



Japan – Ripe for change

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February 2020

Schroder Japan Growth Fund plc

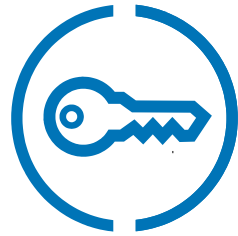
Key features



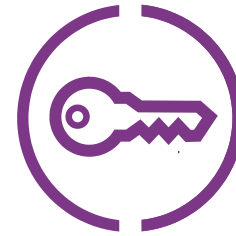
Bottom-up approach based on in-house research



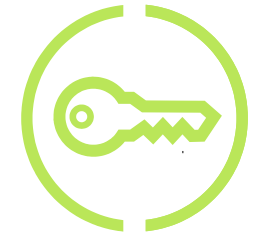
Strong valuation discipline with contrarian bias



Long-term approach with low turnover and moderate gearing



Diversified portfolio of 77 stocks

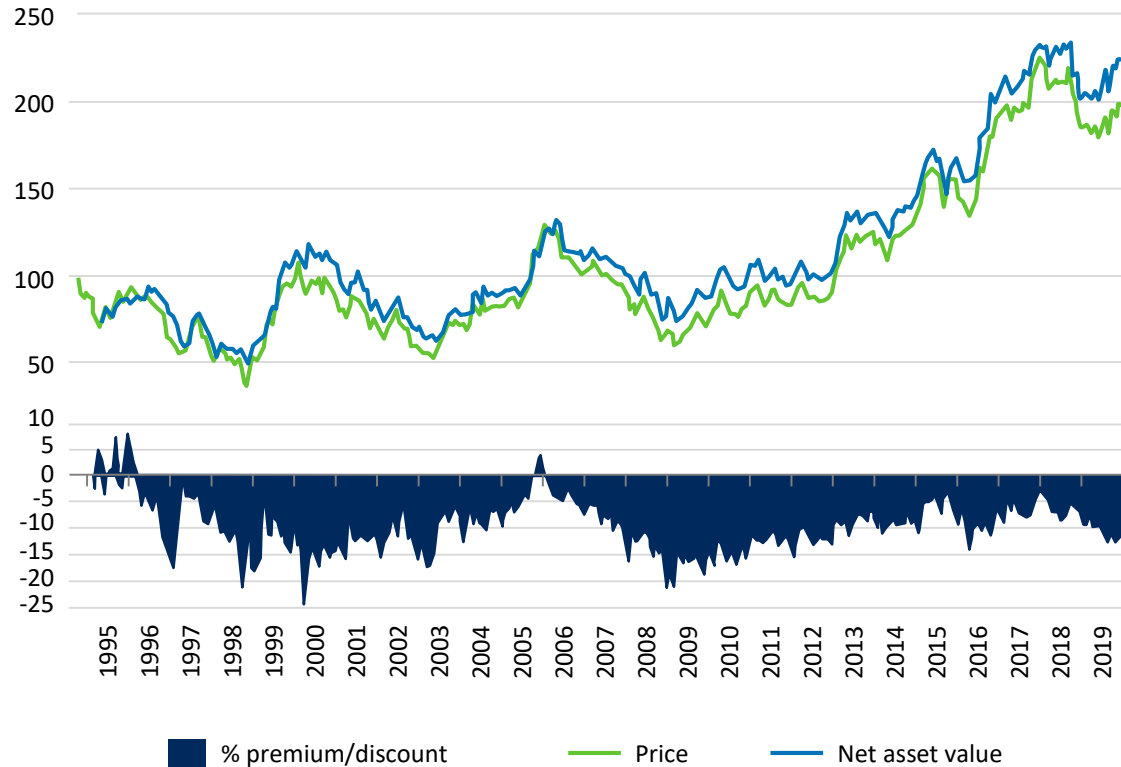


Typically overweight in mid and small caps

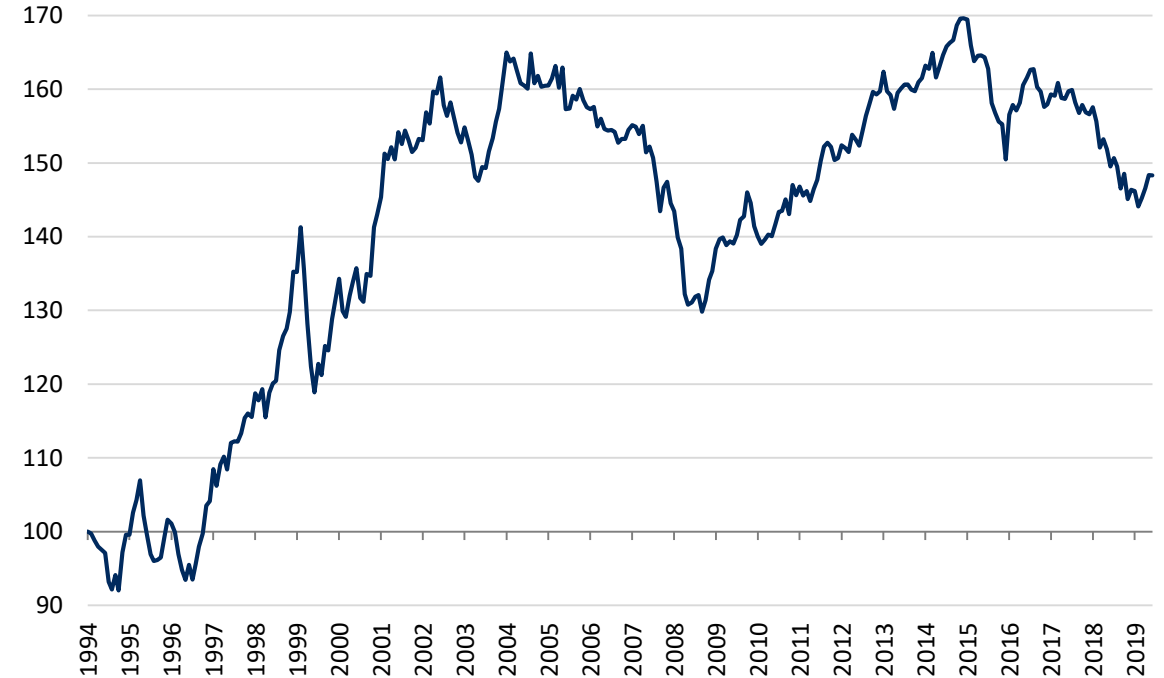
Strong record of long-term outperformance

As at 31 December 2019

Fund premium/discount¹



Relative performance vs. TOPIX²



Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Source: ¹Bloomberg as at 31 December 2019, Premium/discount is calculated as the fund's share price as a percentage of NAV. ²Schroders, Thomson Reuters Datastream, Morningstar.

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Opportunities in Japan

Current Conditions

Long term structural positives despite mixed current picture



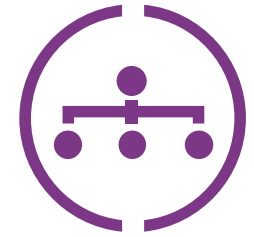
Recent short-term economic data weak



Domestic fiscal stimulus should help recovery from cyclical slowdown



Attractive aggregate valuation



Structural changes in governance, labour market and productivity

Structural changes driving future returns

1

Capital expenditure targeted at productivity improvement

2

Governance improvements and shareholder remuneration

3

Greater resilience in market earnings structure

4

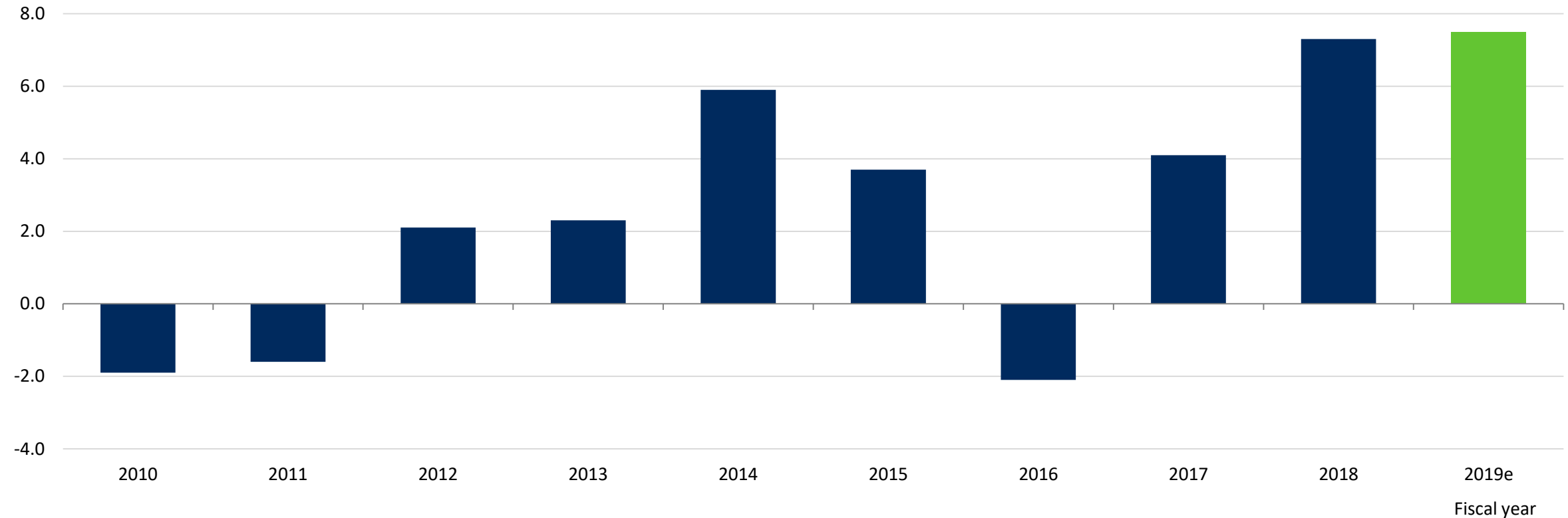
Scope for Japan's market valuation discount to narrow

5

Changes in distribution of Return-on-Equity across the market

① Capital expenditure targeted at productivity improvement

Capital Expenditure intentions from Bank of Japan Survey

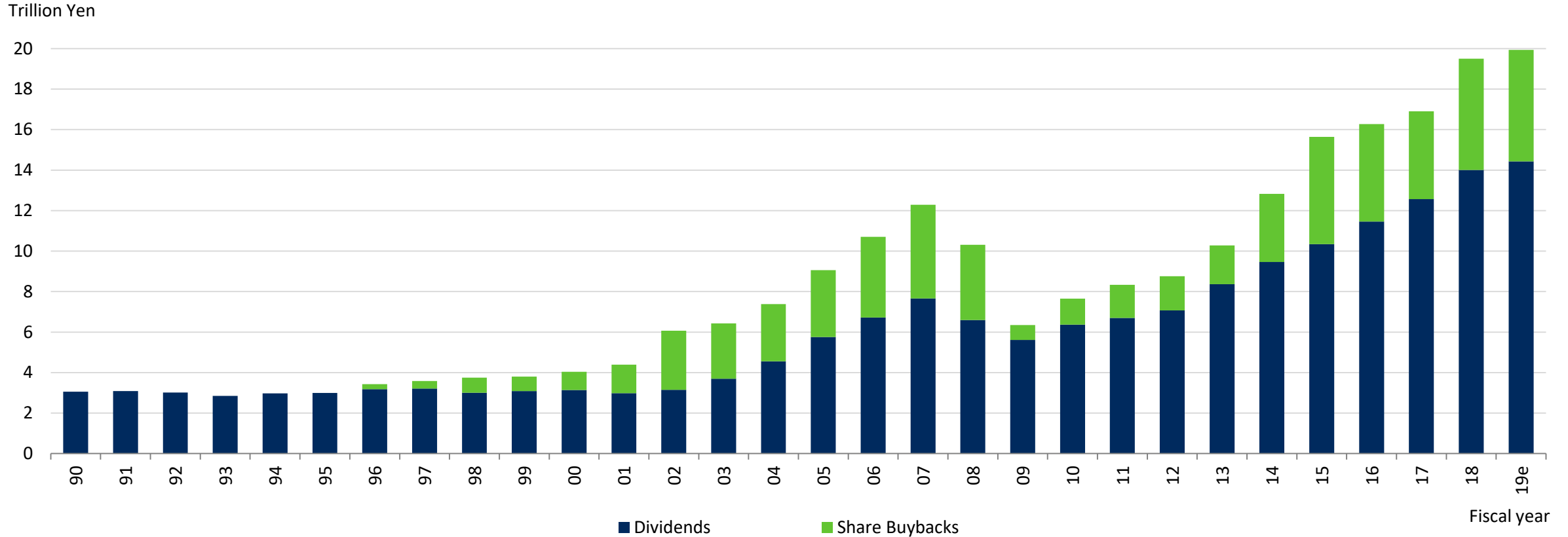


Source: Bank of Japan as at 30 June 2019.

Forecast risk warning: Please see the information slide at the end of this presentation.

② Governance improvements and shareholder remuneration

Dividends and buy-backs of all listed stocks



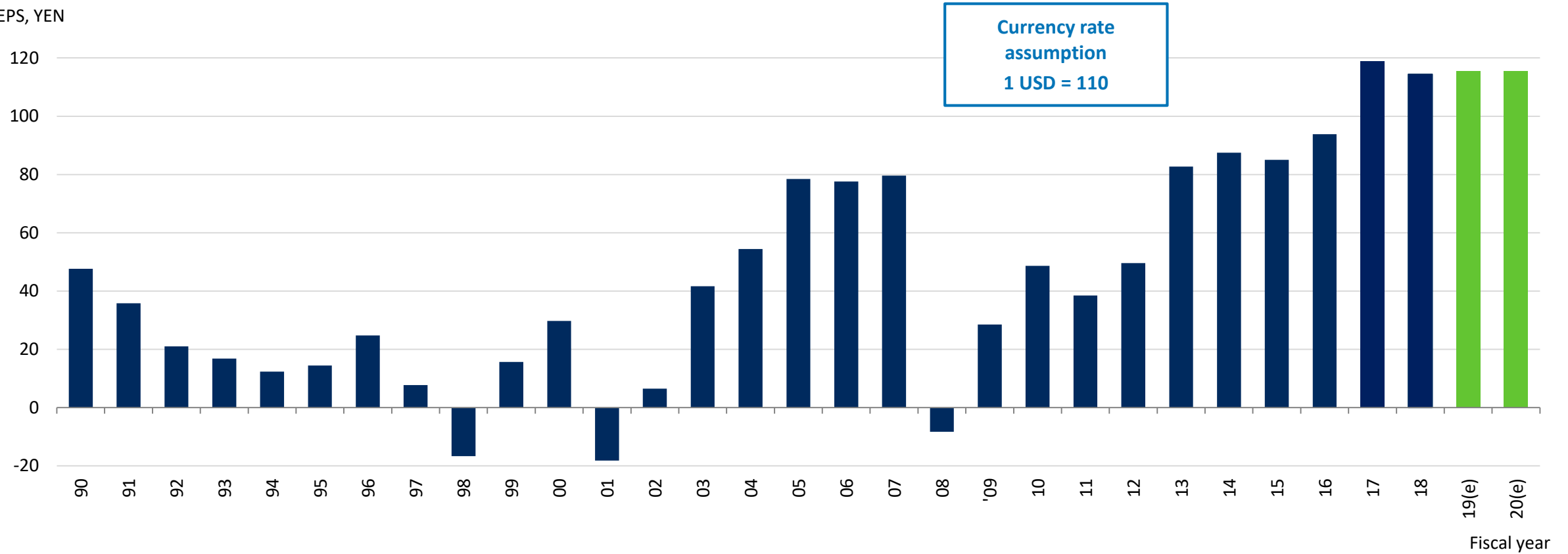
Source : Daiwa, as at 31 December 2018.

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③ Greater resilience in market earnings structure

TOPIX EPS

EPS, YEN

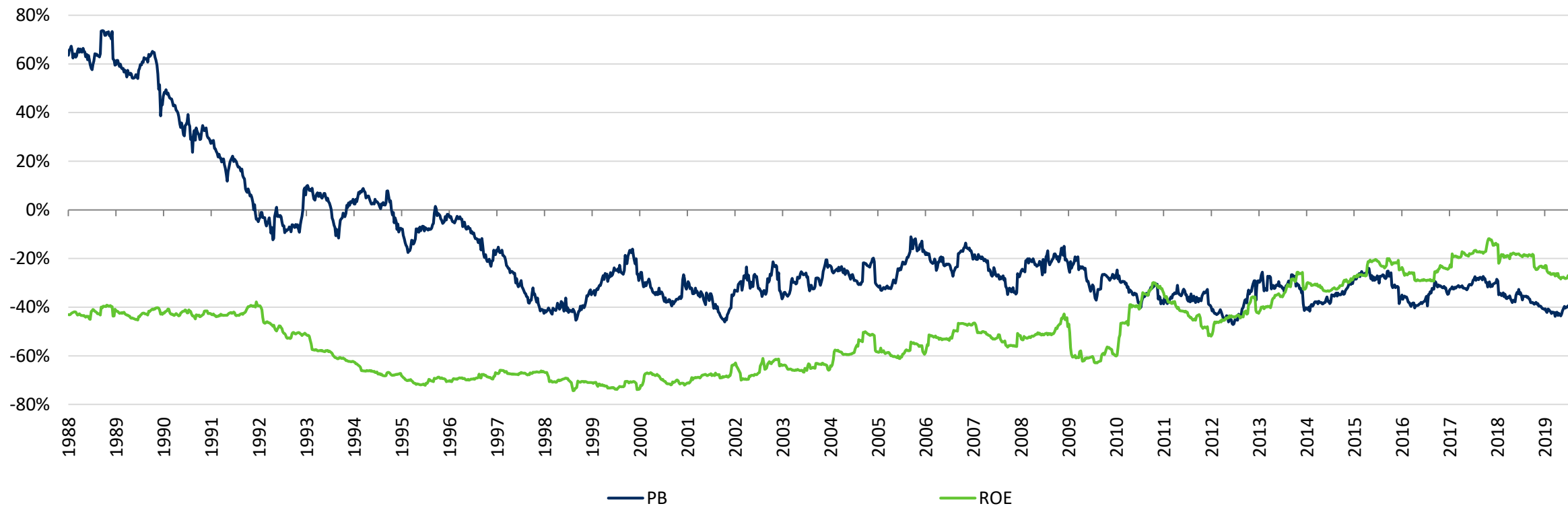


Source: Nomura Research, TSE1 basis, Top down forecast, as at 31 August 2019. (EPS = Earnings Per Share).
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④ Scope for Japan's market valuation discount to narrow

Japan's Return-on-Equity discount has closed while Price-to-Book discount has not

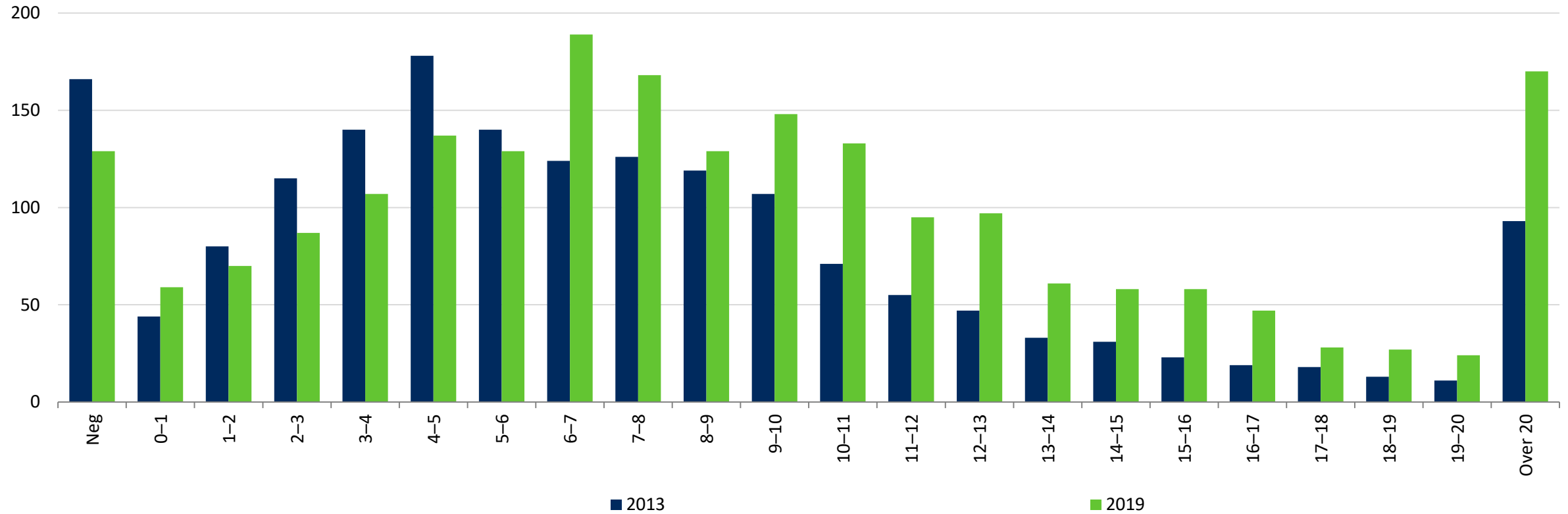
Japan relative to World



Source: Datastream, as at 18 December 2019.

⑤ Changes in distribution of Return-on-Equity across the market

Number of companies

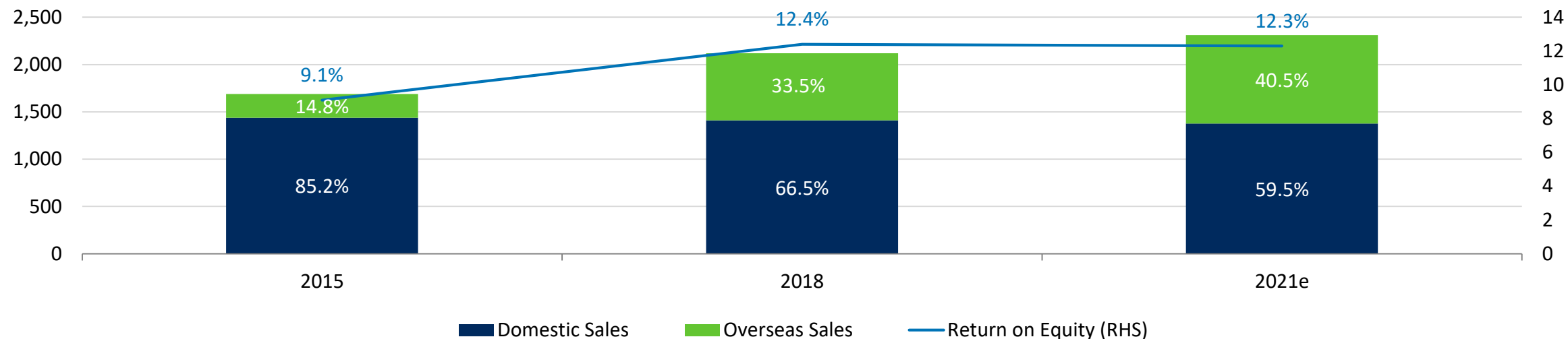


Source: Schroders, as at 31 December 2019.

Asahi Group Holdings



Reallocation of capital moves return-on-equity into higher range



Acquired European business from SABMiller

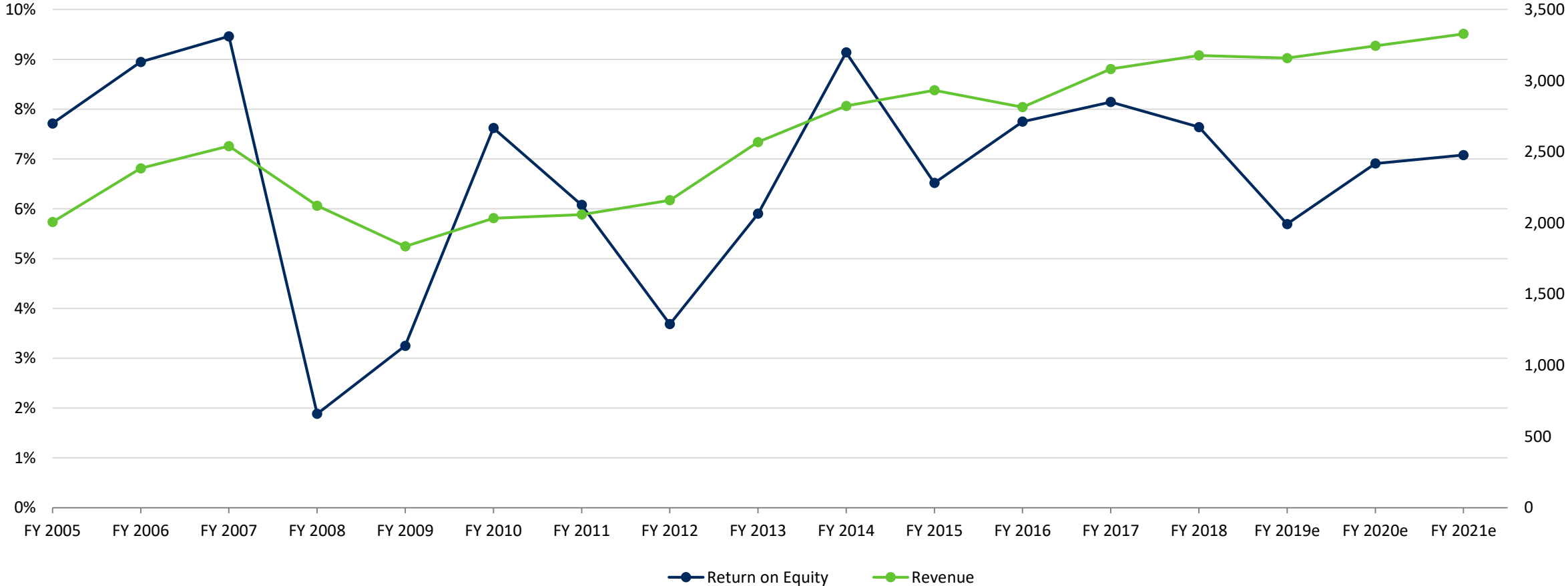


Acquired Carlton and United Breweries

Securities and regions shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.
Source: Thomson DataStream, as at 31 December 2019.

Sumitomo Electric Industries

Returns driven primarily by cyclicality, with fewer stock-specific drivers



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 Source: Schroders, as at 31 December 2019.

Summary and Questions



We see long term positives for Japan despite mixed current data



Structural tailwinds are key to driving future returns



Management efforts will lead to a differentiated stock return



The key characteristics of the Fund fit well with the opportunities in Japan

Schroders



Appendix

Schroder Japan Growth Fund plc – performance

As at 31 December 2019

- **Fund size:** £320.8m
- **Benchmark:** Tokyo Stock Exchange 1st Section Index (TOPIX) (Total Return)
- **Net gearing:** 11.3%
- **Number of holdings:** 77

Returns in GBP	3 Months (%)	1 Year (%)	3 Years (%p.a.)	5 year (%p.a.)	Since inception (%p.a.)*
Schroder Japan Growth plc	+2.5	+13.6	+4.8	+11.1	+3.8
TSE 1 st Section Index (TOPIX)	+0.5	+14.6	+6.7	+12.1	+1.9
Relative	+2.0	-1.0	-1.9	-1.0	+1.9

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them can go down as well as up and investors may not get back the amounts originally invested.

Source: Schroders, Morningstar, cum-income NAV with dividends reinvested, net of fees. *Inception date 11 July 1994. The fund holds investments denominated in currencies other than sterling, changes in exchange rates will cause the value of these investments, and the income from them, to rise or fall.

Schroder Japan Growth Fund plc

Returns in GBP	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)
Schroder Japan Growth plc	+21.5	-8.2	+5.7	+32.9	+7.0	+17.9	+23.0	+16.1	-12.7	+13.6
TSE 1 st Section Index (TOPIX)	+19.5	-11.9	+2.8	+24.6	+2.7	+18.2	+23.4	+15.6	-8.4	+14.6
Relative	+2.0	+3.7	+2.9	+8.3	+4.3	-0.3	-0.4	+0.5	-4.3	-1.0

Schroder Japan Growth Fund plc – Risk Factors:

- Currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses
- Equity risk: Equity prices fluctuate daily, based on many factors including general, economic, industry or company news
- Liquidity risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares
- Operational risk : Failures at service providers could lead to disruptions of fund operations or losses

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Source: Schroders, Morningstar, cum-income NAV with dividends reinvested, net of fees. The fund holds investments denominated in currencies other than sterling, changes in exchange rates will cause the value of these investments, and the income from them, to rise or fall.

Attribution – stock

Schroder Japan Growth

12 Months to 31 December 2019

Top 5 contributors	Portfolio weight	Benchmark ¹ weight	Portfolio return	Benchmark return	Total effect
Disco Corporation	2.0	0.1	99.2	99.2	+1.06
TDK Corp	2.3	0.2	58.7	58.7	+0.75
SMC Corp	2.1	0.5	48.2	48.2	+0.42
Hitachi	1.9	0.8	56.8	56.8	+0.35
Mitsubishi Tanabe	0.3	0.1	37.0	28.4	+0.28

Top 5 detractors	Portfolio weight	Benchmark ¹ weight	Portfolio return	Benchmark return	Total effect
Hi-Lex Corporation	1.5	0.0	-8.1	-8.0	-0.53
AT Group Co Ltd	1.1	0.0	-21.2	-21.2	-0.50
Japan Airlines Co	1.8	0.3	-12.7	-12.7	-0.45
Isuzu Motors	1.3	0.2	-16.2	-16.2	-0.42
SK Kaken Co Ltd	1.5	0.0	-4.6	-4.6	-0.39

Past performance is not a guide to future performance and may not be repeated. The value of investment can go down as well as up and is not guaranteed. The return may increase or decrease as a result of currency fluctuations. Stocks mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Source: FactSet. Contributions are purely indicative as FactSet uses unaudited data. Stock weights are average weights over the period and returns are expressed in GBP.

Sector positions

Schroder Japan Growth

As at 31 December 2019

	Portfolio (%)	Benchmark ¹ (%)	Underweight	Overweight	3M change
Land Transportation	7.3	4.4		2.9%	-0.6
Machinery	7.2	5.1		2.1%	0.4
Other Financing Business	3.3	1.2		2.1%	0.7
Wholesale Trade	6.9	5.0		1.9%	1.5
Insurance	4.1	2.3		1.8%	-0.1
Construction	4.4	2.8		1.6%	0.5
Rubber Products	1.7	0.7		1.0%	-0.7
Oil & Coal Products	1.4	0.5		0.9%	-0.2
Air Transportation	1.3	0.5		0.8%	-0.1
Glass & Ceramics Products	1.5	0.8		0.7%	0.2
Foods	3.1	3.8	-0.7%		0.4
Iron & Steel	0.0	0.8	-0.8%		0.0
Nonferrous Metals	0.0	0.8	-0.8%		0.0
Pharmaceutical	5.0	6.0	-1.0%		-0.6
Precision Instruments	1.2	2.4	-1.2%		0.2
Other Products	0.8	2.3	-1.5%		0.2
Electric Power & Gas	0.0	1.5	-1.5%		0.1
Banks	4.3	5.9	-1.6%		0.0
Services	2.2	5.2	-3.0%		0.2
Electric Appliances	11.1	14.4	-3.3%		0.2
[Cash]	3.4	0.0		3.4%	-1.2

Source: Schroders, FactSet. ¹TOPIX

The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet.

The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Stock positions

Schroder Japan Growth

As at 31 December 2019

	Portfolio (%)	Benchmark ¹ (%)	Underweight	Overweight	3M change
SMFG	3.6	1.1		2.5%	0.0
TDK Corp	2.7	0.2		2.5%	0.2
Disco Corp	2.5	0.1		2.4%	0.4
Sankyu Inc	2.4	0.1		2.3%	-0.2
KDDI Corp	2.8	1.0		1.8%	0.1
Mitsui & Co	2.5	0.7		1.8%	0.0
Santen Pharm Co	1.9	0.2		1.7%	0.1
SMC Corp	2.3	0.6		1.7%	0.0
Nippon Tel&Tel Cp	3.1	1.5		1.6%	0.0
Tokio Marine Hldg	2.5	0.9		1.6%	0.0
Mizuho Finl Gp	--	0.9	-0.9%		0.1
Ntt Docomo	--	0.9	-0.9%		-0.2
Kao Corp	--	0.9	-0.9%		-0.1
Hoya Corp	--	0.9	-0.9%		-0.1
Honda Motor Co	--	1.0	-1.0%		0.0
Nintendo Co Ltd	--	1.1	-1.1%		-0.1
Keyence Corp	--	1.4	-1.4%		0.0
Softbank Group Co	--	1.5	-1.5%		-0.1
Mitsubishi Ufj	--	1.7	-1.7%		0.0
Sony Corp	--	1.9	-1.9%		-0.1

Source: Schroders, FactSet. ¹TOPIX.

The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet.

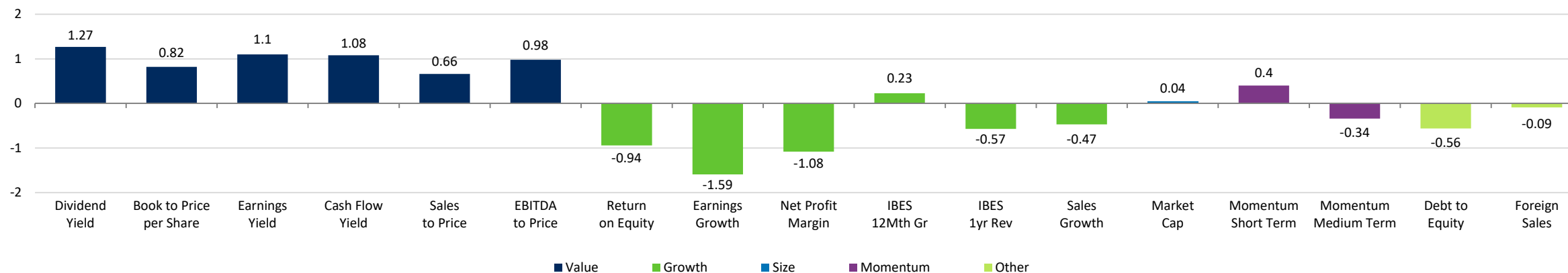
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Fund risk characteristics

As at 31 December 2019

Style Research Skyline

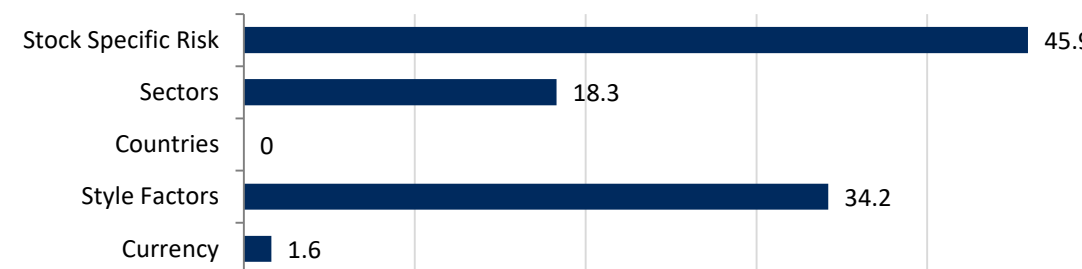
Style Skyline



Predict Risk

Tracking Error	3.10%
Beta	1.08
Benchmark Volatility	13.14%
Absolute Fund Volatility	14.54%

Active Risk Decomposition (from BRS)



Source: Schroders PRISM inc cash. Based on unaudited data. Figures from Style Research unless otherwise stated.

Risk factors

- Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.
- The company can be exposed to different currencies. Changes in foreign exchange rates could create losses.
- The company may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the company, both up or down, which may adversely impact the performance of the company.
- The company may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase in value by more than the cost of borrowing, or reduce returns if they fail to do so.

Important information

Marketing material

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

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