


### Important Information

- Eastspring Investments – Japan Dynamic Fund is referred to as the 'Fund'.
- The Fund invests in equities and equity-related securities and is exposed to the risk of market price fluctuations.
- The Fund invests in a single country, and may be subject to greater volatility compared to more diversified funds.
- The Fund may incur substantial losses if it is unable to sell those investments with liquidity risks at opportune times or prices.
- The Fund may invest in securities denominated in currencies other than the Fund's base currency and may be exposed to currency and exchange rates risk.
- The Fund may offer currency hedged share classes which involve currency hedging transactions that may, in extreme cases, adversely affect the Fund's net asset value.
- The Fund may use financial derivatives instruments (FDIs) for hedging and efficient portfolio management purposes. Using FDIs may expose the Fund to market risk, management risk, credit risk, counterparty risk, liquidity risk, volatility risk, operational risk, leverage risk, valuation risk and over-the-counter transaction risk. The use of such instruments may be ineffective and the Fund may incur significant losses.
- Investment involves risk. Investors should not rely solely on this document in making investment decision. Past performance information presented is not indicative of future performance.



A Prudential plc company 

July 2023

# Eastspring Investments – Japan Dynamic Fund (The “Fund”)

**invested** in Japan.



# invested in Japan.

## Seize its dynamic opportunities

Japan is typically seen as a low growth economy with a rapidly ageing population, both of which keep the lid on domestic consumer spending. Yet Japan has always been a corporate, not an economic, revival story. Investors willing to look beyond economic data will discover a market that is attractively valued compared to global equities and offers opportunities on a bottom-up basis.

Japanese corporates are in a good shape owing to the gradual and steady restructuring over the last decade. The corporate reform story has resulted in improved trend profitability and higher operational efficiency. As a result, corporate earnings have remained resilient despite the pandemic.

At Eastspring Investments, our focus remains on identifying the many mispriced Japanese companies with good quality income streams that are yet to be recognised by the market. We expect the corporate reforms and structural changes have another five to ten years to play out. Investors who are keen to reap long-term gains from this market may consider a strategic allocation to Japan equities in their portfolios for these reasons.

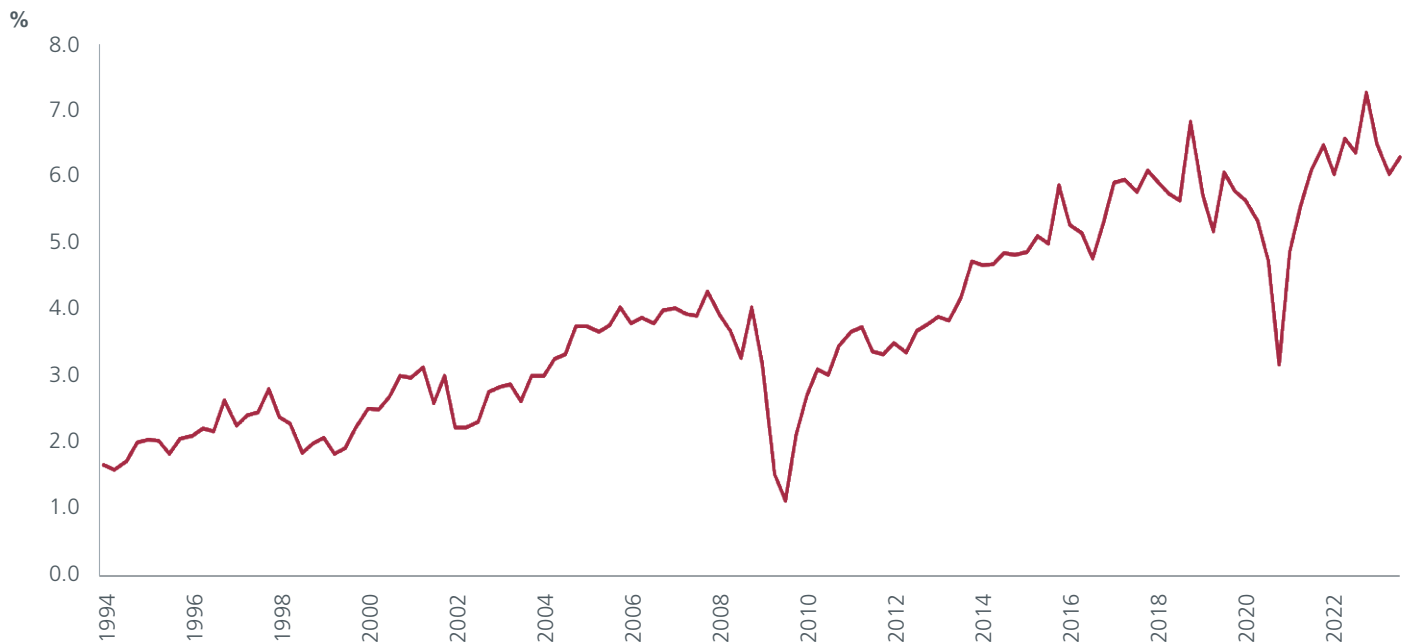
# Reasons to invest in Japan

## ► Corporate reforms are driving profits

Profitability has generally improved on a trend basis; even during the height of the pandemic in 2020, the operating profit margins only fell to the peak level of the previous cycle. This was achieved by Japanese companies managing their capacity and cost base well.

**Fig. 1. Corporate profitability is on the rise**

Profit Margin as % of Sales

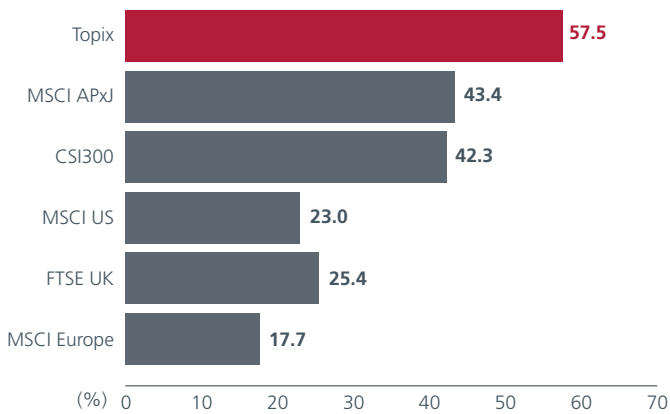


Sources: Profit Margin % of sales from Refinitiv Datastream MOF. For illustration purposes only. The indices described are unmanaged and not available for direct investment. Latest data available as 30 June 2023. Current Profits of all Japanese Incorporated Enterprises Industries (Except Finance and Insurance) / Sales, in Japanese Yen.

➤ **More Japanese companies are cash rich**

Long-term restructuring efforts have included deleveraging of balance sheets, which has led to high levels of cash and offered many companies a level of flexibility in funding their ongoing operations.

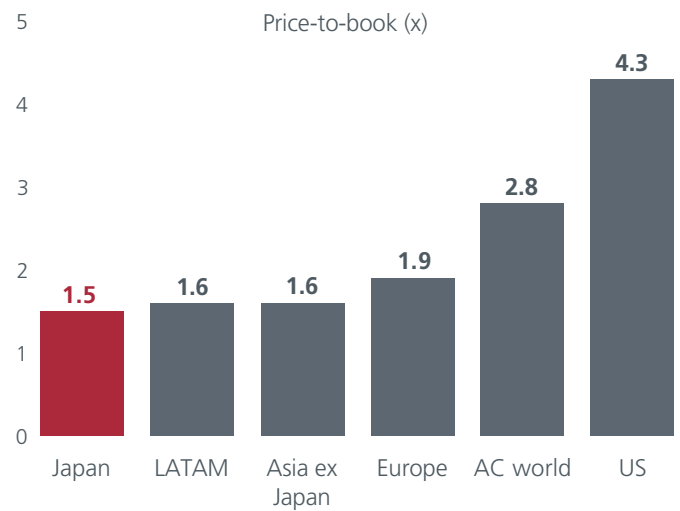
**Fig 2: Japan’s non-financial companies have high levels of net cash**



➤ **Japan is cheap compared to global peers**

Despite resilient earnings and improved companies’ fundamentals, the market did not re-rate and is still valued much lower than other major markets. Lower starting valuations are supportive of likely future outperformance for the market.

**Fig 3 : Japan equities are attractively valued compared to global equities**



Source: Fig.2. “Cash rich” companies: Nomura, as at 30 June 2023. Fig.3. Eastspring Investments, IBES MSCI Indices, Refinitiv Datastream, as at 30 June 2023. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. Indices used: MSCI Japan Index, MSCI Europe Index, MSCI AC Asia Pacific ex-Japan, MSCI EM Latin America Index, MSCI AC World Index, MSCI USA Index Projections, forecasts, opinions on the economy, securities markets or the economic trends of the markets are based upon Information and sources believed to be reliable at time of publication and subject to change without notice.

# About Eastspring Investments – Japan Dynamic Fund (“Fund”)



## A high conviction and unconstrained strategy

A portfolio that is unconstrained by market cap or market’s thematic preferences. The portfolio contains 30-50 of our best idea stocks that are undervalued according to their fundamentals or whose prices reflect a significant overreaction by the market.



## Differentiated valuation approach

Our value differentiator lies in our detailed analysis that looks for the longer drivers of a company’s sustainable earnings using a consistent valuation framework. This approach systematically identifies “high impact valuation outliers” and is durable over time and market cycles.



## Choice of share classes

The Fund is also available in USD hedged share classes. By reducing the exchange rate fluctuations between JPY and the hedged currencies, the hedged share classes offer investors returns that are correlated to the base currency (JPY) of the Fund.



## Proven track record

Highly experienced team with a track record of over 16 years of navigating Japan’s equity universe and delivering strong performance. We are also one of the very few true-to-label-based managers of Japan equity.

## Fund facts

### Benchmark

MSCI Japan Index<sup>^</sup>

### Fund Size

JPY 362,290.6 million  
(as at 30 June 2023)

### Initial sales charge

Up to 5.0%

### Annual management fee

Currently 1.5% p.a.

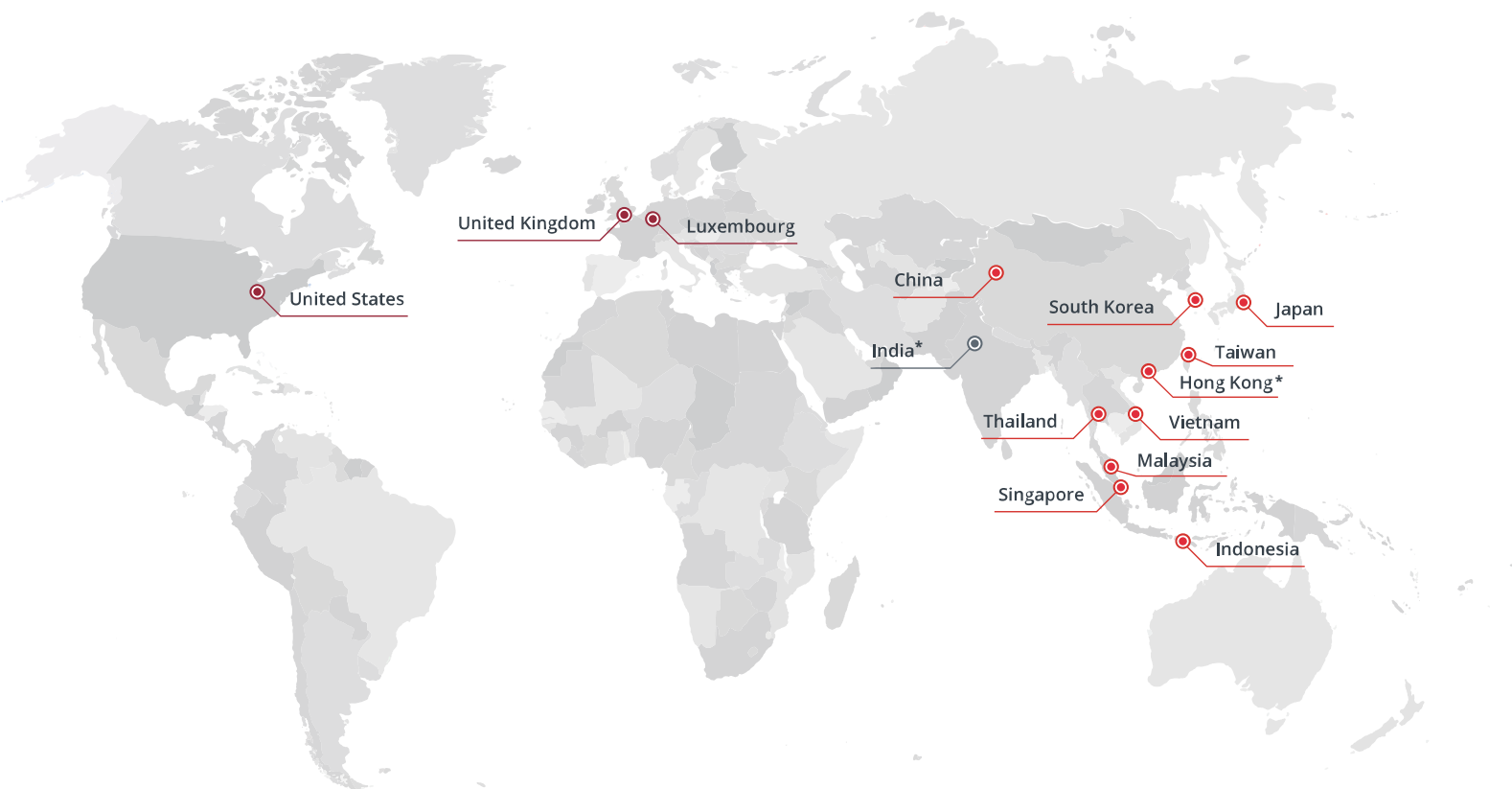
<sup>^</sup>The MSCI index is calculated with dividends reinvested.

Classes of shares	Currency	ISIN	Annual management fee % (Current)
Class A	USD	LU0560541111	1.500
Class A (hedged)	USD	LU0965088593	1.500
Class A <sub>J</sub>	JPY	LU1118698981	1.500

# About Eastspring Investments

Eastspring Investments is a leading Asia-based asset manager that manages over USD221.4 billion\* of assets with presence in 11 Asian markets as well as distribution offices in North America and Europe. Operating in Asia since 1994, Eastspring Investments is the Asian asset management business of Prudential plc, an international financial services group.

## Asian centre, global presence



● Sales office   ● Sales and investment office   ● \*Joint venture

**300+**  
number of **investment professionals**

**31+**  
**nationalities**

**25+**  
years of **operating history**

## Disclaimer

All data are from Eastspring Investments (Singapore) Limited.

The Fund is a sub-fund of the Eastspring Investments (the “SICAV”), an open-ended investment company with variable capital (société d’investissement à capital variable) registered in the Grand Duchy of Luxembourg on the official list of collective investment undertakings pursuant to part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment (the “2010 Law”) and the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 (the “UCITS Directive”). The SICAV has appointed Eastspring Investments (Hong Kong) Limited (“Eastspring Investments Hong Kong”) as its Hong Kong Representative. This information is not an offer or solicitation of an offer for the purchase of investment units in the Fund. An offering document in relation to the Fund is available and may be obtained through Eastspring Investments Hong Kong or any of its appointed distributors. All applications for units in the Fund must be made on the application forms accompanying the offering document. Potential investors should read the offering document (including the risk factors stated therein in details and the risk factors in particular those associated with investments in emerging markets, if applicable) before deciding whether to subscribe for or purchase units in the Fund. An investment in units of the Fund is subject to investment risks, including the possible loss of the principal amount invested. Past performance is not necessarily a guide to the future or likely performance of the Fund. The value of the units in the Fund and any income accruing to the units, if any, may fall or rise. US/HK dollar-based investors are exposed to currency fluctuations where the Fund is denominated in currencies other than US/HK dollar. The information contained herein does not have any regard to the specific investment objective(s), financial situation or the particular needs of any person. Potential investors may wish to seek advice from a financial adviser before purchasing units in the Fund. In the event that potential investors choose not to seek advice from a financial adviser, they should consider whether the Fund is a suitable investment for them. Eastspring Investments Hong Kong is an ultimately wholly owned subsidiary of Prudential plc of the United Kingdom. Eastspring Investments Hong Kong and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

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**invested**  
**in Asia.**

