

# BNY MELLON JAPAN ALL CAP EQUITY FUND

## INVESTMENT MANAGER



BNY MELLON

BNY Mellon Asset Management Japan Limited: Active fundamental Japan equity specialist who seeks to generate alpha through a bottom-up, disciplined risk-based stock selection approach with extensive research.

## FUND RATINGS



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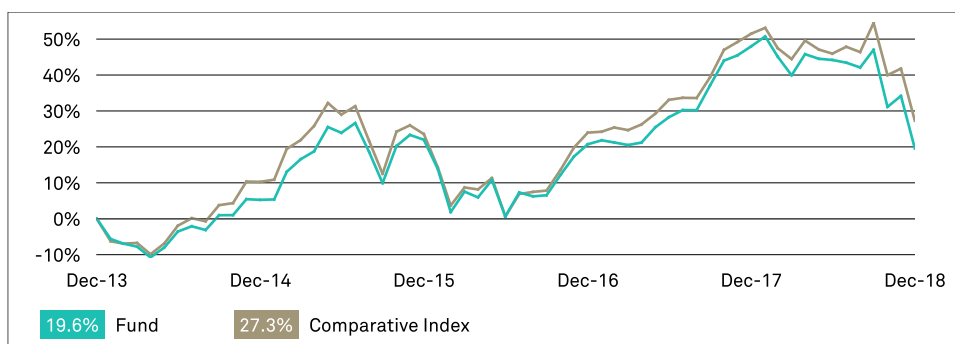
## PERFORMANCE NOTE

**Past performance is not a guide to future performance. The value of investments can fall. Investors may not get back the amount invested. Income from investments may vary and is not guaranteed.**

## QUARTERLY HIGHLIGHTS

- **Performance:** The Fund generated a negative return over the quarter, net of fees, and underperformed its comparative index.
- **Activity:** We did not add any new holdings during the quarter. We sold out of Chiyoda, increased our positions in Persol Holdings and Yokogawa Electric, and trimmed Nitto Denko and Nichirei.
- **Outlook & Strategy:** While recent volatility and market decline have damaged investor sentiment, we believe many stocks are now trading at attractive levels. The Japanese market overall appears oversold considering fundamentals.

## 5 YEAR CUMULATIVE PERFORMANCE (%)



## PERFORMANCE SUMMARY (%)

					Annualised		
	1M	3M	YTD	1YR	2YR	3YR	5YR
JPY C (Acc.)	-10.88	-18.66	-19.20	-19.20	-0.47	-0.66	3.64
Comparative Index	-10.21	-17.60	-15.97	-15.97	1.34	1.00	4.95
Sector	-11.07	-19.26	-18.90	-18.90	0.49	0.15	3.73
No. of funds in sector	164	161	150	150	143	135	113
Quartile	3	2	3	3	3	3	2

	2014	2015	2016	2017	2018
Fund	5.26	15.90	-1.04	22.60	-19.20
Comparative Index	10.27	12.06	0.31	22.23	-15.97

Source: Lipper as at 31 December 2018. Fund performance JPY C calculated as total return, based on net asset value, including charges, but excluding initial charge, income reinvested gross of tax, expressed in share class currency. The impact of the initial charge, which may be up to 5%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request.

## PERFORMANCE COMMENTARY

The Japanese stock market declined during the quarter, affected by global trends and concerns. These included a slowdown in China, fear of an economic slowdown in the US (and globally) and disappointment surrounding the US Federal Reserve's plan to continue to raise interest rates. Though these fears weighed heavily on the Japanese market, negative real GDP growth over the quarter was due to national disasters.

### HOLDINGS IN CHIYODA, NICHIAS AND SOFTBANK GROUP DETRACTED FROM PERFORMANCE, WHILE NICHIREI WAS A POSITIVE CONTRIBUTOR

The Fund generated a negative return over the quarter, net of fees, and underperformed its comparative index. While stock selection detracted from performance, sector selection contributed positively.

At the industry level, our overweight in construction and information & communication, and our underweight in land transportation, detracted. Positive contributors to performance were other products and precision instruments, where the fund was overweight, plus pharmaceuticals, where the fund was underweight.

At the individual stock level, detractors were: Chiyoda, which constructs and maintains global industrial plants (including oil refinery and petrochemicals); Nichias, which manufactures sealing and refractory insulating materials, and provides comprehensive insulation engineering works; and SoftBank Group, a major telecommunication services operator. Positive contributors to performance included: Nichirei, which produces frozen food and provides refrigerated storage services; Hoya, the world's largest supplier of electro-optics products; and leading travel agency H.I.S.

## ACTIVITY REVIEW

There were no new positions added during the quarter. We sold out of Chiyoda and increased our weightings in Persol Holdings, a human resource solutions provider, and Yokogawa Electric, a leading global manufacturer of industrial automation and control systems. We trimmed our holdings in Nitto Denko, which provides chemical products for industrial and electronic components, and Nichirei.

### WE SOLD OUT OF GLOBAL ENGINEERING COMPANY CHIYODA OVER THE QUARTER

At the end of December, the Fund's largest overweight sectors included other products, construction and financials. The largest underweight sectors were pharmaceuticals, land transportation and retail trade. Sector allocation is mainly the result of our bottom-up stock picking decisions.

The Fund's largest overweight positions included Nichirei, Nidec – the world's largest precision motor maker – and Penta-Ocean Construction, a leading general contractor operating nationwide and overseas performing civil engineering works.

## INVESTMENT STRATEGY AND OUTLOOK

While recent volatility and market decline have damaged investor sentiment, we believe many stocks are now trading at attractive levels. The Japanese market overall appears oversold considering fundamentals.

### OUR SECTOR DECISIONS ARE DERIVED FROM OUR BOTTOM-UP STOCK SELECTION

We believe prospects for the Japanese equity market, over the mid to longer term, remain attractive as the domestic economy is at a rare transitional phase, moving from a period of contraction to one of expansion. International investors continue to be underweight the Japanese equity market, as it still lags global peers on earnings recovery since the financial crisis.

While Japan will be affected by global developments and events, the country has a large domestic base and can weather such turbulence much better than most economies. Contrary to Japan's image as export dependent, reliance (in terms of GDP) on exports is much smaller than for most countries in Asia or Europe.

While our sector decisions are derived from our bottom-up stock selection, we expect to continue to be overweight companies that benefit from the longer term recovery of the domestic economy, not just exporters.

## ACTIVE MONEY (%)

Top overweight	Fund	Comp. Index
Other Products	6.6	2.1
Construction	5.4	3.1
Other Financing Business	3.0	1.2
Information & Communication	8.6	7.5
Precision Instruments	2.6	1.9

## INDUSTRIAL ALLOCATION (%)

	Fund
Electric Appliances	12.5
Information & Communication	8.6
Chemicals	7.9
Transportation Equipment	7.7
Other Products	6.6
Banks	5.5
Machinery	5.4
Construction	5.4
Others	40.3

## TOP 10 HOLDINGS (%)

	Fund
Mitsubishi UFJ Financial Group, Inc.	3.1
Toyota Motor Corp.	3.0
Nidec Corporation	2.7
HOYA CORPORATION	2.6
Sumitomo Mitsui Financial Group, Inc.	2.5
Nichirei Corporation	2.4
DAIKIN INDUSTRIES, LTD.	2.3
SoftBank Group Corp.	2.3
Penta-Ocean Construction Co., Ltd.	2.0
Nifco Inc.	2.0

Source: BNY Mellon Investment Management EMEA Limited

## ACTIVE MONEY (%)

Top underweight	Fund	Comp. Index
Pharmaceutical	1.8	4.9
Land Transportation	3.1	4.9
Retail Trade	3.7	5.3
Electric Power & Gas	1.0	2.0
Iron & Steel	0.0	1.0

## GEOGRAPHICAL ALLOCATION (%)

	Fund
Japan	96.9
Cash	3.1

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**KEY RISKS ASSOCIATED WITH THIS FUND**

- There is no guarantee that the Fund will achieve its objectives.
- The Fund primarily invests in a single market which may have a significant impact on the value of the Fund.
- Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- Investment in small companies may be riskier and less liquid (i.e. harder to sell) than large companies. This means that their share prices may have greater fluctuations.
- The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- Certain share classes are denominated in a different currency from the base currency (i.e. the reporting currency) of the Fund. Changes in the exchange rate between the shareclass currency and the base currency may affect the value of your investment.
- Certain share classes use techniques to try to reduce the effects of changes in the exchange rate between the share class currency and the base currency of the Fund. These techniques may not eliminate all the currency risk.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

**INVESTMENT OBJECTIVE**

Long-term capital growth through investment in a diversified portfolio of equities traded on one or more of the official stock exchanges in Japan.

**GENERAL INFORMATION**

Total net assets (million)	¥ 997.26
Comparative Index	Tokyo Stock Price Index (TOPIX)
Lipper sector	Lipper Global Equity Japan
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Masafumi Oshiden
Base currency	JPY
Currencies available	EUR, JPY, GBP, USD
Fund launch	10 Dec 2013

**DEALING**

09:00 to 17:00 each business day  
Valuation point: 12:00 Dublin time

**JPY C (ACC.) SHARE CLASS DETAILS**

Inception date	10 Dec 2013
Min. initial investment	¥ 500,000,000
Ongoing costs	1.18%
Annual mgmt charge	1.00%
Max. initial charge	5.00%
ISIN	IE00BFH3PF60
Registered for sale in:	AT, DK, DE, FR, FI, GG, IE, IT, JE, LU, NL, NO, PT, ES, SE, CH, GB

Source: BNY Mellon Investment Management EMEA Limited

Any views and opinions are those of the investment manager, unless otherwise noted.

**IMPORTANT INFORMATION**

**For Professional Clients and, in Switzerland, for Qualified Investors only. This is a financial promotion and is not investment advice. For a full list of risks applicable to this fund, please refer to the Prospectus. Before subscribing, investors should read the most recent Prospectus, financial reports and KIID for each fund in which they want to invest. Go to [www.bnymellonim.com](http://www.bnymellonim.com). Investment Managers are appointed by BNY Mellon Investment Management EMEA Limited (BNYMIM EMEA) or affiliated fund operating companies to undertake portfolio management activities in relation to contracts for products and services entered into by clients with BNYMIM EMEA or the BNY Mellon funds.** Portfolio holdings are subject to change, for information only and are not investment recommendations. To help continually improve our service and in the interest of security, we may monitor and/or record your telephone calls with us. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and its subsidiaries. Investments should not be regarded as short-term and should normally be held for at least five years. The Fund is a sub-fund of BNY Mellon Global Funds, plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. The Management Company is BNY Mellon Global Management Limited (BNY MGM), approved and regulated by the Central Bank of Ireland. Registered address: 33 Sir John Rogerson's Quay, Dublin 2, Ireland. In **Austria**, the current Prospectus and the Key Investor Information Document are available free of charge from Raiffeisen Zentralbank Österreich Aktiengesellschaft, Am Stadtpark 9, A-1030 Vienna. In **Belgium**, the KIID, Prospectus, articles of association and latest annual report are freely available upon request to the paying agent: JP Morgan Chase Bank, 1 Boulevard du Roi Albert II, B-1210 Bruxelles, Belgium. The Prospectus, KIIDs, articles of association, annual and half-yearly financial reports are available in French. In **France**, the KIID, Prospectus, articles and latest annual report are freely available upon request to the centralising agent: BNP Paribas Securities Services, 3 rue d'Antin, 75002 Paris, tél: 00 33 1 42 98 10 00. Consent under the Control of Borrowing (**Jersey**) Order 1958 (the "COBO Order") has not been obtained for the circulation of this document. Accordingly, the offer that is the subject of this document may only be made in Jersey where the offer is valid in the United Kingdom or Guernsey and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom or Guernsey as the case may be. The Directors may, but are not obliged to, apply for such consent in the future. In **Germany**, this is for marketing purposes only. In Germany, the prospectus is available from BNYMIM EMEA, German branch, MesseTurm Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany. In **Spain**, BNY Mellon Global Funds is registered with the CNMV, Registration No. 267. In **Switzerland**, the Company is established as an open-ended umbrella type investment company under Irish law and the Sub-Funds are authorised by FINMA for distribution to non-qualified investors in or from Switzerland. The Swiss representative is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva. Investors in Switzerland can obtain the documents of the Company, such as the Prospectus, the KIIDs, the Memorandum and Articles of Association, the semi-annual and annual reports, each in their latest version as approved by FINMA, in German, and further information free of charge from the Swiss representative. BNYMIM EMEA, BNY MGM, and any other BNY Mellon entity mentioned are all ultimately owned by The Bank of New York Mellon Corporation. Issued in UK and Europe (excluding Switzerland) by BNY Mellon Investment Management EMEA Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Conduct Authority. Issued in Switzerland by BNY Mellon Investments Switzerland GmbH, Talacker 29, CH-8001 Zürich, Switzerland. Authorised and regulated by the FINMA. The Bank of New York Mellon, DIFC Branch (the "Authorised Firm") is communicating these materials on behalf of BNYMIM EMEA. BNYMIM EMEA is owned by The Bank of New York Mellon Corporation. This material is intended for Professional Clients only and no other person should act upon it. The Authorised Firm is regulated by the Dubai Financial Services Authority.

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