe Ratio 1.45\*, Beta 1.03\*, Alpha 7.84\*)
- ✓ Protect Against Downside Risk by Avoiding Overbought Stocks (Average Portfolio PER of 13x)
- ✓ Concentration: Top 10 Holdings: ~40% of Portfolio; Top 30 Holdings: ~80% of Portfolio
- ✓ Growth at a Reasonable Price



\* Source: FT as of July 31, 2017

# Yuki Japan Value Select Fund (Cont'd)



# Unique Capabilities

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## Aggressive Growth-Type Management Style

Identify Best Growth Companies

Invest With Conviction at Reasonable Valuations

### 1. Quantitative Screening Process

- Proprietary Database Includes Financial Information on All Public Japanese Companies
- Identify Growth Universe of Around 400 Global-Standard Growth Companies
- 5-Member Data Management Team

### 2. Bottom Up Investment

- 5-Member Investment Team (2 Fund Managers) – All Graduates of Yuki Training Program
- Senior Portfolio Managers Have Significant Investment Experience
- Breadth of Bottom Up Research and Analysis
- Visit More Than 400 Companies / Year
- Deep Local Market Knowledge (Based in Japan)

### 3. Result

- Consistent Outperformance over the long term
- Named 2017 Best Management Company (4 to 7 Funds Category) for Funds Domiciled in Ireland by European Funds Trophy, sponsored by FUNDCLASS, an independent fund rating agency



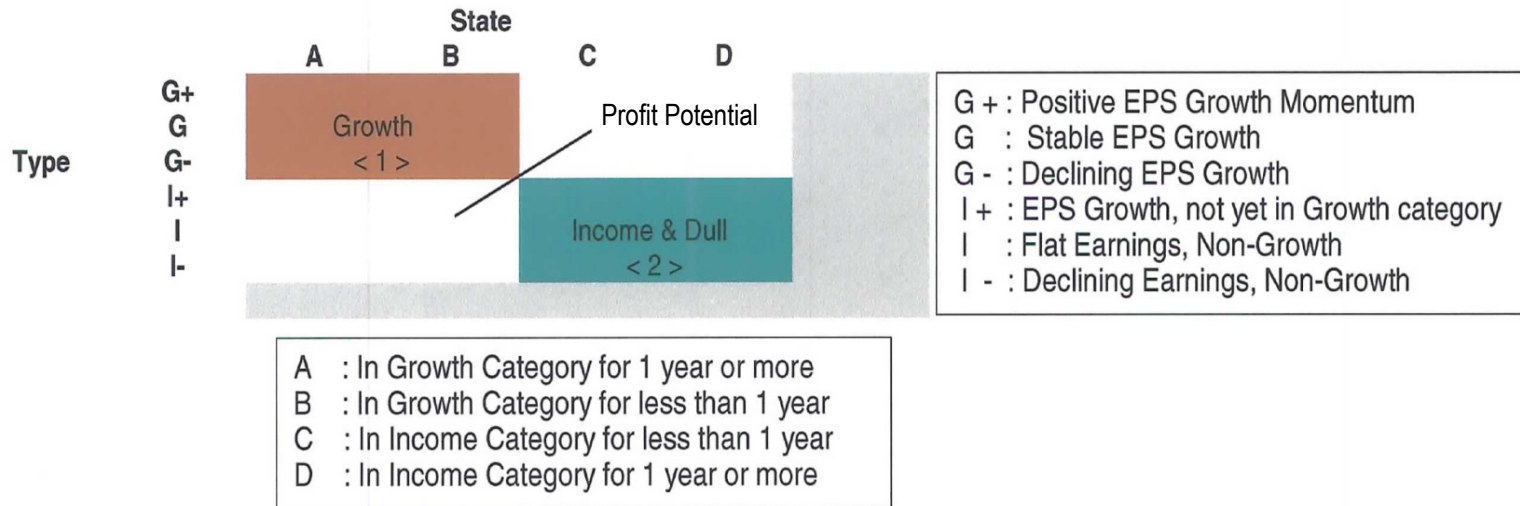
# Quantitative Process

The Yuki Matrix distinguishes between

- < 1 > companies that trade based on PER by recording higher relative earnings ( Growth ) from
- < 2 > companies that trade on some other metric ( Income )

1. Valuation of companies through analysis of specific items from the balance sheet and income statement (historical data and estimates of current period figures).
2. Plot all companies as Growth ( 6 categories), Income and Dull ( 6 categories).
3. For a growth-type fund focus on { G+ } and { G }, and pick stocks selectively from group { I+ } .

## Yuki Matrix





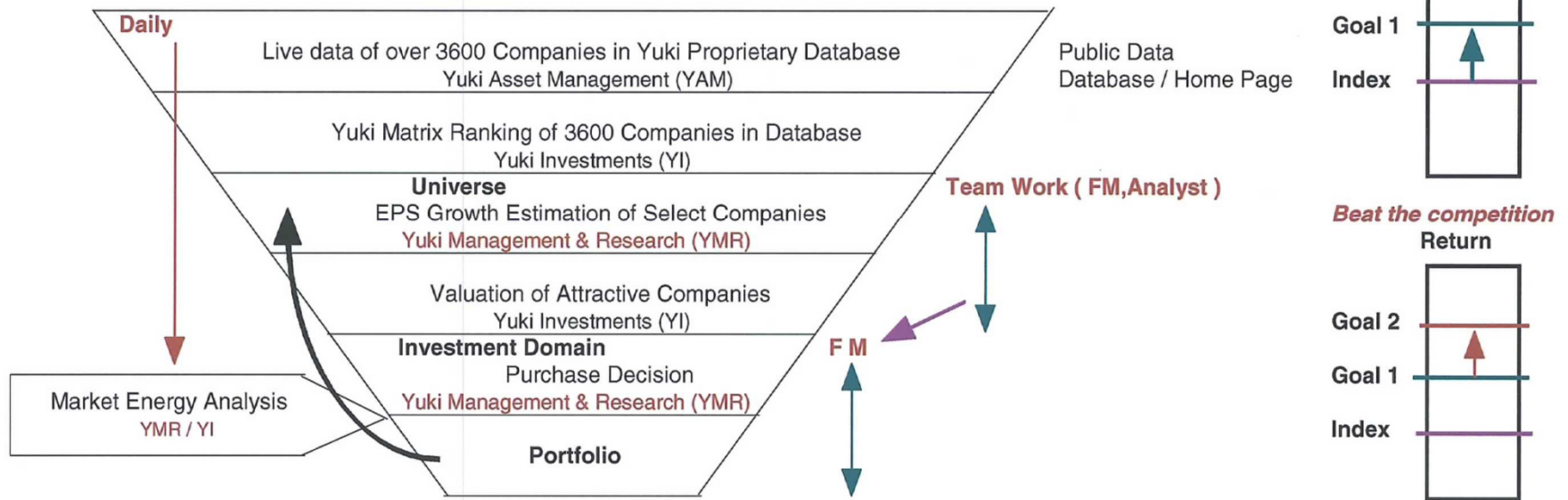
# Two-Stage Investment Process

## Quantitative Stage

1. Proprietary Database of financial statement information on all listed companies
2. Yuki Matrix screening: Categorize companies into growth and non-growth categories
3. Identify Growth Universe

## Bottom Up Stage

1. Visit companies in Growth Universe, etc.
2. Interview key officers and decision makers, research and analyze findings
3. Prepare 3-year EPS estimates
4. Conduct value analysis, prepare target price and FMV price range
5. Invest with conviction in best growth companies at appropriate valuations
6. Adjust portfolio weightings according to appreciation potential ( current price relative to potential )



# Investment Activity

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## Prerequisite

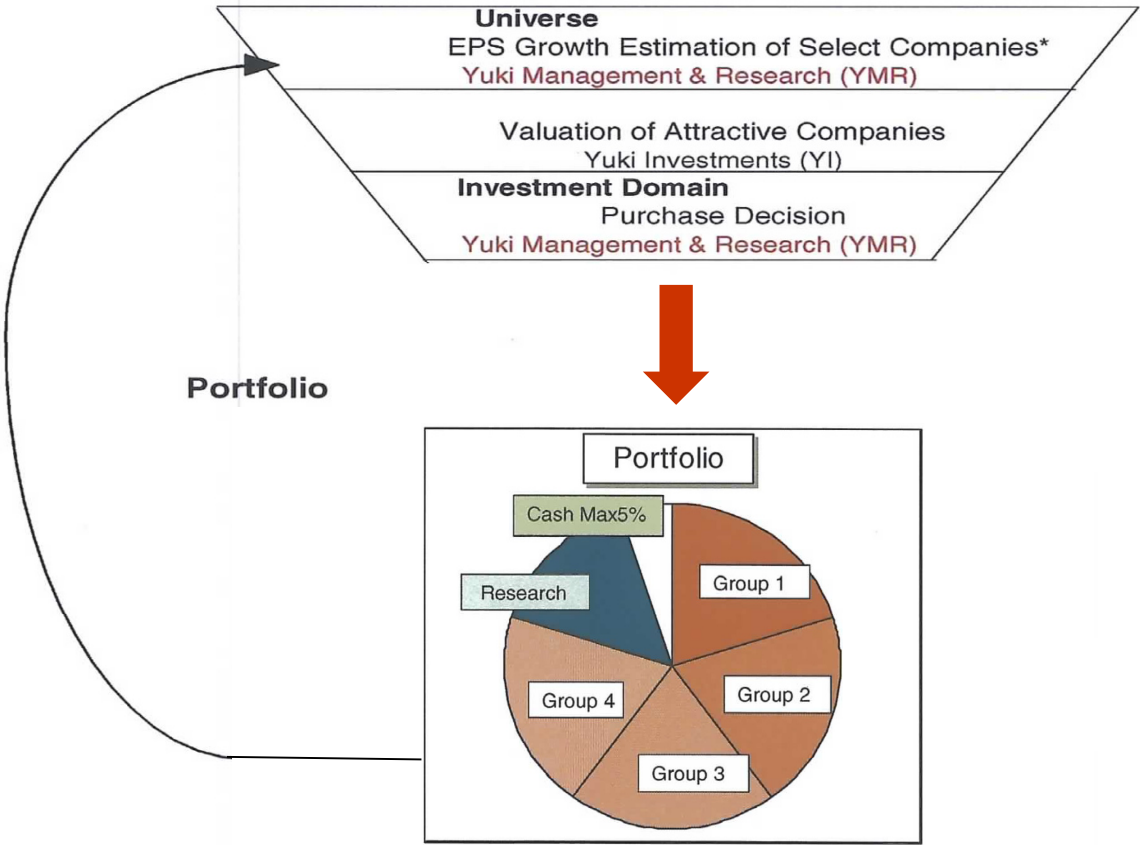
- Company Management Responsibility:
1. Contribution to Society
  2. Grow EPS
  3. Stability / Increase Employment
- Investment Objective & Process:
1. Assess Company Results and Support Management Through Investment
  2. Company Grows and Contributes to Society
  3. Continuous Stream of Earnings
- Management Strategies to Grow EPS:
- |                                 |                           |
|---------------------------------|---------------------------|
| 0. Achieve Pricing Power        |                           |
| 1. Unit Sales Growth            | 1-1 Capex / Depreciation  |
| 2. Improve Margin / Product Mix | 2-1 R&D                   |
| 3. Control Costs                | 1-2, 3-1 No. of Employees |

## Investment Team's Daily Activities

- Evaluate the Company:
- |        |   |
|--------|---|
| Step 1 | Flow Chart (Analysis)                           |
| Step 2 | Prepare EPS Growth estimate (3-year and 1-year) |
| Step 3 | Opinion Report                                  |
- Portfolio Manager:
1. Value the Company (Select From a Pool of Attractive Companies – Value Select Universe)
  2. Determine Target Price, Remove Stocks with no Potential
  3. Analyze Market Sentiment
  4. Buy Shares, Construct Portfolio

# How We Achieve Out-Performance

## Bottom-up Research & Portfolio Construction

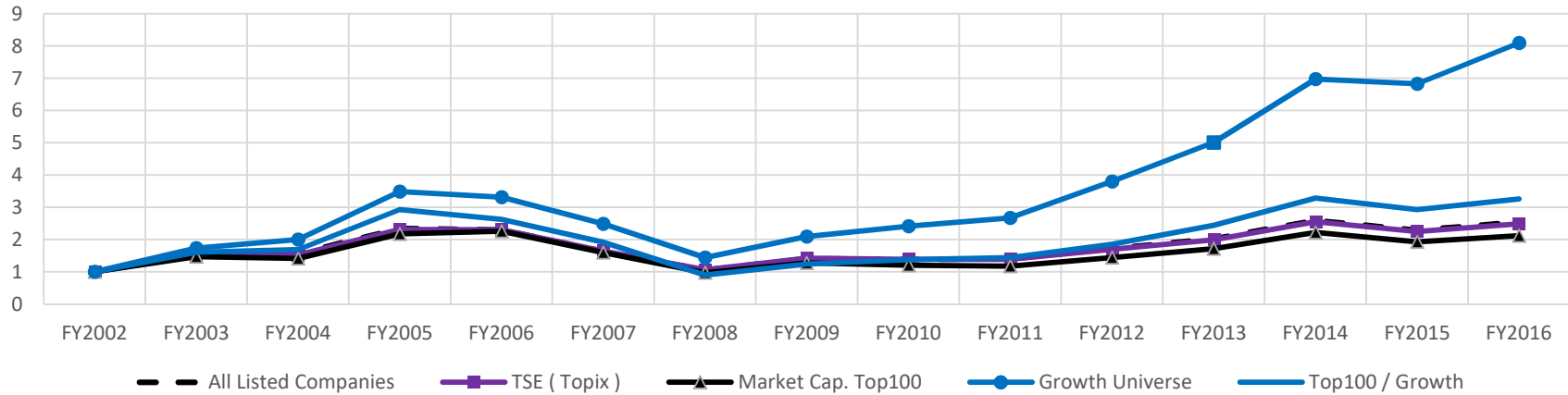


Note: The Investment Manager has the ability to increase the fund's cash holdings to 100%



# Advantage of Growth-Type Investing in Japan

Equity Returns  
Japan : FY202 = 1



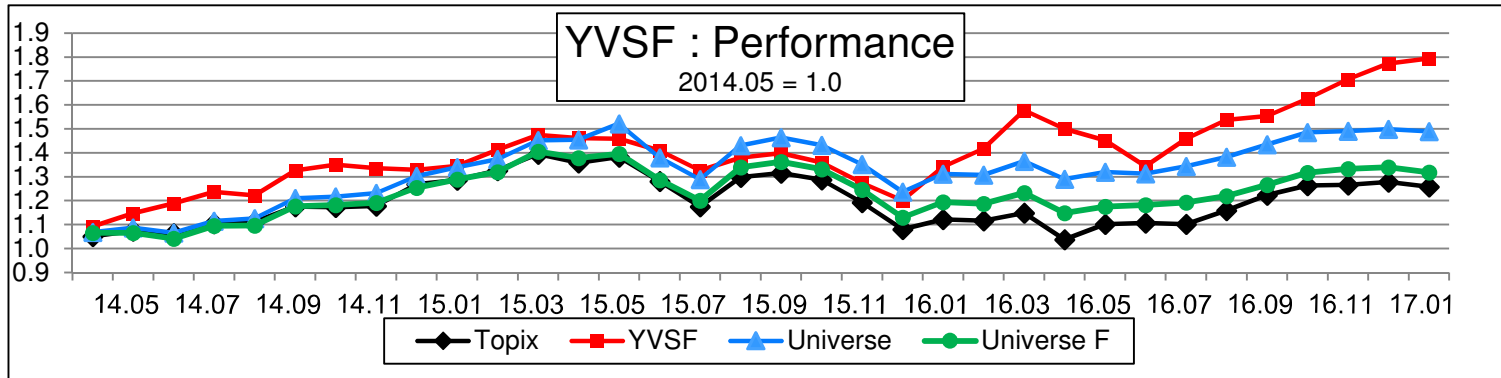
Note: Equity Returns for the graphs are calculated using market cap figures

Growth Universe is the Pool of Global-Standard Growth Companies Identified by Yuki Through its Proprietary Quantitative Screening Process (Yuki Matrix)

Yuki Matrix (and the Growth Universe) is Continuously Updated Based on Fundamental Financial and Operational Information Announced by Japanese Companies

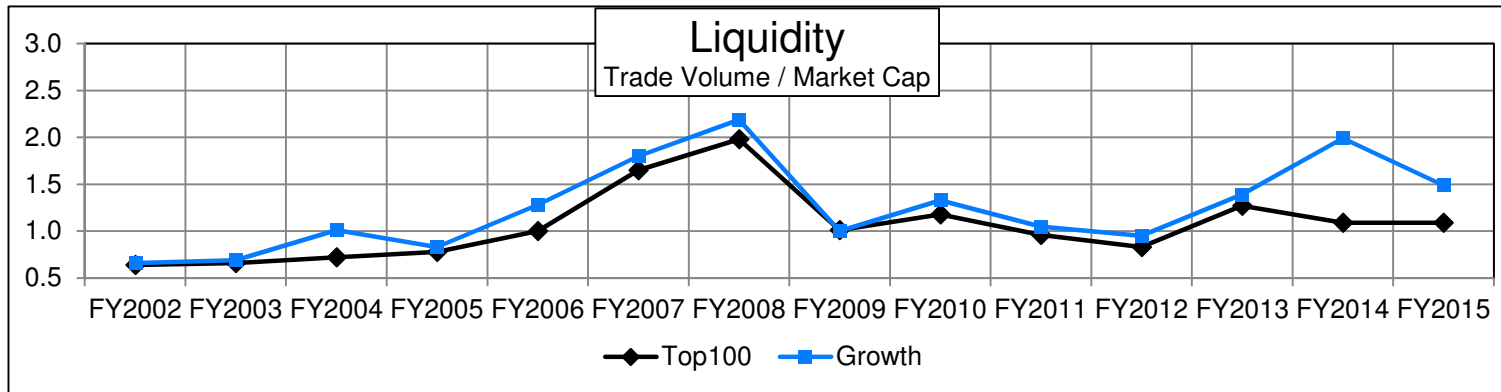
# Benefits of Value Select-Type Investing in Japan

## Clear Equity Return Advantage of a Value/Growth Strategy in Japan



Note: "Universe F" excludes "over bought" stocks

## Better Liquidity Profile of Growth-Type Companies Relative to Large Caps



# Characteristics of Value Select Universe Companies Compared to All TOPIX Companies

Value Select Universe Companies Excel On Many Levels and Have Better Downside Protection

## Value Select Universe

	No. of Co's	Sales	Op Profit	Rec. Profit	Net Profit	Dividends	Equity	¥ Bil. Mkt Cap
FY2015	414	62561	5003	4980	2343	758	24715	
FY'16 2F		63724	5818	5968	4119	762	28130	63548

### Margin

	Op Profit	Rec. Profit	Net Profit
FY2015	8.00%	7.96%	3.75%
FY'16 2F	9.13%	9.37%	6.46%

### Change

	Sales	Op Profit	Rec. Profit	Net Profit	Dividends	Equity
FY'16 2F	1.90%	16.30%	19.90%	75.80%	0.50%	13.80%

## All Listed Companies

	No. of Co's	Sales	Op Profit	Rec. Profit	Net Profit	Dividends	Equity	¥ Bil. Mkt Cap
FY2015		784393	45306	54514	31229	10657	402757	
FY'16 2F	3643	767221	44272	52086	33292	11018	425408	548000

### Margin

	Op Profit	Rec. Profit	Net Profit
FY2015	5.80%	6.90%	4.00%
FY'16 2F	5.80%	6.80%	4.30%

### Change

	Sales	Op Profit	Rec. Profit	Net Profit	Dividends	Equity
FY'16 2F	-2.20%	-2.30%	-4.50%	6.60%	3.40%	5.60%

Yuki Investments



## Yuki Japan Value Select Fund (Unit Trust)

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- ✓ Launched October 27, 2005
- ✓ Unit Trust Structure, Listed on Irish Stock Exchange
- ✓ Daily NAV Calculation
- ✓ Daily Dealing: Subscription/Redemption at NAV
- ✓ Investment Manager: Yuki Management & Research
- ✓ Administrator: State Street Fund Services (Ireland)
- ✓ Trustee: State Street Custodial Services (Ireland)
- ✓ Placing Agent: Yuki International
- ✓ Irish Management Co: Carne Global Fund Managers
- ✓ Auditor: PricewaterhouseCoopers
- ✓ Legal Advisors: Dillon Eustace

# Disclaimer

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This material is intended to report solely on the investment strategies and opportunities identified by Yuki. Additional information is available upon request. Information herein is believed to be reliable but Yuki does not warrant its completeness or accuracy. Opinions and estimates constitute Yuki's judgment and are subject to change without notice. Past performance is not indicative of future results. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Yuki and/or its affiliates and employees may hold a position or act as advisor to such issuer. The investments and strategies discussed herein may not be suitable for all investors; if you have any doubts you should consult your own adviser or broker. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. You should consult your tax or legal adviser about the issues discussed herein. The investments discussed may fluctuate in price or value. Investors may get back less than they invested. Changes in rates of exchange may have an adverse effect on the value, price or income of investments.

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# Appendix

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# Fund Components and Performance: The Yuki Japan Value Select Fund

<b>Assets Under Management</b>	Approx. \$2.0 million*
<b>Established</b>	October 2005
<b>Objective</b>	Long-term capital appreciation, while ensuring asset protection
<b>Terms</b>	1.19% FM fee + standard admin and custody fees Daily dealing, Ireland-domiciled unit trust structure Admin and Custody: State Street, Auditor: PwC
<b>Holding Period</b>	On average, 1 year
<b>Portfolio Composition</b>	91.3%, equity; 8.7%, cash
<b>Equity Allocation</b>	50 equity positions, Top 10: 39.7% Mid and Small Cap: 90%
<b>5-Year Sharpe Ratio</b>	1.45
<b>5-Year Beta</b>	1.15
<b>5-Year Alpha</b>	7.84
<b>Overview</b>	

TOP TEN HOLDINGS (as of July 31, 2017)	
1. V Technology Co Ltd	5.8%
2. Sony Corp	5.3%
3. Outsourcing Inc	4.3%
4. Investors Cloud Co Ltd	3.9%
5. IBJ Inc	3.7%
6. DIP Corp	3.5%
7. Tokyo Electron Ltd	3.4%
8. AI Holdings Corp	3.3%
9. Iriso Electronics Co Ltd	3.3%
10. Yamada Consulting Group	3.0%

Expect the fund to continue to outperform the market as the portfolio has been constructed to include stocks of companies with average EPS growth above that of the overall market. Along with good stock selection, the fund manager thinks a key to the fund's performance this year will be placing even greater emphasis on conscientiously adjusting portfolio weightings in line with each stock's target price. In extraordinary circumstances, the investment manager can place 100% in cash.

Aug-17	1m	3m	6m	1yr	2yr	3yr	5yr	Oct-05
Value Select	1.90%	5.30%	12.86%	48.80%	18.83%	18.60%	33.56%	5.63%
TOPIX	-0.07%	3.13%	5.35%	21.65%	2.13%	8.04%	13.90%	-0.05%

Dec. 31, 2013 Beta: 0.97; Alpha: 36.7  
Dec. 31, 2014 Beta: 1.01; Alpha: 19.0  
Dec. 31, 2015 Beta: 0.90; Alpha: 12.8



\* As of August 31, 2017

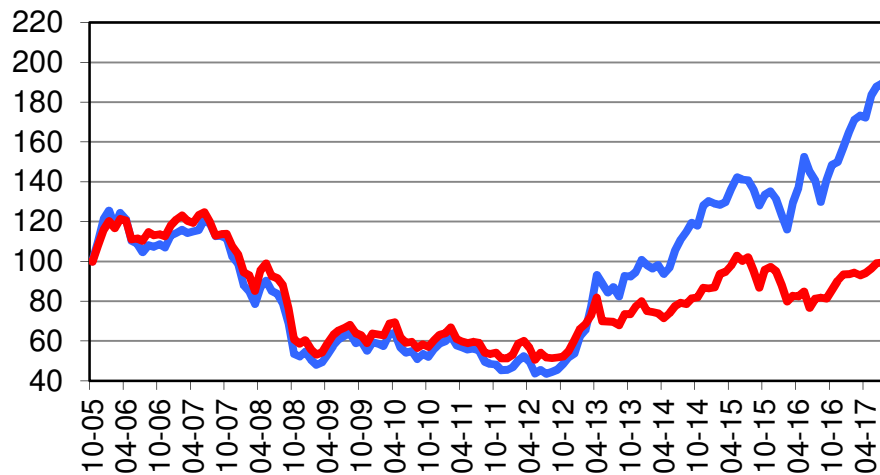
# Fund Components and Performance: The Yuki Japan Value Select Fund

## Performance

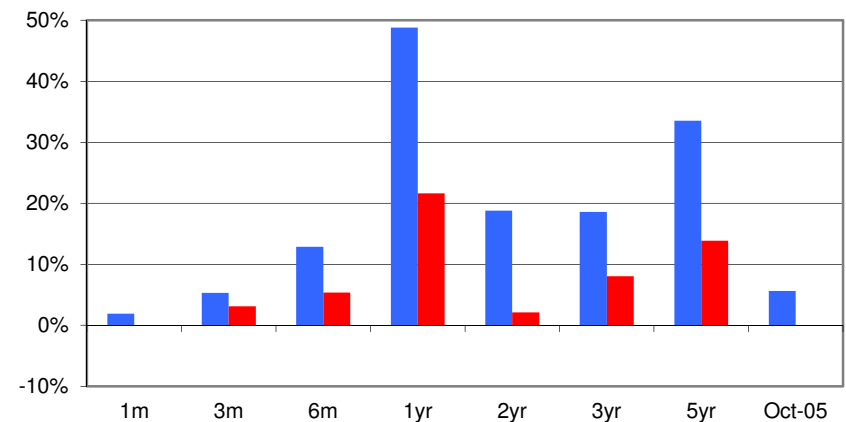
- ✓ **Outperformance of TOPIX by almost 20% p.a. over 5 years, and 5.5% per year since inception.**
- ✓ **5-Star rating (5Y) from Morningstar, with a total cumulative 5-year net return of 333.9% through August 2017**

## Yuki Japan Value Select Fund vs TOPIX

**Performance Since Inception**  
(Mar-11 = 100)



**Compound Performance per Annum**



■ Yuki Japan Value Select

■ TOPIX



## Team Bios

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### Magoyuki Oshitani: Founder, Group CIO

Mr. Magoyuki (“Yuki”) Oshitani is a renowned portfolio manager who has been managing funds and training Yuki investment team managers and other investment professionals for 39 years.

Mr. Oshitani was a senior portfolio manager and senior analyst at Fidelity Investments Japan prior to founding Yuki Asset Management in 1992. Mr. Oshitani has been in the Investment Management industry since 1976, and involved in managing portfolios since 1983. He is a highly acclaimed portfolio manager with numerous recognitions.

Mr. Oshitani’s experience includes:

1976 – 1983	Senior Analyst / Strategist at Tachibana Securities
1983 – 1985	Senior Analyst / Portfolio Manager at Fidelity International (Japan) Limited
1985 – 1990	Director / Portfolio Manager at Fidelity Int’l Investment Advisors (Japan) Limited
1990 – 1992	Senior Portfolio Manager at Fidelity Investments Japan Limited
1992 –	President of Yuki Asset Management Co., Ltd. (Japan)
1996 –	President of Yuki Investments Co., Ltd. (Japan)
2001 –	Founder of Yuki Management and Research Co., Ltd. (Japan)

Mr. Oshitani graduated with M.B.A. for Electro Communications and System Engineering from the University of Electro Communications in Tokyo.



## Team Bios (cont'd)

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### Magotaka Oshitani: Director, Fund Manager, Senior Analyst

Mr. Magotaka (“Taka”) Oshitani is a renowned fund manager with more than ten years of investment and analyst experience.

Mr. Oshitani is the fund manager of the three highest ranked Japan long-only equity funds on the Bloomberg list of offshore funds: Yuki Japan Rebounding Growth Fund (UCITs), Yuki Japan Low Price Fund and Yuki Japan Value Select Fund. He is also the fund manager of an absolute return global fund launched at the end of April 2014, Yuki Global Select Fund.

His experience includes:

- 2003 – Director of Yuki Asset Management Co., Ltd. (Japan)
- 2003 – Director of Yuki Investments Co., Ltd. (Japan)
- 2003 – Data Analysis for Yuki Matrix
- 2007 – Analyst at Yuki Management and Research Co., Ltd. (Japan)
- 2010 – Fund Manager at Yuki Management and Research Co., Ltd. (Japan)
- 2010 – Portfolio Manager of Yuki Japan Rebounding Growth Fund
- 2012 – Portfolio Manager of Yuki Japan Value Select Fund & Low Price Fund

Mr. Oshitani graduated with a degree in Engineering from Aoyama Gakuin University in Tokyo.

