

JSV Fund

Japan Strategic Value Equity

Monthly Report for November 2021

Contents

■ Key Points	2
■ Performance Summary	3
■ Top Contributors to Performance	4
■ Attribution Analysis	5
■ Market Review	6
■ Market Outlook	7
■ Investment Strategy	7
■ Portfolio Activity	8
■ Top 10 Holdings	9
■ Top Overweights & Underweights	10

Client Service Team

csteam@nomura-asset.eu

Nomura Asset Management Europe KVG mbH, UK Branch

1 Angel Lane
London EC4R 3AB

Authorised and regulated by the Federal Financial Supervisory Authority and the Financial Conduct Authority

Key points

Investment Objective

- The performance objective is to achieve long term capital growth through investment in a portfolio of Japanese equity securities.

Inception Date

- The inception date for the portfolio is 26th August 2009

Portfolio Manager

- Yoshihiro Miyazaki

Base Currency

- JPY

Benchmark

- TOPIX Index - Total Return in Japanese Yen

Change in market value

- Opening value as at 31st October 2021: JPY 82,810,611,742
- Closing value as at 30th November 2021: JPY 77,193,454,147

Performance Summary

Returns to 30th November 2021	Current Month (%)	3 Months (%)	Year to Date (%)	1 Year (%)	3 Years p.a (%)	5 Years p.a (%)	Since Inception p.a (%)
Portfolio	-4.48	0.19	15.01	20.33	6.48	6.67	7.66
Benchmark	-3.61	-0.83	8.98	12.22	7.47	8.00	8.03
Excess Return	-0.87	1.02	6.02	8.11	-0.99	-1.33	-0.37

Source: NAM-UK

Benchmark: TOPIX Index - Total Return in Japanese Yen

Note: Returns over 1 year are annualised unless otherwise stated.

Returns are net of fees.

Basis: NAV to NAV Returns – Net Asset Value per share calculated by BBH

Inception date : 26th August 2009

Portfolio Performance Review

The portfolio underperformed the TOPIX index (total returns basis) over the month, falling 4.48% in local currency terms against a decline of 3.61% in the benchmark.

After trading within a narrow range for most of the month, reports of the new Omicron variant led to a global sell-off of equity markets at the end of the month, including in Japan. Prime Minister Kishida's newly formed government put together the largest ever economic stimulus package of JPY55.7 trillion, claiming that it should boost GDP by 5.6%. However, the market reaction was muted, and economists' estimates of the impact on GDP are closer to 3%. Details remained unclear, such as the amount of fresh fiscal spending or how much is to be re-assigned from already budgeted but re-directed funds. The stimulus package covers a wide range of projects, including strengthening medical services, cash disbursements to qualifying households, financial assistance to small businesses, building resilient infrastructure, and incentives to develop next generation vehicles and decarbonisation technology. Although it appears comprehensive, a lack of focus left investors guessing what the prime minister's main priorities were beyond the slogan "New Capitalism". On the other hand, corporate fundamentals remained robust. Despite rising commodity prices and increasing input costs, most companies seem to have managed and contained rising cost pressures by continuously rationalising operations and passing part of the cost increase if not all of it on to selling prices. The fiscal second quarter (July – September) earnings results exceeded expectations and upward revisions continued to outpace downward revisions, which is remarkable given that expectations have been lifted and many companies had already upgraded their guidance following the strong FY1Q2021 results. Yet, earnings announcements failed to save the day amid increased investor caution and risk aversion. Meanwhile, the yen stemmed its depreciation and strengthened slightly against the US dollar while appreciating by around 2.7% against the euro.

Given the increased uncertainty and falls in long-term bond yields, large caps and growth stocks outperformed in November. More specifically, value stocks underperformed growth by approximately 370 basis points using Russell Nomura figures and 330 basis points using MSCI data, while large-caps outperformed mid-caps by around only 270 basis points, which in turn outperformed small-caps by approximately 60 basis points. Individual stock positions providing the biggest positive contributions to performance included overweight positions in semiconductor package maker Shinko Electric Industries, silicon wafer maker SUMCO, electronic component maker TDK, electric machinery maker Hitachi, and healthcare/material solutions provider FUJIFILM Holdings. Significant detractors included overweight positioning in advertising firm Dentsu Group, graphite electrode maker Tokai Carbon, and real estate firm Mitsubishi Estate Company, together with non-holdings of semiconductor-making equipment manufacturer Tokyo Electron and FA equipment maker Keyence.

Top Ten and Bottom Ten Contributors to Performance

No	TSE 33 Sectors	Name	Average Weight			Attribution
			Portfolio (%)	Benchmark (%)	Active (%)	Effect
1	Electric Appliances	Shinko Electric Industries Co., Ltd.	1.83	0.05	1.78	0.34
2	Metal Products	SUMCO Corporation	1.74	0.13	1.61	0.27
3	Electric Appliances	TDK Corporation	2.20	0.24	1.96	0.22
4	Electric Appliances	Hitachi, Ltd.	3.67	1.23	2.45	0.15
5	Chemicals	FUJIFILM Holdings Corp	3.23	0.58	2.65	0.14
6	Wholesale Trade	Marubeni Corporation	1.65	0.36	1.30	0.11
7	Real Estate	KI-Star Real Estate Co., Ltd.	0.37	0.01	0.36	0.11
8	Electric Appliances	Taiyo Yuden Co., Ltd.	1.02	0.11	0.91	0.11
9	Services	Recruit Holdings Co., Ltd.	0.00	2.02	-2.02	0.10
10	Electric Appliances	Rohm Co., Ltd.	1.45	0.18	1.27	0.07

No	TSE 33 Sectors	Name	Average Weight			Attribution
			Portfolio (%)	Benchmark (%)	Active (%)	Effect
1	Electric Appliances	Tokyo Electron Ltd.	0.00	1.34	-1.34	-0.20
2	Services	Dentsu Group Inc.	1.72	0.15	1.57	-0.15
3	Glass & Ceramics Products	Tokai Carbon Co., Ltd.	0.81	0.04	0.76	-0.15
4	Electric Appliances	Keyence Corporation	0.00	2.34	-2.34	-0.14
5	Real Estate	Mitsubishi Estate Company,	2.66	0.39	2.26	-0.14
6	Precision Instruments	HOYA CORPORATION	0.00	1.27	-1.27	-0.13
7	Construction	Daiwa House Industry Co., Ltd.	1.90	0.37	1.53	-0.13
8	Transportation Equipment	Toyota Motor Corp.	0.00	3.77	-3.77	-0.13
9	Machinery	Komatsu Ltd.	1.88	0.48	1.40	-0.13
10	Machinery	IHI Corporation	0.81	0.06	0.75	-0.12

Source: NAM-UK - Covering the period between 1st November 2021 and 30th November 2021

Benchmark: TOPIX Index - Total Return in Japanese Yen

Note: Weights are the average over the month and as a percentage of the total portfolio.
The attribution should be regarded as indicative only.

Performance - Attribution Analysis

Industry

Industry	Port. Average Weight	Port. Total Return	Bench. Average Weight	Bench. Total Return	Allocation Effect	Selection + Interaction	Currency Effect*	Total Effect
Total	100.00	-3.80	100.00	-3.61	-0.35	0.17	-0.01	-0.19
Fishery, Agriculture & Forestry	0.00	0.00	0.09	-10.01	0.01	0.00	0.00	0.01
Mining	1.39	-1.59	0.22	-1.42	0.02	0.00	0.00	0.02
Construction	4.02	-11.02	2.23	-8.31	-0.09	-0.12	0.00	-0.20
Foods	0.11	-21.64	3.31	-7.92	0.14	-0.02	0.00	0.12
Textiles & Apparels	0.37	-10.71	0.47	-6.12	0.00	-0.02	0.00	-0.01
Pulp & Paper	0.00	0.00	0.21	-7.63	0.01	0.00	0.00	0.01
Chemicals	10.44	-5.14	6.86	-5.83	-0.08	0.07	0.00	0.00
Pharmaceutical	2.44	-4.31	4.86	-5.78	0.05	0.02	0.00	0.08
Oil & Coal Products	1.36	-7.93	0.41	-7.20	-0.04	-0.01	0.00	-0.05
Rubber Products	0.00	0.00	0.67	-8.79	0.04	0.00	0.00	0.04
Glass & Ceramics Products	2.46	-11.42	0.78	-5.55	-0.03	-0.15	0.00	-0.18
Iron & Steel	0.33	-2.55	0.75	-14.30	0.05	0.04	0.00	0.09
Nonferrous Metals	1.04	-3.69	0.70	-5.75	-0.01	0.02	0.00	0.01
Metal Products	1.74	14.95	0.63	-1.19	0.03	0.25	0.00	0.28
Machinery	5.83	-11.17	5.43	-4.80	0.00	-0.38	0.00	-0.38
Electric Appliances	14.27	4.39	19.33	1.91	-0.27	0.32	0.00	0.05
Transportation Equipment	8.54	-3.29	8.07	-2.46	0.01	-0.07	0.00	-0.06
Precision Instruments	0.98	3.99	2.94	1.39	-0.09	0.02	0.00	-0.07
Other Products	2.27	0.04	2.15	-3.16	0.00	0.06	0.00	0.07
Electric Power & Gas	0.15	1.00	1.04	-1.54	-0.02	0.00	0.00	-0.01
Land Transportation	2.22	-11.04	3.05	-8.05	0.04	-0.07	0.00	-0.03
Marine Transportation	0.00	0.00	0.42	-9.62	0.03	0.00	0.00	0.03
Air Transportation	0.00	0.00	0.42	-15.82	0.05	0.00	0.00	0.05
Warehousing & Harbor Transportation Services	0.00	0.00	0.17	-6.03	0.00	0.00	0.00	0.00
Information & Communication	5.05	-3.02	8.56	-1.41	-0.08	-0.08	0.00	-0.17
Wholesale Trade	7.89	-1.06	5.03	-2.83	0.02	0.14	0.00	0.16
Retail Trade	5.02	-6.63	4.30	-7.23	-0.03	0.03	0.00	0.01
Banks	4.42	-2.20	4.66	-3.74	0.00	0.07	0.00	0.07
Securities & Commodity Futures	0.61	-0.64	0.72	-6.62	0.01	0.04	0.00	0.04
Insurance	7.85	-5.45	1.92	-5.91	-0.14	0.04	0.00	-0.10
Other Financing Business	0.33	-13.55	1.13	-5.75	0.02	-0.03	0.00	-0.01
Real Estate	5.16	-7.42	1.94	-9.51	-0.19	0.11	0.00	-0.08
Services	1.72	-13.42	6.55	-6.20	0.13	-0.13	0.00	0.00

Source: NAM-UK - Covering the period between 1st November 2021 and 30th November 2021

Benchmark: TOPIX Index - Total Return in Japanese Yen

Note: The above is for information only since the strategy is not managed from a sector perspective due to its inherent bottom-up approach.

Market Review

After trading within a narrow range for most of the month, reports of the new Omicron variant led to a global sell-off across equity markets at the end of the month, including in Japan. As a result, Japan's Tokyo Stock Price index (TOPIX) ended the month of November 3.61% lower in local currency terms.

Prime Minister Kishida's newly formed government put together the largest ever economic stimulus package of JPY55.7 trillion, claiming that it should boost GDP by 5.6%. However, the market reaction was muted, and economists' estimates of the impact on GDP are closer to 3%. Details remained unclear, such as the amount of fresh fiscal spending or how much is to be re-assigned from already budgeted but re-directed funds. The stimulus package covers a wide range of projects, including strengthening medical services, cash disbursements to qualifying households, financial assistance to small businesses, building resilient infrastructure, and incentives to develop next generation vehicles and decarbonisation technology. Although it appears comprehensive, a lack of focus left investors guessing what the prime minister's main priorities were beyond the slogan "New Capitalism". On the other hand, corporate fundamentals remained robust.

Despite rising commodity prices and increasing input costs, most companies seem to have managed and contained rising cost pressures by continuously rationalising operations and passing part of the cost increase, if not all of it, on to selling prices. The fiscal second quarter (July – September) earnings results exceeded expectations and upward revisions continued to outpace downward revisions, which is remarkable given that expectations have been lifted and many companies had already upgraded their guidance following the strong FY1Q2021 results. Yet, earnings announcements failed to save the day amid increased investor caution and risk aversion. Meanwhile, the yen stemmed its depreciation and strengthened slightly against the US dollar while appreciating by around 2.7% against the euro.

The economic recovery could be on hold, at least temporarily, although some silver linings are discernible. Third quarter GDP recorded a decline of -3.0% (qoq, annualised), below expectations. Although disappointing, the figure was not a total surprise, as the state of emergency had been in place until the end of September and supply chain disruption had severely curtailed output from the automobile sector and many other industries. Industrial production rebounded by 1.1% (mom) in October, led by a recovery in the automobile industry, reversing three consecutive monthly declines. Other indicators, such as retail sales in October, PMI, and mobility data suggest that consumer activity was starting to recover as well.

The broad sell-off left all sectors under water, except Electronics which continues to enjoy strong demand for semiconductors and electronic components driven by secular or structural trends toward ever more complex technological requirements and wider semiconductor applications. The Automobiles sector declined but the downside was relatively limited now that much of the negative news is baked in. Domestic oriented sectors such as Consumption and Infrastructure underperformed, reflecting a slow recovery in domestic consumption.

Given the increased uncertainty and falls in long-term bond yields, large caps and growth stocks outperformed in November. More specifically, value stocks underperformed growth by approximately 370 basis points using Russell Nomura figures and 330 basis points using MSCI data. As for size, large-caps outperformed mid-caps by around only 270 basis points, which in turn outperformed small-caps by approximately 60 basis points.

Market Outlook

The global economy remains on track towards normalisation, but uncertainties still overshadow the near-term recovery outlook. Output constraints due to prolonged supply chain disruption are hampering the economic growth momentum. At the same time, a tight supply-demand balance caused by shortages of various finished and intermediate goods is accompanied by higher prices for a wide range of basic commodities, including crude oil, metals and foodstuffs. If the inflation rate continues to rise, this could put pressure on corporate earnings. In Europe, meanwhile, a recent surge in the number of Covid-19 infections has been holding back the economic recovery lately. In China, the government continues to tighten regulations, causing a slowdown in the country's economic growth. Should these risk factors persist for much longer, the prospects for the global economic recovery could be revised downward for next year.

Japan's real GDP growth rate for the third quarter also reflected these challenges at the macroeconomic level (-3.0%, qoq, ann.) mainly as a result of production bottlenecks in the automotive industry. Supply chain conditions now seem to be improving, but full normalisation could still take a while. In the meantime, economic activity in Japan is showing signs of bottoming out as the number of Covid-19 infections declines rapidly in the wake of the vaccination rollout. The government's measures to stimulate domestic demand for travel and dining out, which are expected to resume in January next year, should help to accelerate consumer spending. The record JPY55.7 trillion economic stimulus package is also expected to boost economic growth, but the exact impact is difficult to estimate at this stage.

Discovery of the newly identified Omicron coronavirus variant triggered a jump in financial market volatility once again. Given the somewhat overheated valuation levels of global stock markets, particularly US equities, investors appear to have overreacted beyond the likely impact on equity fundamentals. Given the recurring threat of new variants, we should recognise that pandemic driven conditions are likely to continue for the time being. Looking at equity valuations in Japan, the price-to-earnings ratio based on the TOPIX 12-month forward earnings per share (EPS) forecast is 14, which is an attractive level compared to other major developed stock markets. We believe the reasons for the extended delivery times of many products include the strong rebound in demand following lock downs and other restrictions earlier during the pandemic; it is not just a function of logistics and supply shortages. Therefore, Japanese manufacturers could benefit from a stronger-than-expected global demand recovery once the supply chain bottlenecks have been resolved. We expect the realisation of such a catalyst to further enhance the upside potential of the Japanese stock market.

Investment Strategy

With the state of the supply chain in Southeast Asia, which has suffered from the spread of the Delta-variant, trending in a positive direction, Japanese automotive production for Oct-Dec is recovering. At present, Covid-19 is once again spreading throughout Southeast Asia and may impact the supply chain. However, our view remains unchanged that Japanese manufacturers stand to reap large benefits from significant demand once production recovers.

On the other hand, pandemic conditions within Japan remain calm, and consumer activities are returning to normal. Looking forward, we expect further consumer activity and economic recovery to be supported by the Kishida administration's JPY 100,000 to households with children, the planned revival of the Go-To campaign in January, and other various measures.

Against this backdrop, will continue to pay close attention to companies with "enabling technologies" capable of supporting social changes such as DX (digital transformation) and stricter environmental regulations, companies that are expected to benefit from restructuring or industry consolidation while also seeing tailwinds for demand, and highly competitive companies with the potential to improve shareholder returns.

The fund seeks out investment opportunities across the market and hence its sector allocation is purely an aggregation of its stock choices. With this in mind, at the end of November, the fund's biggest active sector overweights were Insurance, Chemicals, and Real Estate. Its largest sector underweights were Services, Electric Appliances, and Information & Communication.

Portfolio Activity

Major Purchases and Sales (1st - 30th November 2021)

Purchases		Sales	
1	Softbank Group Corp.	1	Otsuka Holdings Co., Ltd.
2	Mitsui Chemicals, Inc.	2	Hitachi, Ltd.
3	MinebeaMitsumi Inc.	3	Fujifilm Holdings Corp
4	Sony Group Corporation	4	Nippon Telegraph And Telephone Corporation
5	Paltac Corporation	5	Dai-ichi Life Holdings, Inc.

Source: NAM-UK

Top 10 Holdings

No.	TSE 33 Sectors	Name	Portfolio Weight (%)	Benchmark Weight (%)
1	Information & Communication	Nippon Telegraph and Telephone Corporation	3.72	1.36
2	Electric Appliances	Hitachi, Ltd.	3.40	1.22
3	Chemicals	FUJIFILM Holdings Corp	3.21	0.59
4	Insurance	Dai-ichi Life Holdings, Inc.	2.87	0.42
5	Chemicals	Shin-Etsu Chemical Co Ltd	2.85	1.21
6	Insurance	Tokio Marine Holdings, Inc.	2.83	0.70
7	Real Estate	Mitsubishi Estate Company, Limited	2.58	0.38
8	Electric Appliances	TDK Corporation	2.28	0.25
9	Wholesale Trade	Mitsubishi Corporation	2.24	0.95
10	Transportation Equipment	Honda Motor Co., Ltd.	2.14	0.92

Source: NAM-UK as at 30th November 2021

Benchmark: TOPIX Index - Total Return in Japanese Yen

Note: Weights are a percentage of the total portfolio.

Top 10 Overweight and Underweight Positions

Top 10 Overweight positions

No.	TSE 33 Sectors	Name	Portfolio (%)	Benchmark (%)	Active (%)
1	Chemicals	FUJIFILM Holdings Corp	3.21	0.59	2.61
2	Insurance	Dai-ichi Life Holdings, Inc.	2.87	0.42	2.45
3	Information & Communication	Nippon Telegraph and Telephone	3.72	1.36	2.36
4	Real Estate	Mitsubishi Estate Company, Limited	2.58	0.38	2.19
5	Electric Appliances	Hitachi, Ltd.	3.40	1.22	2.19
6	Insurance	Tokio Marine Holdings, Inc.	2.83	0.70	2.13
7	Electric Appliances	TDK Corporation	2.28	0.25	2.03
8	Electric Appliances	Shinko Electric Industries Co., Ltd.	2.01	0.06	1.95
9	Transportation Equipment	Toyota Industries Corp.	2.05	0.29	1.76
10	Metal Products	SUMCO Corporation	1.90	0.14	1.76

Source: NAM-UK as at 30th November 2021

Benchmark: TOPIX Index - Total Return in Japanese Yen

Note: Weights are a percentage of the total portfolio.

Top 10 Underweight positions

No.	TSE 33 Sectors	Name	Portfolio (%)	Benchmark (%)	Active (%)
1	Transportation Equipment	Toyota Motor Corp.	-	3.84	-3.84
2	Electric Appliances	Keyence Corporation	-	2.41	-2.41
3	Services	Recruit Holdings Co., Ltd.	-	1.93	-1.93
4	Electric Appliances	Tokyo Electron Ltd.	-	1.44	-1.44
5	Precision Instruments	HOYA CORPORATION	-	1.33	-1.33
6	Electric Appliances	Nidec Corporation	-	1.28	-1.28
7	Electric Appliances	Sony Group Corporation	2.02	3.28	-1.26
8	Machinery	DAIKIN INDUSTRIES, LTD.	-	1.12	-1.12
9	Electric Appliances	Murata Manufacturing Co., Ltd.	-	0.93	-0.93
10	Pharmaceutical	Takeda Pharmaceutical Co. Ltd.	-	0.90	-0.90

Source: NAM-UK as at 30th November 2021

Benchmark: TOPIX Index - Total Return in Japanese Yen

Note: Weights are a percentage of the total portfolio.

This is a marketing communication. Please refer to the prospectus and to the KIID before making any final investment decisions.

The UCITS funds mentioned in this presentation are sub-funds of Nomura Funds Ireland plc, which is authorised by the Central Bank of Ireland as an open-ended umbrella investment company with variable capital and segregated liability between its sub-funds, established as an undertaking for Collective Investment in Transferable Securities under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011. The UCITS funds are not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. The prospectus, key investor information document (KIID) and other fund related materials are available in English and, for the KIID, in the official language of the countries in which the fund is available for distribution on the Nomura Asset Management U.K. Ltd. website at <https://www.nomura-asset.co.uk/fund-documents/>

This document was prepared by Nomura Asset Management Europe KVG mbH–UK Branch, from sources it reasonably believes to be accurate. Nomura Asset Management Europe KVG mbH is authorised and regulated by the Federal Financial Supervisory Authority (BaFin). Its UK Branch is also authorised and regulated by the Financial Conduct Authority (FCA).

Nomura Asset Management U.K. Ltd. is authorised and regulated by the Financial Conduct Authority. A summary of investor rights in English and information on collective redress mechanisms are available at https://www.nomura-asset.co.uk/download/funds/how-to-invest/Summary_of_investor_rights.pdf. Nomura Asset Management U.K. Limited may at any time decide to terminate arrangements it may have made for the marketing of units of a fund in a member state other than its home member state.

The contents are not intended in any way to indicate or guarantee future investment results as the value of investments may go down as well as up. Values may also be affected by exchange rate movements and investors may not get back the full amount originally invested. Before purchasing any investment fund or product, you should read the related prospectus and/or documentation in order to form your own assessment and judgment and, to make an investment decision. This report may not be reproduced, distributed or published by any recipient without the written permission of Nomura Asset Management Europe KVG mbH.

Information for German investors: This information is exclusively for use by eligible counterparties pursuant to § 31a sec.4 WpHG. The content of this report does not comply with the requirements of § 4 WpDVerOV for retail investors.

The EU Sustainable Finance Disclosure Regulation (SFDR)

The EU Sustainable Finance Disclosure Regulation (SFDR) requires investment firms to formalise how sustainability is integrated into their businesses and processes, and to make new public and client-facing disclosures on sustainability matters. The aforementioned disclosures relating to Nomura Asset Management U.K. Limited are published at <https://www.nomura-asset.co.uk/responsible-investment/esg-sustainable-investment/>. Product related disclosures regarding Nomura Funds Ireland PLC, its sub-funds can be found in the prospectus. The Japan Strategic Value Fund is an Art.6 fund according to SFDR.