

October 2022

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

invested in Japan.



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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

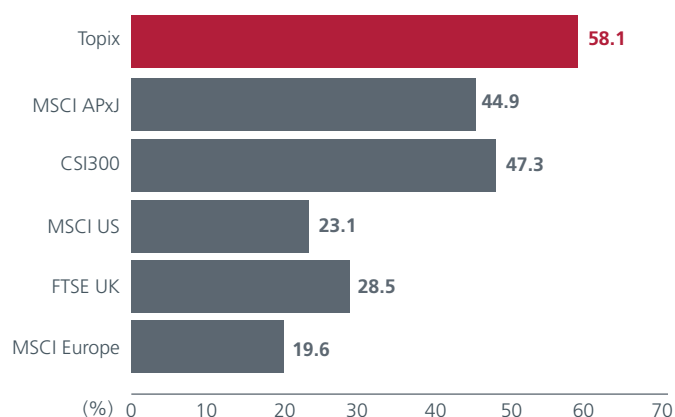


Source: Fig.1. Profit Margin % of sales from Refinitiv Datastream MOF as at 29 July 2022. Current Profits of all Japanese Incorporated Enterprises Industries (Except Finance and Insurance) / Sales, in Japanese Yen.

➤ 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.

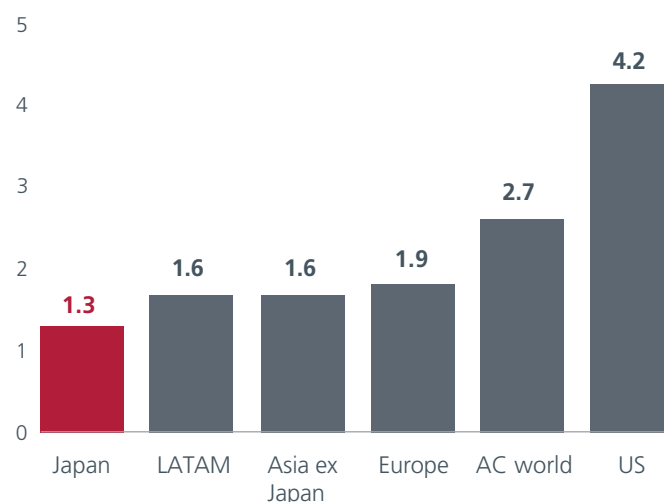
Fig.2. Fig 2: Japan's non-financial companies have high levels of net cash



➤ 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

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



A high conviction and unconstrained strategy

A portfolio that is unconstrained by market cap or benchmark 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 SGD and 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 218,781.9 million
(as at 31 August 2022)

Initial sales charge

Up to 5.0%

Annual management fee

Currently 1.5% p.a

Classes of shares	Currency	ISIN	Subscription Method	Annual management fee % (Current)
Class A	USD	LU056054111	Cash	1.500
Class A (hedged)	USD	LU0965088593	Cash	1.500
Class A_E (hedged)	EUR	LU1118711834	Cash	1.500
Class A_J	JPY	LU1118698981	Cash	1.500
Class A_S	SGD	LU1019494514	Cash, SRS	1.500
Class A_S (hedged)	SGD	LU0965088676	Cash, SRS, CPFIS-OA#	1.500

#The CPF interest rate for the Ordinary Account (OA) is based on the 3-month average of major local banks' interest rates. Under the CPF Act, the Board pays a minimum interest of 2.5% per annum when this interest formula yields a lower rate. The interest rate for the Special Account (SA) and Medisave Accounts (MA) is pegged to the 12-month average yield of 10-year Singapore Government Securities (10YSGS) plus 1%, or current floor interest rate of 4% per annum, whichever is the higher. The interest rate to be credited to the Retirement Account (RA) will be the weighted average interest of the entire portfolio which the RA savings are invested in. New savings credited to RA each year earn the 12-month average yield of the 10YSGS plus 1% computed for the year, or current floor rate of 4% per annum, whichever is higher. As announced in September 2021, the Government has decided to further extend the 4% floor rate for interest earned on SA, MA and RA monies for another year until 31 December 2022. In addition, the CPF Board will pay extra interest rate on the first S\$60,000 of a CPF member's combined balances, capped at S\$20,000 in the OA.

Investors should note that the applicable CPF policies and interest rates for each of the CPF accounts may be varied by the CPF Board from time to time. Please visit the CPF Board Website for further information on CPF policies and interest rates.

Source: Eastspring Investments, as of 30 June 2022.

About Eastspring Investments

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.

Asian centre, global presence



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

300+

number of **investment professionals**

29+

nationalities

25+

years of **operating history**

Source: *Eastspring Investments, as at 30 June 2022.

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All transactions into the Fund should be based on the Singapore Prospectus and Product Highlights Sheet ("PHS"). Such documents, together with the articles of incorporation of the SICAV and the most recent financial reports, may be obtained free of charge from Eastspring Investments (Luxembourg) S.A., or at relevant Eastspring Investments business units/website and their distribution partners.

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Past performance and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of Eastspring Investments or any of the funds managed by Eastspring Investments. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

The Fund may use derivative instruments for efficient portfolio management and/or hedging purposes.

Distributions are not guaranteed and may fluctuate. Past distributions are not necessarily indicative of future trends, which may be lower. Distribution payouts and its frequency are determined by the Board of Directors, and can be made out of (a) income; or (b) net capital gains; or (c) capital of the Fund or a combination of any of (a) and/or (b) and/or (c). The payment of distributions should not be confused with the Fund's performance, rate of return or yield. Any payment of distributions by the Fund may result in an immediate decrease in the net asset value per share.

The preceding paragraph is only applicable if the Fund intends to pay dividends / distributions.

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A Prudential plc company 

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