


Important Information

- Eastspring Investments – Japan Dynamic Fund is referred to as the 'Fund'.
- The Fund invests in equities 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 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 

October 2022

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

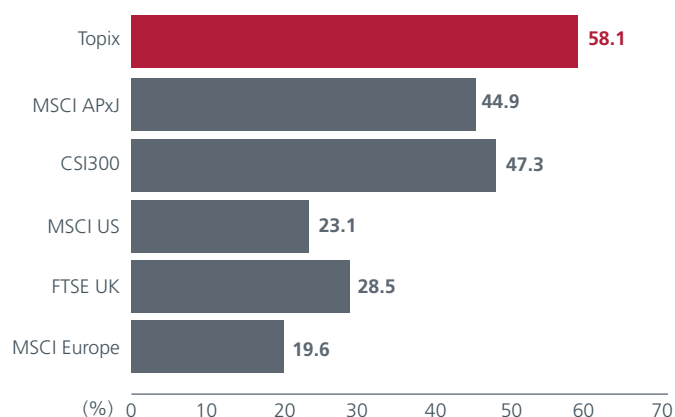


Source: Fig.1. Profit Margin % of sales from Refinitiv Datastream MOF as at 29 July 2022. Current Profits of all Japanese Incorporated Enterprises Industries (Except Finance and Insurance) / Sales, in Japanese Yen.

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.

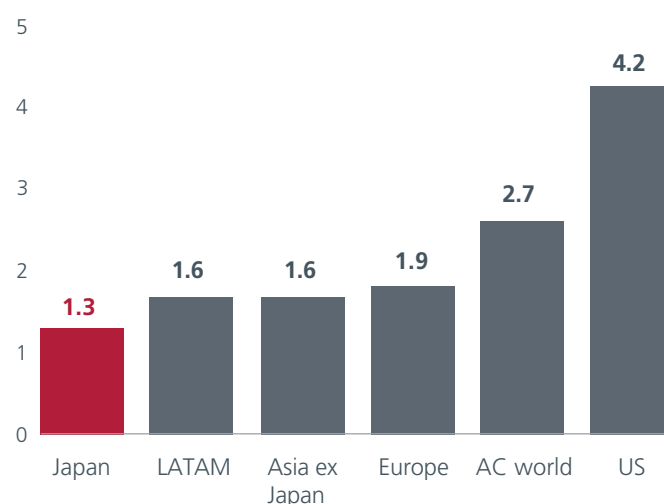
Fig 2: Japan's non-financial companies have high levels of net cash



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 based on Japan (Topix), US and Europe (MSCI indices) from Nomura, as at 15 August 2022. Companies ratio is the number of positive net cash companies divided by the number of index composite companies. Fig.3. Eastspring Investments, IBES MSCI Indices, Refinitiv Datastream, as at 29 July 2022. 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

5 must-knows about Japan's corporates

1 They are among some of the most cash rich, globally

Net positive cash on balance sheet¹

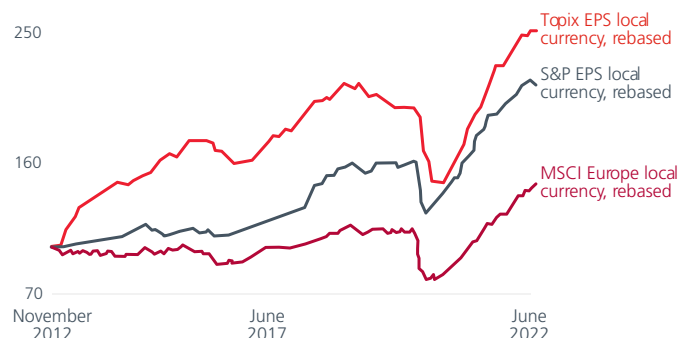
Japan
58.1%

US
23.1%

Europe
19.6%

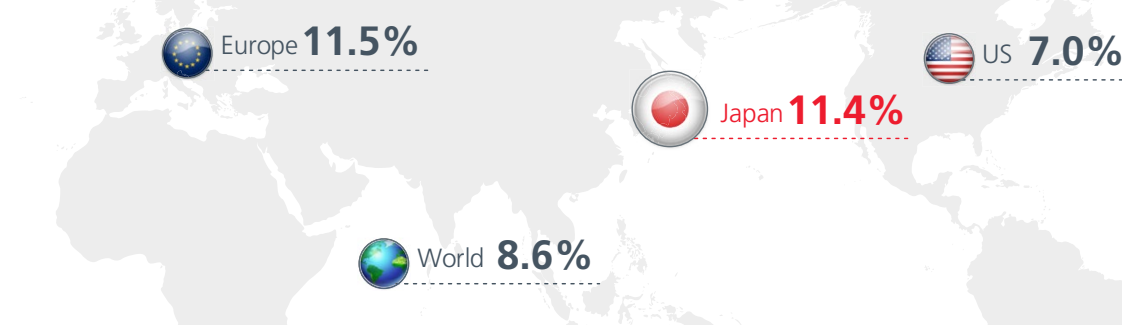


2 Shown significant earnings resilience in recent years²



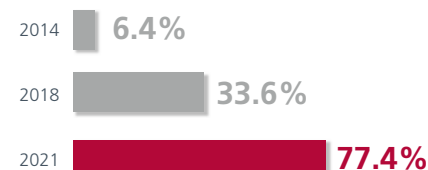
3 Attractive cash earnings yield that has not been priced in by the market

Japan's cash earnings yield (%) is higher than the US and comparable to Europe³



4 Leaner and more efficient corporates due to the ongoing corporate governance reforms

Growing % of independent directors on companies' boards⁴

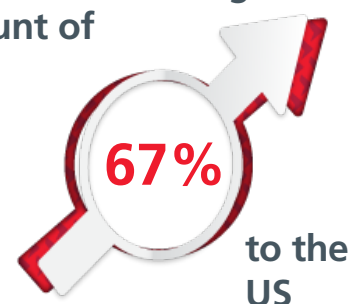


5 Japan equities are trading at a huge discount of

1.3x⁵
Japan

1.8x
Europe

4.0x
US



Source: ¹"Cash rich" companies on indices, Japan (Topix), US and Europe (MSCI indices) from Nomura, as at 15 August 2022. Companies ratio is the number of positive net cash companies divided by the number of index composite companies. ²CLSA, Bloomberg, as at 4 August 2022, EPS: Earnings per share. ³Eastspring Investments, IBES MSCI Indices, Refinitiv Datastream, as at 29 July 2022. The indices described are unmanaged and not available for direct investment. Indices used: MSCI Japan Index, MSCI Europe Index, MSCI AC World Index, MSCI USA ⁴Growing independent": Nomura and Bloomberg, as at 15 August 2022. Universe is TOPIX. Based on company's data and Bloomberg. (* Percentage of Topix companies with 1/3 or more independent directors.) ⁵Based on price-to-book ratio from Bloomberg, MSCI, Eastspring Investments, September 2022.

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[^]

Fund Size

JPY 215,749.2 million
(as at 30 September 2022)

Annual management fee

Currently 1.5% p.a.

[^]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 _J	JPY	LU1118698981	1.500

Asian centre, global presence



Investment and Sales & Client Service Office
 Sales & Client Service Office
 Joint Venture

300+

number of **investment professionals**

29+

nationalities

25+

years of **operating history**

Eastspring Investments is a leading Asia-based asset manager that manages over USD222 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.

Awards and accolades



**2021
Best of Best Awards**
Asia Asset Management
Best Bond Manager,
Singapore

**2020
Best of the Best
Performance Awards**
Asia Asset Management
Asian Bonds, 10 Years

**2019
Best of the Best
Regional Awards**
Asia Asset Management
Asian Bond House

Disclaimer

All data are from Eastspring Investments (Singapore) Limited.

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