

JAPAN EQUITY THE 'NEW JAPAN'



MARTIN CURRIE

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For professional investors only



Consistency has prevailed within the Martin Currie Japan Equity strategy. An enduring focus on quality companies that rapidly grow their earnings has allowed the strategy to outstrip the returns realised by many competitors and indeed the broad Japanese market since inception in 1996. As we enter a new era of strategy management, we focus on the portfolio fundamentals and how the team intend on safeguarding the longstanding legacy of the 'New Japan.'



Reiko Mito

Head of Japan Equity Strategy
and Research



Paul Danes

Japan Equity Portfolio Manager

The strategy

The Martin Currie Japan Equity strategy has a long-standing reputation for identifying and partnering with some of the fastest growing companies in Japan.

There is a finite quantity of truly quality businesses across global markets and the Japanese market is no exception. Consequently, the team continue to operate a concentrated, low turnover portfolio composed of companies on steep growth trajectories; they look for firms with robust business models, strong management teams, but fundamentally trading on reasonable multiples. This enables the team to assert meaningful conviction in their best ideas. Benefitting from the power of compounding, the strategy seeks to generate returns superior to the broad Japanese market. The team recognise the importance of prevailing societal and economic themes, and these trends are incorporated into their fundamental, bottom-up research. By screening the investment universe for exposure to the structural themes embedded in the culture of Japanese society, the research team can scrutinise the business models of a subset of companies already benefitting from long term tailwinds.

Stewardship and sustainability have affirmed a foothold deep in the culture of Martin Currie since 2009, when we became an early signatory to the UN PRI. This core belief reverberates through each of our portfolios in the form of fully integrated ESG analysis, engagement, and voting activity. We believe that ESG integration and financial returns are fundamentally intertwined, and to achieve the greatest impact these stewardship activities should be conducted by those individuals making the investment decisions.

The bottom-up constructed portfolio focuses on:



Quality

- Business model
- Competitive position
- Management team



Growth

- Earnings growth outstripping the Japanese market



Concentration

- 30-50 holdings



Unconstrained

- Asset conviction where structural growth exists



Valuation

- Reasonably rated
- Evade 'growth at any price' mentality

“ The team recognise the importance of prevailing societal and economic themes, and these trends are incorporated into their fundamental, bottom-up research. ”



The 'New Japan' Legacy

The ideology of the 'New Japan' has now been reverberating through Japanese society for multiple decades.

Acknowledging the complex challenges presenting themselves to the nation, this programme of structural reform targets economic growth through technological progress and resource mobilisation within efficiently operating sectors. The emergence of new growth industries, new products, and innovative means of employment are a culmination of the powerful tailwinds propelling companies exposed to this dynamic.

This structural socio-economic shift presents a significant opportunity to invest in profitable and growing companies. Our Japan Equity team seeks out companies who can benefit from these long term structural changes. This overriding dynamic is key, so today the majority of holdings fall into 3 distinct 'New Japan' sub-themes.



The ageing population: A rapidly aging demographic creates business opportunities within the innovative medical and healthcare fields



The digital transformation: High growth investment opportunities are created through the upsurge in the Japanese digital economy.



The labour shortage: Chronic staff shortages generate disruptive labour mobility and human capital efficiencies within manufacturing and services sectors



The legacy of the 'New Japan' has been an embedded presence within the strategy's portfolio since inception in 1996. Disciplined adherence to this structural theme has supported the significant generation of alpha within the strategy, whilst the broad Japanese market - grappling with deflationary forces and economic stagnation - struggled to keep pace.

Concentrated focus on the New Japan



Source: Morningstar as at 31/08/2022.

The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the securities discussed here were, or will prove to be, profitable.

The team

The Martin Currie Japan Equity Team are specialised Japanese equity investors.

Remaining focussed on the solitary region, a deep understanding of the Japanese market has been established over many decades of research coverage. Once the universe is narrowed in adherence to the New Japan philosophy, as well as those businesses that fit the disciplined quality, growth and valuation criteria, a modestly sized *investable* universe remains. It is here that the team's depth of expertise comes to the fore, applying a 'hands on' approach to understand the nuts and bolts of each individual company.



Reiko Mito

Head of Japan Equity Strategy and Research

Investment Experience: 22 years'

- 22 years' managing Japanese equity growth portfolios
- Research and idea generation
- Sector generalist
- Fluent in Japanese, English and French
- Based in Zurich

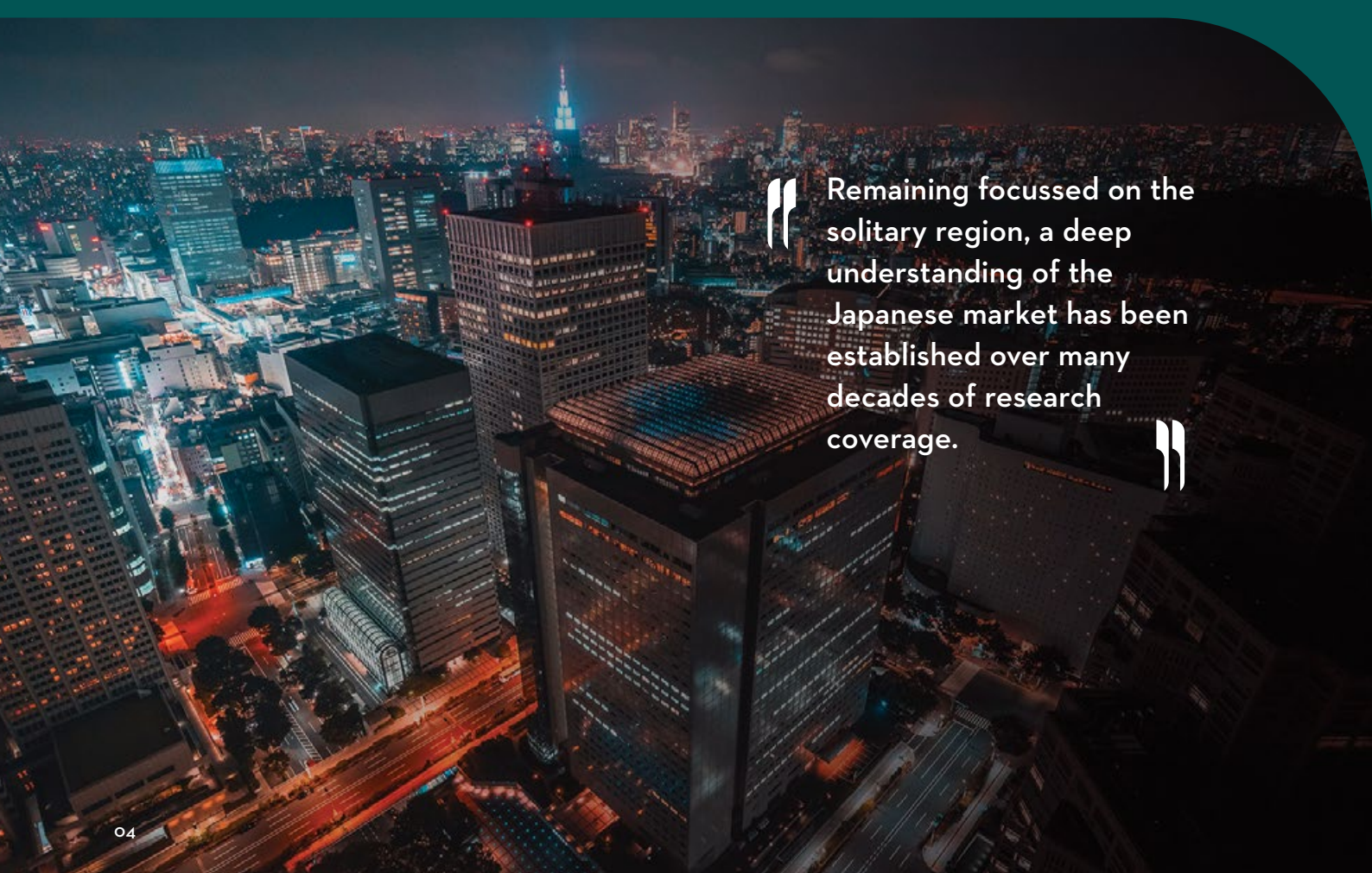


Paul Danes

Japan Equity Portfolio Manager

Investment Experience: 28 years'

- 15 years' experience in Japanese equities and 10 years specialising in small-cap stocks
- Stock picking and portfolio construction
- English and Japanese speaker
- Based in Singapore



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- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.

Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.



MARTIN CURRIE

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