

July 2023

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

invested in rising
opportunities in Japan.



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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

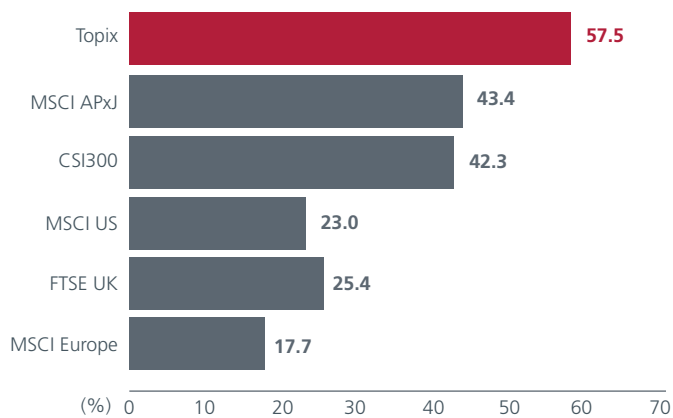


Sources: Profit Margin % of sales from Refinitiv Datastream MOF. For illustration purposes only. The indices described are unmanaged and not available for direct investment. Latest data available as 30 June 2023. Current Profits of all Japanese Incorporated Enterprises Industries (Except Finance and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

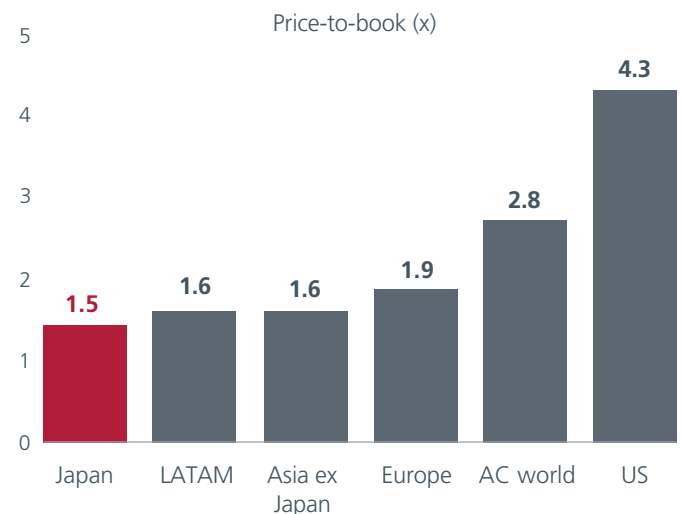
Fig. 2. Japan's non-financial companies have high levels of net cash



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. 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 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 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 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 313,512.4 million
(as at 31 May 2023)

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_€ (hedged)	EUR	LU1118711834	Cash	1.500
Class A_¥	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 computed based on the 3-month average of major local banks’ interest rates, subject to the legislated minimum interest of 2.5% per annum. The interest rate for OA is reviewed quarterly. The CPF interest rate for the Special Account (“SA”) and Medisave Account (collectively, the “SMA”) is computed based on the 12-month average yield of 10-year Singapore Government Securities (“10YSGS”) plus 1%, subject to the current floor interest rate of 4% per annum. The interest rate for SMA is reviewed quarterly. The CPF interest rate for New Retirement Account (“RA”) savings is computed based on the 12-month average yield of the 10YSGS plus 1%, subject to the current floor interest rate of 4% per annum. The interest rate of the RA is reviewed annually. The interest credited to the RA is based on the weighted average interest rate of the entire invested portfolio. As at 30 December 2022, the Government will maintain the SMA and RA interest rates at 4% per annum. To enhance the retirement savings of Singaporeans, the CPF Board pays extra interest of 1% on the first S\$60,000 of your combined CPF balances (capped at \$20,000 for OA). You could receive up to 6% on a portion of your CPF balances (depending on your age). Please note that the first S\$20,000 in your OA and the first S\$40,000 in your SA need to be set aside prior to investing OA and SA monies. Please refer to the CPF website for further information.

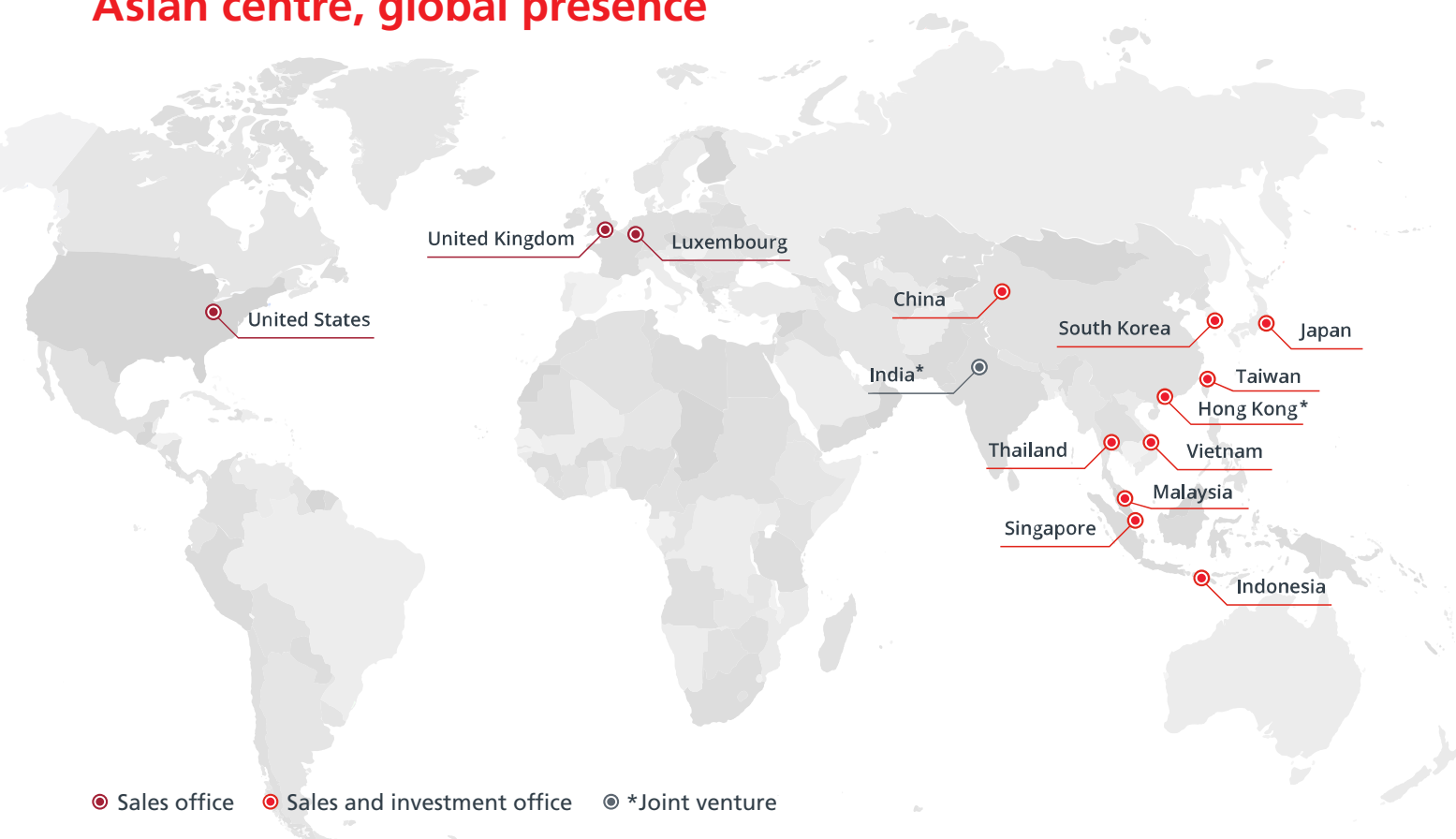
Investors should note that the applicable CPF policies and interest rates for each of the CPF accounts may be varied by the CPF Board from time to time. Please visit the CPF Board Website for further information on CPF policies and interest rates.

Source: Eastspring Investments, as of 31 May 2023.

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



300+

number of **investment professionals**

29+

nationalities

25+

years of **operating history**

Source: *Eastspring Investments, as at 31 December 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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Please refer to the offering documents for details on fees and charges, dealing and redemption, product features, risk factors and seek professional advice before making any investment decision. An investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. The value of shares in the Fund and the income accruing to the shares, if any, may fall or rise. Where an investment is denominated in a currency other than the base currency of the Fund, exchange rates may have an adverse effect on the value, price or income of that investment. Investors should not make any investment decision solely based on this document. Investors may wish to seek advice from a financial adviser before purchasing shares of the Fund. In the event that an investor may choose not to seek advice from a financial adviser, the latter should consider carefully whether the Fund in question is suitable for him.

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 will result in an immediate reduction 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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