



# Tiburon Taiko Fund monthly report

September 2012

## In brief

Investment objective: To maximise absolute returns by investing primarily in listed equities and equity-linked securities of issuers in Japan.

	Class 'B' USD (hedged)	Class 'D' GBP (hedged)	Class 'E' GBP (un-hedged)
Net asset value per share	1,006.2305	1,003.7886	956.3759
Month to date	2.23%	2.22%	1.21%
Year to date	5.27%	5.17%	0.40%
Since inception	0.62%	0.38%	20.46%

Inception: 27<sup>th</sup> October 2009 – Class B & Class D, 13<sup>th</sup> May 2010 – Class E

Source: Northern Trust (figures shown net of all fees).

Notes: 1. The Class 'E' GBP (un-hedged) performance for periods 27<sup>th</sup> Oct 2009 to 13<sup>th</sup> May 2010 is synthetic calculated on the basis of the actual performance of Class 'B' USD and approved by the Investment Management Association.  
2. The figures in the above tables refer to past performance which is not a reliable indicator of future results. An investment in the Fund would place an investor's capital at risk.

## Manager's commentary

We appear to be living in a world where investors are constantly clinging onto hopes that all central bank stimulus will ultimately produce the desired results and lift equity prices. This seems almost more bizarre when certain central bankers themselves are openly questioning the merits of such stimulus. At the expense of sounding like a broken record, the Japanese experience of the last 20 years remains important as deleveraging is a much longer process than the more short-lived cyclical slowdowns. Hence we continue to wonder whether developed world bond prices are as ludicrously overvalued as many commentators suggest and therefore whether equities, by extension, are as attractive as many currently suggest. Mrs Watanabe has certainly been rewarded for maintaining her long position in JGBs for far longer than most strategists would have predicted. For all the perceived attractions of low longterm interest rates, it seems odd that the unintended consequences of important issues such as spiraling corporate pension fund deficits remain largely ignored, although investors will soon be rudely awakened on this subject especially in the Western world given forthcoming changes in accounting practices. Perhaps it simply comes down to the old adage in the financial world that bad news doesn't sell so lets remain optimistic and wait for the sun to shine.

Where then does this leave Japan, a popular candidate for the most disliked major developed equity market? To be

fair the skeptics have been right to date. Well the answer is actually not that bad. The corporate sector enjoys excess liquidity and cash levels that would be the envy of many. The ongoing cyclical slowdown will hurt profits and tensions with their Chinese neighbours could escalate into a much more serious issue although we doubt this will prove the case as multiple industries would suffer if Japanese components/equipment suddenly were no longer available. However the balance sheet attractions are continually rewarding shareholders through higher levels of share buybacks and dividends which continue to be competitive, in terms of total returns, to Western stockmarkets. Were the world to slow sharply and asset prices to fall, the Japanese are seemingly in a good position to exploit this opportunity through enhanced M&A activity, as is already becoming evident. Any domestic economic slowdown, whilst clearly not desirable, will continue to accelerate industry consolidation, thereby improving the all important ROA statistics. Further yen appreciation would be unhelpful but not disastrous for the competitive position of many of the better multi-nationals given the impact is more confined to translation of overseas earnings. Individual stock selection will remain critical to investment returns as opposed to the higher beta, macro approach for now. There is certainly no shortage of investment candidates today.

## The portfolio in summary

as at 28 September 2012

Gross market exposure	90.64%
Net market exposure	90.64%
Long positions	90.64% (30 stocks)
Short positions	0% (0 stocks)

## CLASS 'B' USD (hedged)

Performance %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009										0.15	-6.57	7.28	0.37
2010	1.22	0.29	9.46	6.21	-10.05	-2.64	-2.92	-4.32	2.27	-3.24	5.66	5.83	6.23
2011	-0.61	3.63	-7.44	1.42	-1.32	2.12	-0.57	-5.69	1.03	0.62	-4.38	0.93	-10.36
2012	1.28	7.51	6.10	-6.12	-10.02	7.69	-3.24	1.26	2.23				5.27

## CLASS 'D' GBP (hedged)

Performance %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009										0.16	-6.56	7.26	0.39
2010	1.20	0.26	9.46	6.15	-10.22	-2.68	-2.89	-4.34	2.28	-3.17	5.68	5.87	6.03
2011	-0.57	3.63	-7.61	1.45	-1.26	2.17	-0.51	-5.68	0.98	0.61	-4.40	0.96	-10.33
2012	1.30	7.52	6.11	-6.11	-10.09	7.65	-3.23	1.24	2.22				5.17

## CLASS 'E' GBP (un-hedged)

Performance %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009										1.87	-2.31	0.95	0.46
2010	5.09	7.32	4.40	4.92	-1.88	-3.28	-5.30	0.64	0.22	-1.07	4.30	9.67	26.70
2011	-4.72	2.16	-7.11	-0.68	0.06	5.32	1.76	-4.00	4.75	-1.26	-4.26	2.96	-5.73
2012	0.59	0.15	4.36	-5.45	-2.59	3.91	-1.03	-0.40	1.21				0.40

Source: Northern Trust (figures shown net of all fees).

- Notes:
1. The Class 'E' GBP (un-hedged) performance for periods 27<sup>th</sup> Oct 2009 to 13<sup>th</sup> May 2010 is synthetic calculated on the basis of the actual performance of Class 'B' USD and approved by the Investment Management Association.
  2. The figures in the above tables refer to past performance which is not a reliable indicator of future results. An investment in the Fund would place an investor's capital at risk.

## Terms

Denomination:	Japanese Yen / US dollar / Euro / Sterling	Management fee:	1.5%
Launch date:	27 October 2009	Performance fee:	Waived for the current year
Launch price:	¥100,000 / \$1,000 / €1,000 / £1,000	Investment Manager:	Tiburon Partners LLP
Type:	Irish incorporated, UCITS, Dublin listed, Japan long only absolute return	Fund Administrator:	Northern Trust
Subscriptions:	Daily	Custodian:	Northern Trust
Redemptions:	Daily	Fund Auditors:	Pricewaterhouse Coopers

## Contacts

## Investment strategy

Rupert Kimber  
tel: +44 (0)20 7747 5353  
fax: +44 (0)20 7747 5775  
e-mail: rek@tiburon.co.uk

## Enquiries / subscriptions

tel: +44 (0)20 7747 5777  
fax: +44 (0)20 7747 5775  
e-mail: investorservices@tiburon.co.uk  
website: www.tiburon.co.uk

## Tiburon Partners LLP

21 St James's Square  
London SW1Y 4JP  
tel: +44 (0)20 7747 5770  
fax: +44 (0)20 7747 5775

Authorised and Regulated by the Financial Services Authority

Important information: This document is issued by Tiburon Partners LLP ("Tiburon") to professional customers and should not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or unauthorised. This document should be read in conjunction with the prospectus (and addenda thereto) and Key Investor Information Document for Tiburon Taiko Fund (the "Fund") which will exclusively form the basis of any application and an investment should not be contemplated until the risks of investment have been considered fully. The Fund is a recognised scheme under s.264 of the Financial Services and Markets Act. The value of overseas investments will be influenced by the rate of exchange. Investment in emerging markets involves risks which may not be typically associated with investing in more developed markets. Past performance is not necessarily a guide to future performance and the value of an investment can go down as well as up. Investors may not get back the full amount originally invested. The prices of some investments may be extremely volatile. This document should not be distributed to any third party without the express approval of Tiburon. All data in this document is unaudited. The Fund and/or Tiburon have entered into side letters with investors which contain material terms which: (a) grant preferential redemption rights; (b) contain a "key man" notification provision; and (c) grant rights to receive regular portfolio information.