

LINSELL TRAIN

Japanese Equity Fund

ALL DATA AS OF 31 DECEMBER 2023

QUARTERLY REPORT | FACTSHEET

Fund Objective & Policy

To increase the value of Shareholders' capital over the longer term from a focused, actively managed portfolio of equities primarily quoted on stock markets in Japan. The Fund's investment performance is compared with the TOPIX (Tokyo Stock Exchange (First Section) Index) in Yen terms. The fund is not constrained by the benchmark (TOPIX) and will take positions in individual stocks that differ significantly from the Index with the aim of achieving a return in excess of the benchmark. There is no guarantee that a positive return will be delivered.

Calendar Year Total Return Performance (%) ¥

	2019	2020	2021	2022	2023
Japanese Equity Fund (A Yen)	+20.1	+2.5	-9.5	+2.7	+3.6
TOPIX Index	+18.1	+7.4	+12.7	-2.5	+28.3
Relative Return	+2.0	-5.0	-22.2	+5.2	-24.7

Total Return Performance to 31st December 2023 (%) ¥

	Annualised						
	1m	3m	1yr	3yr	5yr	10yr	Since Appt.*
Japanese Equity Fund (A Yen)	+1.2	-0.1	+3.6	-1.2	+3.5	+7.4	+6.2
TOPIX Index	-0.2	+2.0	+28.3	+12.1	+12.3	+8.6	+5.8
Relative Return	+1.4	-2.1	-24.7	-13.3	-8.8	-1.2	+0.4

Source: Morningstar Direct. Fund performance is based on total return of A Class shares and is net of fees. For periods greater than one year, returns are shown annualised. The TOPIX performance has been changed to total return with effect from 2/11/09 as disclosed in the Prospectus. Prior to that it was based on capital return. *Lindsell Train was appointed as portfolio manager to the fund in January 2004.

Past performance is not a guide to future performance.

Fund Information

Type of Scheme	Dublin OEIC (UCITS)
Launch Date	30 October 1998 (LT appointed January 2004)
Classes	A Yen, B Yen & B Yen Dist., B £ Hedged – Dist., B £ Quoted – Dist., C US Dollar
Base Currency	Yen (¥)
Benchmark	TOPIX
Dealing & Valuation	12 noon each UK/Irish/Japanese Business Day
Year End	31 December
Dividend XD Dates	1 January, 1 July
Pay Dates	31 January, 31 July

Fund Assets

¥21,598m / £120m

Share Price

A Yen	¥511.68
B Yen	¥229.80
B Yen Dist	¥179.22
B (£) Hedged – Dist	£2.86
B (£) Quoted – Dist	£2.17
C US Dollar	\$1.51

Source: Lindsell Train Limited and Link Fund Administrators (Ireland) Limited.

Fund Profile

The portfolio is concentrated, with the number of stocks ranging from 20-35, and has low turnover.

Portfolio Manager

Michael Lindsell

Investment Manager & Distributor

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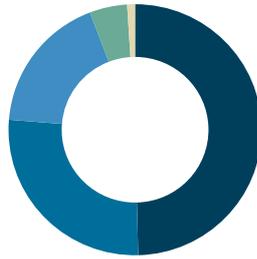
Manager

Waystone Management Company (IE)
Limited

Regulated by the Central Bank of Ireland

Top 10 Holdings (%NAV)

Nintendo	10.08
Kao Corp	9.10
Shiseido	7.06
OBIC Business Consultants	6.93
Astellas Pharma	6.63
Japan Exchange Group	4.80
Calbee	4.76
Takeda Pharmaceutical	4.73
Yakult	4.73
Milbon Co	4.71

Sector Allocation (%NAV)

Allocation and holdings subject to change

● Consumer Franchise/Brands	49.6
● Media	26.7
● Healthcare Incl. Pharmaceuticals	17.9
● Financials	4.8
● Cash	1.0
Total	100.0

Lindsell Train sector definitions

Fund Attribution - Q4 2024**Top Contributors %**

Nintendo	1.64
Taisho Pharmaceutical	0.82
Hogy Medical	0.59
Kao Corp	0.54
Japan Exchange Group	0.35

Top Detractors %

Astellas Pharma	-1.30
Shiseido	-1.12
Yakult	-0.60
Takeda Pharmaceutical	-0.59
Milbon Co	-0.44

Attribution calculated on an absolute basis.
Source: Morningstar Direct.

Share Class Information

	Minimum Investment	Management Fees	Ongoing Charges Figure (OCF)*	ISIN	Sedol
A Yen	¥200,000	1.10% p.a.	1.27% p.a.	IE0004384180	438318
B Yen	¥10,000,000	0.60% p.a.	0.77% p.a.	IE00B11DWM09	B11DWM0
B Yen Dist	¥10,000,000	0.60% p.a.	0.77% p.a.	IE00B11DWS60	B11DWS6
B (£) Hedged – Dist	£100,000	0.60% p.a.	0.77% p.a.	IE00B3MSSB95	B3MSSB9
B (£) Quoted – Dist	£100,000	0.60% p.a.	0.77% p.a.	IE00B7FGDC41	B7FGDC4
C US Dollar	\$250,000	0.60% p.a.	0.77% p.a.	IE00BK4Z4T73	BK4Z4T7

*The OCF is a measure of the Fund's total operating expenses over 12 months, including management fee, as a percentage of the Fund's net assets. The OCF is based on expenses and average assets for 12 months to the 31st December 2022. It is calculated by the Fund Administrator and published in the KIID dated 17/02/23. It is an indication of the likely level of costs and will fluctuate as the Fund's expenses and net assets change. The OCF excludes any portfolio transaction costs. A copy of the latest prospectus and the Key Investor Information Document for each class is available from www.lindselltrain.com

Please refer to Lindsell Train's Glossary of Investment terms [here](#).

Investment Team Comments

The polarisation in performance between companies in the Fund's portfolio and the dominant sectors in the TOPIX index has been a feature throughout 2023 and, if anything, intensified in the last quarter of the year. Since the 30th September the Fund was down marginally, by 0.1% in Yen currency terms, compared to the index's total return of 2.0%. It could have been worse were it not for an outside contribution from Taisho Pharmaceutical, which was up 40% thanks to the management announcing a buyout of its minority shareholders. Seeing the likelihood of it succeeding and with no credible counter offers likely, we sold the holding at a small premium to the buyout price taking advantage of the need for short sellers to cover their positions after the buyout announcement.

What proved most injurious over the quarter was the fall in prices of our two prescription pharmaceutical companies, Astellas and Takeda, which were down 19% and 13% respectively. Initial sales of Astellas's newly approved menopause treatment, Veozah, failed to match expectations and the burden of amortising recent acquisitions will weigh on reported results for this year and next. It does highlight how dependent the company has become on its acquisitions and alliances as opposed to its in-house innovation, but these concerns were to some extent already reflected in the share price before this quarter's fall in our view. At current price levels, it appears that little credit is given to the company for its prodigious cash generation driven by the continued success of Xtandi (a treatment for prostate cancer) and growing influence of Padcev (a treatment for bladder cancer). Takeda's price, on the other hand, suffered from the weaker relative performance of pharmaceuticals more generally rather than anything specific to the company.

The share prices of some of the Fund's holdings in consumer franchises were similarly challenged. Over the course of the fourth quarter, Shiseido was down 18% and Yakult 13%. Exposure to a Chinese consumer held back by the burden of a worsening property market and depressed economy has impacted the prospects for both companies. These falling prices have been accentuated by the slow recovery in regional tourism that had underpinned strong growth in sales and profits prior to Covid and the subsequent lockdowns. Other consumer franchises, Milbon and Mandom were down 10% and 8% respectively. Despite recent underperformance we continue to treasure the business qualities of branded consumer franchises where customer relationships are well embedded, and which offer predictable returns reflective of the constancy of their business models.

As can be the case with a portfolio so different from the index, it was again the performance of what we did not

own that had the biggest impact on relative performance. Technology companies are mostly found in the precision instrument and electronic appliance sectors, and these were up 10% and 9% last quarter, as part of a cyclical surge that has persisted throughout 2023. Cars, electronics, construction, shipping and iron and steel all featured as leading performers last year, rising by more than 30%. Pharmaceuticals on the other hand was the only declining sector, falling by 1%.

There is no doubt that the performance orientation of the Japanese market in recent months has been heavily influenced by the very strong performance of US technology shares listed on NASDAQ. Yet technology companies in Japan are primarily hardware businesses, selling equipment and devices rather than operating platforms and software. It's a distinction we think is important as competitive positions and barriers to entry for the latter can in general be much higher and as a result, higher market values are more deserving. Indeed the Fund has significant holdings in Nintendo and Obic Business Consultants, two companies where software defines their businesses, whose prices were up 18% and 4% in the quarter. Nintendo in particular ended the year at a new high price having only recently topped the previous high it achieved in 2007. And yet despite this recent strong performance, the shares have de-rated quite significantly in recent years – undeservedly in our view. This provides potential for better gains in the future once the market is comfortable with the successor console to the Switch.

The Fund remains largely unchanged in 2023 aside from the recent loss of Taisho Pharmaceutical despite the very disappointing relative performance over the year. We know comparative performance with a portfolio so different from the index can be significant and in other years we have been ahead or behind by significant amounts. For example, the Fund achieved double digit outperformance in percentage points terms in 2015 and 2017, and double digit underperformance in 2005 and 2021. However, 2023 represents the biggest divergence since Lindsell Train was appointed as portfolio manager almost 20 years ago. It also makes little sense to us that our portfolio companies, which have generated an average Return on Equity ("ROE") of 10% over the last five years, have only delivered a 3.5% annualised return. We understand that share prices can differ from underlying business performance for long periods but sooner rather than later we would expect these returns to converge to the benefit of our relative performance.

Michael Lindsell, 3rd January 2024

Source: Lindsell Train, Morningstar & Bloomberg; as of 31st December 2023

Note: All returns are total returns in JPY unless otherwise specified.

Contacts

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portfolio leads to relatively significant holdings in individual securities which can have an adverse effect on the ability to sell these securities when the Investment Manager deems it appropriate and on the price of these securities achieved by the Investment Manager at the time of sale.

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