

Eastspring Investments – Japan Dynamic Fund



FUND DETAILS

Fund size (mil)	231,863.5
Fund base currency	JPY
Fund dealing frequency	Daily
Net asset value (Class A)	USD 14.685
ISIN (Class A)	LU0560541111
Inception date (Class A)	07-Feb-11
Benchmark (BM)	MSCI Japan Index^

^The MSCI Index is calculated with dividends reinvested.

FUND MEASURES

Number of Securities	35
*3 year tracking error(%) (Class A)	8.0
*3 year sharpe ratio (Class A)	0.6
*3 year volatility(%) (Class A)	14.1

*Source: Morningstar

SECTOR WEIGHTS (%)

Consumer discretionary	26.2
Financials	21.6
Industrials	16.2
Information technology	15.0
Materials	9.8
Real estate	4.3
Health care	3.2
Communication services	3.1
Cash and cash equivalents	0.8

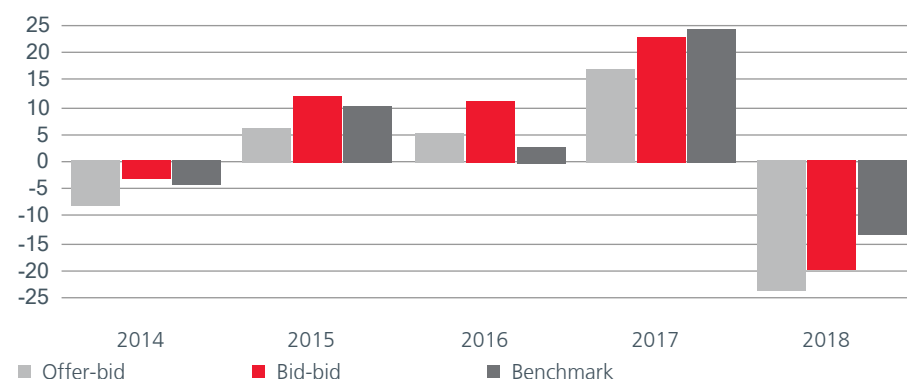
Due to rounding, the allocation table may not add up to 100% or may be negative.

INVESTMENT OBJECTIVE

This Sub-Fund aims to generate long-term capital growth through a concentrated portfolio of equities, equity-related securities, bonds, and currencies. The Sub-Fund will invest primarily in securities of companies, which are incorporated, listed in or have their area of primary activity in Japan. The Sub-Fund may also invest in depository receipts including ADRs and GDRs, convertible bonds, preference shares, warrants and fixed income securities issued by Japan entities.

PERFORMANCE

Calendar year returns (%) (Class A)



Returns (%)

Class A	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)
Offer-bid	0.3	-5.1	1.0	-12.3	7.3	3.0	–	4.0
Bid-bid	5.6	-0.1	6.4	-7.7	9.1	4.0	–	4.7
Benchmark	3.7	1.0	8.4	-4.2	8.1	4.5	–	4.4

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Calendar year returns are based on the share class performance for the year, and if the share class was inception during a particular year, the returns shown relate to the performance of the share class since its inception to the end of that calendar year. For full details, please refer to the performance disclosure.

TOP 10 HOLDINGS (%)

1.	SUMITOMO MITSUI FINANCIAL GROUP INC	5.7
2.	RICOH LTD	5.6
3.	HONDA MOTOR LTD	5.5
4.	PANASONIC CORP	4.9
5.	HITACHI LTD	4.9
6.	MITSUBISHI UFJ FINANCIAL GROUP INC	4.7
7.	NEC CORP	4.5
8.	NOMURA HOLDINGS INC	3.9
9.	NIPPON STEEL CORP	3.8
10.	MITSUI OSK LINES LTD	3.4

SHARE CLASS DETAILS

Share class	Currency	Net asset value	Bloomberg ticker	ISIN	Inception date	Subscription method	Initial sales charges% (max)	Annual management fee % (Current)
A	USD	14.685	IOFJDYA LX	LU0560541111	07-Feb-11	Cash	5.000	1.500
A (hedged)	USD	14.618	ESJDAUH LX	LU0965088593	09-Sep-13	Cash	5.000	1.500
A_J	JPY	1,186.000	ESJDYAJ LX	LU1118698981	04-Nov-14	Cash	5.000	1.500
A_S	SGD	13.150	ESJDASU LX	LU1019494514	20-Jan-14	Cash, SRS	5.000	1.500
A_S (hedged)	SGD	14.606	ESJDASH LX	LU0965088676	09-Sep-13	Cash, SRS, CPFIS-OA#	5.000 CPF - 1.50	1.500
C	USD	18.498	ESJDCUI LX	LU0801102863	09-Jul-12	Cash	5.000	0.750
C (hedged)	USD	11.047	ESJDCUH LX	LU1191118543	23-Feb-15	Cash	5.000	0.750
C_{DY}	USD	12.401	ESJDCDY LX	LU1172898931	02-Feb-15	Cash	5.000	0.750
C_E	EUR	14.274	ESJDYCE LX	LU1127229638	04-Nov-14	Cash	5.000	0.750
C_E (hedged)	EUR	11.952	ESJDCEH LX	LU1127229711	04-Nov-14	Cash	5.000	0.750
C_G	GBP	13.766	ESJDCGG LX	LU1259264288	21-Jul-15	Cash	5.000	0.750
C_J	JPY	977.000	ESJDCJJ LX	LU1259265335	21-Jul-15	Cash	5.000	0.750
R	USD	18.169	ESJPDRU LX	LU0865490691	14-Dec-12	Cash	5.000	0.750
R (hedged)	USD	12.209	ESJDRUH LX	LU1156285857	19-Dec-14	Cash	5.000	0.750
R_E	EUR	14.245	ESJDYRE LX	LU1127229802	04-Nov-14	Cash	5.000	0.750
R_E (hedged)	EUR	11.910	ESJDREH LX	LU1127229984	04-Nov-14	Cash	5.000	0.750
R_G	GBP	13.469	ESJDRGG LX	LU1245841918	15-Jun-15	Cash	5.000	0.750
R_G (hedged)	GBP	11.573	ESJDRGH LX	LU1156285774	19-Dec-14	Cash	5.000	0.750
R_J	JPY	1,097.000	ESJDRJJ LX	LU1291407556	15-Sep-15	Cash	5.000	0.750

Share class	Currency	Annual admin fee% (max)	Minimum initial investment	Minimum subsequent investment	Distribution frequency	Ex-date	Dividend per share	Annual dividend yield %
A	USD	0.500	USD1,000	USD100	N.A.	N.A.	N.A.	N.A.
A (hedged)	USD	0.500	USD1,000	USD100	N.A.	N.A.	N.A.	N.A.
A_J	JPY	0.500	JPY100,000	JPY10,000	N.A.	N.A.	N.A.	N.A.
A_S	SGD	0.500	SGD1,000	SGD100	N.A.	N.A.	N.A.	N.A.
A_S (hedged)	SGD	0.500	SGD1,000	SGD100	N.A.	N.A.	N.A.	N.A.
C	USD	Nil	USD10 Mil*	USD1,000*	N.A.	N.A.	N.A.	N.A.
C (hedged)	USD	Nil	USD10 Mil*	USD1,000*	N.A.	N.A.	N.A.	N.A.
C_{DY}	USD	Nil	USD10 Mil*	USD1,000*	Yearly	04-Jan-19	0.2003535	1.67
C_E	EUR	Nil	USD10 Mil*	USD1,000*	N.A.	N.A.	N.A.	N.A.
C_E (hedged)	EUR	Nil	USD10 Mil*	USD1,000*	N.A.	N.A.	N.A.	N.A.

Share class	Currency	Annual admin fee% (max)	Minimum initial investment	Minimum subsequent investment	Distribution frequency	Ex-date	Dividend per share	Annual dividend yield %
C_G	GBP	Nil	USD10 Mil*	USD1,000*	N.A.	N.A.	N.A.	N.A.
C_J	JPY	Nil	USD10 Mil*	USD1,000*	N.A.	N.A.	N.A.	N.A.
R	USD	0.500	USD1,000	USD100	N.A.	N.A.	N.A.	N.A.
R (hedged)	USD	0.500	USD1,000	USD100	N.A.	N.A.	N.A.	N.A.
R_E	EUR	0.500	EUR1,000	EUR100	N.A.	N.A.	N.A.	N.A.
R_E (hedged)	EUR	0.500	EUR1,000	EUR100	N.A.	N.A.	N.A.	N.A.
R_G	GBP	0.500	GBP1,000	GBP100	N.A.	N.A.	N.A.	N.A.
R_G (hedged)	GBP	0.500	GBP1,000	GBP100	N.A.	N.A.	N.A.	N.A.
R_J	JPY	0.500	JPY100,000	JPY10,000	N.A.	N.A.	N.A.	N.A.

Note:

1. Distributions are not guaranteed. Distributions may be paid out of distributable income, capital or both. Important Notes: (i) Payment of distributions out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment; and (ii) Any distributions involving payment out of the Fund's capital may result in an immediate reduction of the net asset value per share.

2. C share classes are for institutional investors only, and are not available to retail investors. R share classes are reserved for retail investors of certain distributors who have separate fee arrangements with their clients (which provide nominee facilities to investors) and to other retail investors at the discretion of the SICAV.

3. Funds with Monthly and Quarterly Distribution Frequency: Annualised Dividend yield = (Dividend per share / Reference NAV at start of distribution period) x (No. of calendar days in a year / No. of calendar days in distribution period) x 100%. Funds with Yearly Distribution Frequency: Annualised Dividend Yield = (Dividend amount / Total Net Assets) x (No. of calendar days in a year / No. of calendar days in distribution period) x 100%. "N.A." means that this share class does not distribute dividends. *Or their near equivalent in any major freely convertible currency of the amounts specified.

Returns (%)

Share class	Currency	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)
A									
Offer-bid	USD	0.3	-5.1	1.0	-12.3	7.3	3.0	–	4.0
Bid-bid	USD	5.6	-0.1	6.4	-7.7	9.1	4.0	–	4.7
Benchmark	USD	3.7	1.0	8.4	-4.2	8.1	4.5	–	4.4
A (hedged)									
Offer-bid	USD	-0.4	-7.2	0.1	-12.7	10.3	4.7	–	5.8
Bid-bid	USD	4.8	-2.3	5.4	-8.1	12.2	5.8	–	6.8
Benchmark	USD	3.2	-1.1	7.1	-4.8	11.6	6.4	–	7.0
A_J									
Offer-bid	JPY	-0.7	-7.8	-1.3	-14.7	9.0	–	–	2.6
Bid-bid	JPY	4.5	-2.9	3.9	-10.2	10.9	–	–	3.7
Benchmark	JPY	2.9	-1.7	5.8	-6.8	9.9	–	–	4.1
A_S									
Offer-bid	SGD	-1.5	-5.3	0.1	-13.0	7.4	4.6	–	4.2
Bid-bid	SGD	3.6	-0.3	5.4	-8.4	9.3	5.7	–	5.2
Benchmark	SGD	2.0	0.9	7.4	-4.9	8.3	6.2	–	5.4
A_S (hedged)									
Offer-bid	SGD	-0.5	-7.4	-0.4	-13.7	9.7	4.7	–	5.8
Bid-bid	SGD	4.8	-2.5	4.8	-9.2	11.6	5.8	–	6.7
Benchmark	SGD	3.2	-1.3	6.6	-5.7	11.1	6.4	–	7.0
C									
Offer-bid	USD	5.6	0.0	6.8	-7.0	10.0	4.9	–	9.2
Bid-bid	USD	5.6	0.0	6.8	-7.0	10.0	4.9	–	9.2
Benchmark	USD	3.7	1.0	8.4	-4.2	8.1	4.5	–	7.7

Calendar year returns (%)

	2018	2017	2016	2015	2014
A					
Offer-bid	-23.7	16.4	5.1	6.0	-7.8
Bid-bid	-19.7	22.6	10.6	11.6	-2.9
Benchmark	-13.4	24.0	2.4	9.6	-4.0
A (hedged)					
Offer-bid	-24.0	13.2	0.2	7.5	3.8
Bid-bid	-20.0	19.2	5.5	13.2	9.2
Benchmark	-13.5	21.6	-1.8	9.6	9.0
A_J					
Offer-bid	-25.2	12.3	1.7	7.3	-3.6
Bid-bid	-21.2	18.2	7.1	12.9	1.5
Benchmark	-15.1	19.7	-0.7	9.9	2.8
A_S					
Offer-bid	-22.1	7.7	7.2	13.5	-5.5
Bid-bid	-17.9	13.4	12.9	19.4	-0.6
Benchmark	-11.5	14.7	4.3	17.3	-0.2
A_S (hedged)					
Offer-bid	-25.0	12.9	1.7	7.9	3.9
Bid-bid	-21.0	18.9	7.1	13.6	9.4
Benchmark	-14.2	21.1	-0.9	10.3	9.2
C					
Offer-bid	-19.0	23.5	11.5	12.4	-2.2
Bid-bid	-19.0	23.5	11.5	12.4	-2.2
Benchmark	-13.4	24.0	2.4	9.6	-4.0

Eastspring Investments – Japan Dynamic Fund

Returns (%)

Calendar year returns (%)

Share class	Currency	1 m	3 m	YTD	1 y	3 y (p.a.)	5 y (p.a.)	10 y (p.a.)	Since inception (p.a.)	2018	2017	2016	2015	2014
C (hedged)														
Offer-bid	USD	4.9	-2.1	5.8	-7.3	13.1	–	–	2.3	-19.4	20.1	6.3	1.4	–
Bid-bid	USD	4.9	-2.1	5.8	-7.3	13.1	–	–	2.3	-19.4	20.1	6.3	1.4	–
Benchmark	USD	3.2	-1.1	7.1	-4.8	11.6	–	–	3.0	-13.5	21.6	-1.8	2.7	–
C_{DY}														
Offer-bid	USD	5.6	0.0	6.8	-7.0	10.0	–	–	6.1	-19.1	23.6	11.5	9.2	–
Bid-bid	USD	5.6	0.0	6.8	-7.0	10.0	–	–	6.1	-19.1	23.6	11.5	9.2	–
Benchmark	USD	3.7	1.0	8.4	-4.2	8.1	–	–	5.7	-13.4	24.0	2.4	7.3	–
C_E														
Offer-bid	EUR	3.5	-1.3	7.5	-4.9	9.1	–	–	8.0	-15.2	8.7	15.4	25.3	-0.3
Bid-bid	EUR	3.5	-1.3	7.5	-4.9	9.1	–	–	8.0	-15.2	8.7	15.4	25.3	-0.3
Benchmark	EUR	1.5	-0.4	8.9	-1.8	7.2	–	–	7.5	-9.1	8.9	5.4	22.1	0.9
C_E (hedged)														
Offer-bid	EUR	4.6	-2.9	4.1	-10.2	10.7	–	–	3.9	-21.6	17.6	6.6	14.9	1.7
Bid-bid	EUR	4.6	-2.9	4.1	-10.2	10.7	–	–	3.9	-21.6	17.6	6.6	14.9	1.7
Benchmark	EUR	2.9	-1.9	5.4	-7.8	9.0	–	–	3.0	-16.1	19.2	-3.0	9.6	2.6
C_G														
Offer-bid	GBP	4.6	2.3	6.5	-3.8	12.0	–	–	8.5	-13.8	13.2	33.5	-0.9	–
Bid-bid	GBP	4.6	2.3	6.5	-3.8	12.0	–	–	8.5	-13.8	13.2	33.5	-0.9	–
Benchmark	GBP	2.7	3.4	8.1	-0.6	9.9	–	–	8.6	-7.7	13.3	22.1	0.4	–
C_J														
Offer-bid	JPY	4.7	-2.7	4.4	-9.5	11.8	–	–	-0.6	-20.6	19.0	8.0	-8.2	–
Bid-bid	JPY	4.7	-2.7	4.4	-9.5	11.8	–	–	-0.6	-20.6	19.0	8.0	-8.2	–
Benchmark	JPY	2.9	-1.7	5.8	-6.8	9.9	–	–	-0.4	-15.1	19.7	-0.7	-7.7	–
R														
Offer-bid	USD	0.3	-5.0	1.4	-11.7	8.1	3.7	–	8.7	-23.1	17.3	5.9	6.8	-7.4
Bid-bid	USD	5.6	0.0	6.8	-7.0	9.9	4.8	–	9.6	-19.1	23.5	11.5	12.4	-2.5
Benchmark	USD	3.7	1.0	8.4	-4.2	8.1	4.5	–	8.0	-13.4	24.0	2.4	9.6	-4.0
R (hedged)														
Offer-bid	USD	-0.3	-7.0	0.5	-12.0	11.1	–	–	3.3	-23.5	14.1	1.0	8.3	-6.5
Bid-bid	USD	4.9	-2.1	5.8	-7.4	13.0	–	–	4.5	-19.4	20.1	6.3	14.1	-1.6
Benchmark	USD	3.2	-1.1	7.1	-4.8	11.6	–	–	4.3	-13.5	21.6	-1.8	9.6	-0.2
R_E														
Offer-bid	EUR	-1.6	-6.3	2.1	-9.7	7.2	–	–	6.7	-19.5	3.2	9.6	19.0	-5.3
Bid-bid	EUR	3.5	-1.3	7.4	-4.9	9.1	–	–	7.9	-15.3	8.6	15.4	25.3	-0.3
Benchmark	EUR	1.5	-0.4	8.9	-1.8	7.2	–	–	7.5	-9.1	8.9	5.4	22.1	0.9
R_E (hedged)														
Offer-bid	EUR	-0.6	-7.7	-1.1	-14.7	8.8	–	–	2.7	-25.6	11.7	1.1	9.1	-3.4
Bid-bid	EUR	4.6	-2.9	4.1	-10.2	10.7	–	–	3.8	-21.7	17.6	6.4	14.9	1.7
Benchmark	EUR	2.9	-1.9	5.4	-7.8	9.0	–	–	3.0	-16.1	19.2	-3.0	9.6	2.6
R_G														
Offer-bid	GBP	-0.6	-2.8	1.2	-8.6	10.1	–	–	6.3	-18.1	7.4	26.8	-7.7	–
Bid-bid	GBP	4.6	2.3	6.5	-3.8	12.0	–	–	7.7	-13.8	13.1	33.5	-2.9	–
Benchmark	GBP	2.7	3.4	8.1	-0.6	9.9	–	–	8.6	-7.7	13.3	22.1	1.1	–
R_G (hedged)														
Offer-bid	GBP	-0.4	-7.5	-0.6	-13.8	9.4	–	–	2.1	-24.8	12.3	0.1	8.3	-6.5
Bid-bid	GBP	4.8	-2.6	4.7	-9.3	11.3	–	–	3.3	-20.9	18.2	5.4	14.0	-1.6
Benchmark	GBP	3.0	-1.8	5.7	-7.1	9.8	–	–	2.7	-15.3	20.0	-3.6	9.3	-0.2
R_J														
Offer-bid	JPY	-0.7	-7.7	-0.9	-14.1	9.8	–	–	1.1	-24.7	13.2	2.5	-2.0	–
Bid-bid	JPY	4.6	-2.8	4.3	-9.6	11.7	–	–	2.5	-20.7	19.1	7.9	3.2	–
Benchmark	JPY	2.9	-1.7	5.8	-6.8	9.9	–	–	3.4	-15.1	19.7	-0.7	6.3	–

Performance Disclosure:

(p.a.): per annum. Source: Eastspring Investments (Singapore) Limited. Returns are based in share class currency and computed on bid-bid basis with net income reinvested, if any. Offer-bid is inclusive of sales charge which is subject to changes. Since inception returns for periods less than a year are not annualised. The benchmark for the hedged share classes, if any, is also calculated on a hedged basis. Calendar year returns are based on the share class performance for the year, and if the share class was incepted during a particular year, the returns shown relate to the performance of the share class since its inception to the end of that calendar year. Wef July 2018, the monthly fund and benchmark returns calculated are aligned to the last NAV date of the fund for the month. Past performance information presented is not indicative of future performance.

Commentary sources

1. Eastspring Investments (Singapore) Limited

COMMENTARY

Performance Review

Equity markets recovered in June and the MSCI Japan Index returned 2.97% in JPY terms. Market volatility has reflected changing risk appetites and uncertainty around the sustainability of global growth, profitability, low inflation and the direction of interest rates.

Market sentiment has been coincident with ongoing global macroeconomic and geopolitical news flow as well as signalling around policy adjustment from central banks. We observe that the market has already priced in the shorter-term cyclical symptoms of recession for a wide range of Japanese companies. However, the market's shorter-term cyclical risk perceptions ignore the longer-term structural improvements which remain intact. Amid this environment, changes in corporate behaviour have progressively translated into higher operational efficiency and improved trend profitability, which has helped narrow the return-on-equity gap between Japanese corporates and the rest of world. Longer term structural improvements have led to rising trend aggregate earnings-per-share of Topix-listed companies which has more than doubled since 2012.

During the latest AGM season in the month of June, we also continue to observe an increased focus on capital management to improve balance sheet efficiency and shareholder returns. On the back of the rising incidence of shareholder activism, share buy-backs surged 125% year-on-year (YoY) between the months of January-May 2019. This rising shareholder returns focus offers further potential for unlocking of value in Japan. That said, we still see significant scope for the adoption of best practices which may in turn contribute to the global competitiveness of corporate Japan. On the macro front, a positive output gap continues to persist, which has inflationary implications as economic output is currently operating above its potential. In addition, the unemployment rate in April was 2.4%, while and job offer to applicant ratio stayed at 1.63, the highest level since 1974.

We continue to observe improving trend fundamentals on a bottom up, company by company basis which are yet to be priced by the market. As such, we continue to find mispriced contrarian investment opportunities where the market's risk perceptions and expectations have caused a meaningful dislocation between the share price and company valuation.

Key Contributors

Month-to-date, the largest absolute contributors to the Fund's performance were Lixil Group, Nomura Holdings and Hitachi Ltd.

Lixil Group has diversified its business domain in terms of geographies, products and brands through the acquisition of such companies as Grohe and American Standard, which have strong position in bath/sanitary products globally. The company is currently working to extract synergies from these acquisitions by streamlining management, use of common resources and cross-selling in different geographies. The company is also proactively engaged in managing its cashflows and balance sheet, as well as allocating capital in areas of strength and growth, as sanitary products. There are concerns related to long-term housing product demand and lack of discipline in the housing building materials market in Japan, where manufacturers see low and volatile returns. Lixil is working proactively to change its production structure of such products to make the business withstand meaningful demand contractions – these are focused on standardizing the items produced which will lead to savings in production lines and space, which will make possible consolidation of production bases and decline in break-even point for the business. The market remains sceptical of such efforts. We have also engaged the company in reviewing its overhead head quarter costs, which are high, being a result of history of amalgamation of multiple domestic companies. We continue to monitor the ongoing governance risks associated with the management control of the business and were encouraged, in governance terms, by the results of the recent AGM's proxy voting for board directors. We continue to support recently re-instated President Seto's strategy for the Group.

The team had identified Nomura Holdings at a time when shares had de-rated significantly from high valuation levels. More recently, challenging capital markets conditions globally have impacted company's performance. Nomura has announced a credible cost cutting plan with renewed focus of resources on areas of strength in its global markets business. The company has also initiated plans to shore up its earnings in domestic operations through cost management in retail business, which we have been engaging them about for a while. The company is also laying out plans to engage with younger clients through cooperation with other companies. Our ongoing due diligence suggests the market is not valuing the strength of Nomura's domestic franchise and is not appreciating their efforts to improve the cost structure of the overseas business. Additionally, our conservative trend assumptions suggest that the valuation more than compensates for risks associated with Nomura's overseas operations.

We had identified Hitachi Ltd, an industrial and technology conglomerate, after it had materially underperformed relative to the market for an extended period. Market sentiment is focused on the apparent cyclical pressures Hitachi is facing amid strong global competition. However it has been making observable progress in its ongoing structural reform process. For example, the de-consolidation of its finance business is aimed at improving its balance sheet structure. Hitachi aims to gain synergies across businesses and to increase operating margins by exiting any business with an operating margin of less than 5% and invest in acquisitions and technology development to challenge international rivals. Whilst it may take some time before the outcomes of structural reform can be fully assessed, the Fund is being more than compensated for any associated risks by the significant valuation support, based on our conservative

COMMENTARY

assumptions. The position size is being managed in response to share price performance and valuation support.

Key Detractors

Month-to-date, the largest absolute detractors from the Fund's performance were Shimamura, Sumitomo Mitsui Trust Holdings and Mitsubishi Heavy Industries.

Shimamura is an operator of clothing stores with a sound competitive position with good trend valuation support. Shorter term market sentiment has been focused around Shimamura's market positioning and its ability to increase sales volumes as well as maintain cost control amid tightening labour market conditions. Shimamura has been taking steps to manage margins by changing its procurement strategy and Shimamura's new private brand product offering is rising in popularity with consumers which has been supportive for trend earnings. The Fund has been adding to the position in the wake of recent share price weakness.

In a low interest rate environment domestically, Sumitomo Mitsui Trust Holdings has focused its efforts on increasing its domestic fee revenue from asset management, inheritance services and real estate transactions among others, where it has a strong position as a trust bank. More recently it has also taken proactive actions to better manage the profitability of its overseas lending book, by controlling asset growth and improving the profitability of the asset mix. The Fund has been managing its overweight position, responding to share price performance.

Mitsubishi Heavy Industries is a conglomerate with core businesses that include Energy and Environment; Machinery, Equipment and Infrastructure; Commercial Aviation and Transport Systems; and Integrated Defense and Space Systems. MHI has undergone restructuring to exit uncompetitive and sub-scale businesses and there are market expectations for further restructuring, which may be supportive for longer term trend returns. However given the complexity of its businesses, there remain risks around MHI's ability to effectively implement ongoing restructuring and deliver on its medium term plans, and the market is fully aware of this. Additionally, MHI has incurred significant cost overruns from a South African project and the company's disclosure has brought greater transparency around this issue which is accounted for in the team's trend valuation. The development cost burden and future economics for its MRJ aircraft project remains a challenge. The cyclically weak environment for gas turbine and power generation equipment market is also putting pressure on the Company's performance in the next few years. The company has managed to increase its share in this field through its stronger position in Asia and taking advantage of weakness at major competitors. The company is responding to this environment and we continue to assess the company's ability to adjust its cost structure accordingly. The position size is being managed in response to share price performance and valuation support.

Fund Activity

In line with our disciplined investment approach, the fund manager sold or trimmed shares in companies which have outperformed or where trend valuations have become relatively less compelling compared to other more attractively valued investment opportunities. Notable trades included reducing stakes in NEC Corp and Mitsubishi Heavy Industries. The Fund added to positions in Takeda Pharmaceutical and Panasonic Corp.

Outlook

The market's shorter-term focus on thematic macroeconomic news flow can drive significant share price anomalies for the Fund to exploit. There remains a tail of stocks, which are often ignored by the market and as a result may be mispriced by the market. This market dynamic presents opportunities for our valuation discipline to exploit.

However, we note that there are many companies in strong financial health and observe that companies' restructuring efforts are continuing and, in some cases, have accelerated. With the onset of negative interest rates for bondholders, there is an even stronger economic imperative for companies to improve capital efficiency encouraging shareholder-oriented behaviour. We continue to observe supportive trend fundamentals at a company level, and this is a significant driving factor in the longer-term re-rating for Japan.

We do not allocate on a sector basis. However, we have found, on a stock by stock basis, high conviction names with strong valuation signals across much of the market. Included are investment opportunities in major banks as well as non-bank financials; consumer electronics and information technology; specialist materials and industrial names. These names represent a wide range of industries, from more domestically focused to export related.

IMPORTANT INFORMATION

Investment manager -
**Eastspring Investments (Singapore)
Limited**

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In case of discrepancy between the English and Chinese versions, the English version shall prevail.

Notes:

Investors should note that the net asset value of this Fund is likely to have a higher volatility due to its concentration of investment in a single/and or limited number of countries.

As announced by the CPF Board in March 2018, for funds offered through the CPF Investment Scheme (CPFIS), sales charge will be removed progressively to reduce the cost of investing for CPFIS members. Refer to <https://www.cpf.gov.sg/members/News/news-categories-info/cpf-changes/2346> for further details (URL link as of March 2018).

#The CPF interest rate for the Ordinary Account (OA) is based on the 12-month fixed deposit and month-end savings rates of the major local banks. 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 of Special Government Securities (SSGS) which the RA savings are invested in, which earn a fixed coupon equal to the 12-month average yield of the 10YSGS plus 1% at the point of issuance, or current floor rate of 4% per annum, whichever is the higher. As announced in September 2018, 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 2019. In addition, the CPF Board will pay an extra interest rate of 1% per annum on the first S\$60,000 of a CPF member's combined balances, including up to S\$20,000 in the OA. Only monies in excess of S\$20,000 in the OA and S\$40,000 in the Special Account can be invested.

Investors should note that the applicable 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 interest rates.



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