Fund Fact Sheet

30 September 2019

US$ Class
ISIN: IE0030772507

NAV per Share

US$ Class	US$24.56

Fund Particulars

Fund Size	US$371.0 million
Base Currency	JPY
Denominations	JPY / US$ / GBP / EUR
Fund Structure	Open-ended UCITS
Domicile	Dublin, Ireland
Listing	Irish Stock Exchange
Launch Date	19 October 2001
Management	Polar Capital LLP

Fund Manager

Gerard Cawley
Fund Manager
Gerard has managed the Fund since 2019, he joined Polar Capital in 2005 and has 19 years of industry experience.

Chris Smith
Co-Manager
Chris has co-managed the Fund since 2019. He joined Polar Capital in 2012 and has 7 years of industry experience.

Fund Profile

Investment Objective

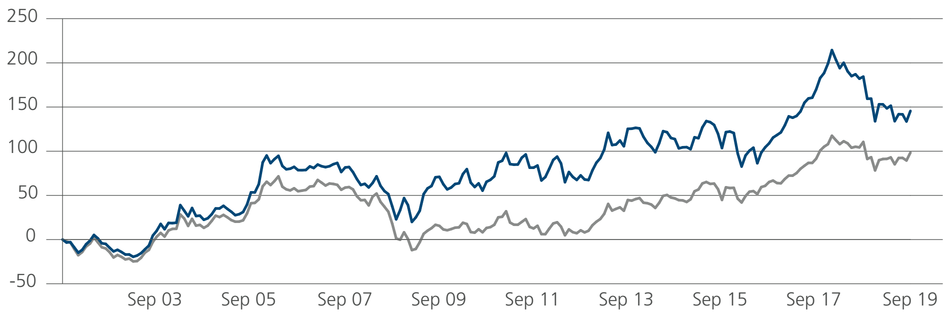
The Fund aims to generate long-term capital growth by investing primarily in the shares of Japanese companies, or companies that generate a significant amount of their business in Japan. The Fund will apply a stock picking approach, investing in large, medium and small capitalisation companies, with a bias towards medium and small capitalisation 'value' stocks.

Key Facts

- Team of 3 industry and investment specialists
- 40+ years of combined industry experience
- Typically 70-100 positions
- No benchmark or tracking error constraints
- Fundamentally-driven analysis and stock selection

Share Class Performance

Performance Since Launch (%) [1]



	1 month	3 month	YTD	1 year	3 years	5 years	10 years	Since Launch Ann.	Since Launch Cum.
US$ Class	5.09	1.53	5.00	-13.64	17.57	14.93	43.63	5.13	145.60
Index	4.73	3.19	11.34	-5.72	20.16	35.40	71.74	3.87	97.78

Discrete Annual Performance (%)

12 months to	30.09.19	28.09.18	29.09.17	30.09.16	30.09.15
US$ Class	-13.64	5.29	29.30	2.60	-4.73
Index	-5.72	9.87	16.00	14.01	-1.16

Source: Northern Trust International Fund Administration Services (Ireland) Ltd, monthly percentage growth, US$ and has been calculated to account for the deduction of fees. Fund performance does not take account of any commissions or costs incurred by investors when subscribing for or redeeming shares. The US$ Class was launched on 19 October 2001. The index performance figures are sourced from Bloomberg and are in US$ terms. These figures refer to the past. Investments in funds are subject to risk. **Past performance is not a reliable indicator of future returns.** The money invested in a fund can increase and decrease in value and past performance is not a reliable indicator that you will get back the full amount invested. The performance calculation is based on US$. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Please see the Important Information on the last page of this document for further information on the risks to your investment.

1. On 1 January 2012 the benchmark for the Polar Capital Japan Fund changed to the TOPIX Total Return Index. Prior to this date, the benchmark returns are for the Topix Index.

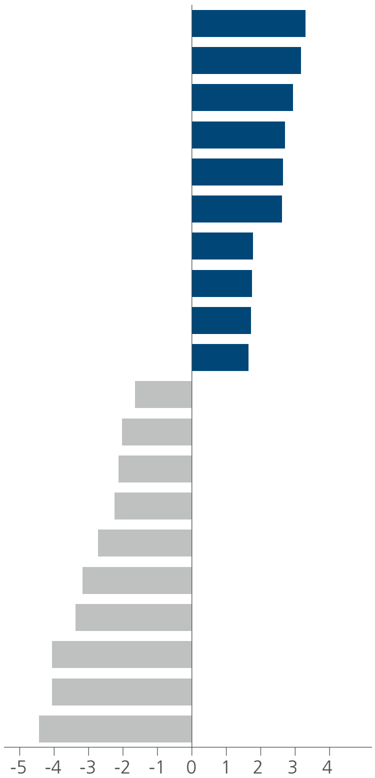
Polar Capital LLP 16 Palace Street, London, SW1E 5JD
T: +44 (0)20 7227 2721 | **E:** investor-relations@polarcapital.co.uk | **W:** www.polarcapital.co.uk

Portfolio Exposure & Attribution

As at 30 September 2019

Sector Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund (%)	**Relative** (%)
Banks	9.2	3.3
Transportation Equipment	11.0	3.2
Metal Products	3.5	2.9
Real Estate	5.2	2.7
Oil & Coal Products	3.2	2.6
Textiles & Apparels	3.3	2.6
Mining	2.0	1.8
Air Transportation	2.3	1.7
Fishery, Agriculture & Forestry	1.8	1.7
Glass & Ceramics Products	2.5	1.6
Electric Power & Gas	0.0	-1.6
Machinery	3.0	-2.0
Information & Communication	6.4	-2.1
Precision Instruments	0.0	-2.2
Services	2.5	-2.7
Chemicals	4.1	-3.2
Wholesale Trade	1.5	-3.4
Electric Appliances	10.0	-4.1
Foods	0.0	-4.1
Land Transportation	0.3	-4.4



The column headed "Fund (%)" refers to the percentage of the Fund's assets invested in each sector. The column headed "Relative (%)" refers to the extent to which the Fund is overweight or underweight in each sector compared (relative) to the index.

Performance Attribution - 1 Month (%)

Top Contributors	
Mitsubishi UFJ Financial	0.41
Denso	0.31
Yamaha Motor	0.30
Idemitsu Kosan Co	0.29
TDK	0.28
Top Detractors	
Japan Airlines	-0.05
Showa Aircraft Industry	-0.05
Cosel Co	-0.02
Macromill	-0.02
Nippon Suisan Kaisha	-0.01

Performance attribution is calculated in JPY.

Top 10 Positions (%)

Takeda Pharmaceutical	4.3
Denso	3.9
Mitsubishi UFJ Financial	3.5
Toray Industries	3.3
Idemitsu Kosan Co	3.2
Yamaha Motor	2.6
Sumitomo Mitsui Financial	2.5
Japan Airlines	2.3
Bank of Kyoto	2.3
Inpex	2.0
Total	**29.9**

Total Number of Positions **69**

Active Share **90.97%**

Market Capitalisation Exposure (%)

	Fund	**Index**
Large (Topix 100)	31.0	59.6
Medium (Topix mid 400)	44.1	29.9
Small (Topix small)	24.9	10.5

Administrator Details

Northern Trust International Fund Administration Services (Ireland) Ltd

Telephone	+353 1 434 5007
Fax	+353 1 542 2889
Dealing	Daily
Cut-off	17:00 Dublin time

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

Share Class Information

Codes & Fees

Share Class	Bloomberg	ISIN	SEDOL	OCF	Annual Fee
US$ Class*	POCFJAU ID	IE0030772507	3077250	1.77%	1.50%

Minimum Investment: Class I Shares; JPY 100 million (or its foreign currency equivalent). **Class R Shares;** No minimum subscription. *This share class is closed to new investors.

Performance Fee 10.00% of outperformance of TOPIX Total Return Index.

Ongoing Charges Figure (OCF) is the latest available, as per the date of this factsheet.

Fund Managers Comments

As at 30 September 2019

Market review

After a difficult summer for returns, Japanese equities enjoyed significant gains in September as news of a planned resumption in US/China trade talks in October, a short-term reversal in global bond yields and a weaker yen led to a notable increase in risk appetite. The US Federal Reserve cut interest rates by 25bps as expected although the extent of further loosening of policy in the months ahead remains unclear. As widely anticipated, the European Central Bank also took comprehensive action in September with an indefinite return to quantitative easing and a deeper move into negative interest rates.

The Bank of Japan (BoJ) decided to maintain existing policy for now but announced it would review price trends at its October meeting, raising expectations of further easing in the near future. The challenge for the BoJ remains how to provide additional support without the negative side effects of their policies on financials negating the benefits to the wider economy, exemplified by Governor Kuroda's recent verbal intervention in the ultra-long term JGB market in a Nikkei newspaper interview.

Despite no change in policy from the BoJ and a cut in US interest rates, the yen depreciated in September as US bond yields rebounded leading to a reversal in both sector and style leadership within the market. At a sector level, commodity-related names, exporters and financials outperformed with domestic demand and defensive areas lagging the market rally. There was also a powerful reversal in style leadership mid-month with a pronounced shift in favour of value at the expense of momentum for a few days as US bond yields spiked. In the second half of September, these trends reversed once more in favour of growth and momentum, as bond markets stabilised and uncertainty surrounding the Trump Administration resurfaced in the form of an impeachment inquiry.

Performance and activity

The JPY I Share Class rose 6.5% versus a 6% increase in the TOPIX Total Return Index over the month, in yen terms. Relative outperformance was supported by the short-term reversal in market leadership in favour of value in the first half of September. At a sector level, the overweight bias to economically sensitive shares (banks alongside oil and coal) in combination with underweight exposure to lower beta pharmaceuticals, utilities and land transport proved accretive. Stock selection was also marginally positive in September with successes within machinery (CKD), and information and communications (not owning Softbank) more than offsetting problems within air transportation (Japan Airlines) and agriculture (Nippon Suisan Kaisha).

Portfolio turnover:

Maeda: we initiated a position in Maeda, a mid-cap construction company, given its interesting diversification strategy into concession management and an overly negative view on the outlook for the core construction business discounted in the current share price. Construction stocks have derated significantly over the past 12-18 months as investors are concerned the Tokyo 2020 Olympics will mark the top of the industrial cycle. However, a number of recent meetings with industry players have confirmed the outlook for the sector remains bright through to 2022-23 given a backlog of major urban redevelopment projects in central Tokyo, ambitious plans for the World Expo venue in Osaka and the enormous Maglev Shinkansen project between Tokyo and Nagoya. Maeda offers the portfolio cheap exposure to the wider construction cycle but also options around further success in bidding for concessions including water and sewage facility management which arguably deserves a higher earnings multiple than the core business.

Okinawa Cellular Telephone (Okinawa Cellular): Okinawa Cellular, a listed subsidiary of KDDI, is the leading mobile telecom operator in the Okinawa prefecture. The mobile telecom sector has struggled to attract investors recently given the three incumbent players have been adjusting their pricing policies ahead of the full entry of Rakuten Mobile to the marketplace in late 2019. Given Okinawa Cellular's geographic location, we believe the near-term impact of Rakuten's entry has been overly discounted in the share price, as the KDDI Group will be providing Rakuten with roaming services outside the Tokyo, Osaka and Nagoya metropolitan areas meaning the impact from any subscriber losses suffered by Okinawa Cellular should be largely offset by increased roaming revenues. We elected to initiate a position given the current depressed valuation, particularly when adjusted for the company's significant cash holdings, and also the potential for KDDI to fully consolidate the business in future.

Cosel: a new position was taken in Cosel, a small-cap electronic component manufacturer, following a significant share price correction which offered an attractive long-term entry point. Its share price has fallen due to the company's high exposure to clients in the semiconductor production equipment and control equipment areas which are currently suffering a sharp cyclical slowdown. We believe that current valuations, at below book value, and over 50% of the market cap covered by cash and security holdings will prove ample downside support and offers ample upside as earnings recover over the medium term.

New holdings were funded through the sales of Nippo Corp, Mimasu Semiconductor Industry, LIXIL VIVA, Aruhi Corp, Iyo Bank, Nitta, QB Net Holdings and Mitsui-Soko.

Outlook and strategy

Recent weak US economic data releases are likely to keep the pressure on the Federal Reserve to cut interest rates further in the months ahead. In Japan, the consumption tax hike from 8% to 10% proceeded as planned on 1 October with evidence of demand pull forward clearly reflected in September's new car sales and department store sales data released in early October. The government has tried to offset the fiscal headwind from the consumption tax via a number of fiscal stimulus measures, however it is quite likely Japanese economic data will suffer a post-consumption tax hike hangover in the fourth quarter.

Recent meetings with Japanese corporations left us confident that valuations are currently at very attractive levels. However, short-term earnings momentum remains weak, with the upcoming interim results season likely to be an opportunity for consensus earnings expectations to reset downwards. Many Japanese management teams had assumed a pick-up in economic activity by the second half of the fiscal year in their original forecast to March 2020 which has failed to materialise. In terms of corporate governance improvements, evidence is widespread of a change in management behaviour with regards to cross shareholdings, capital allocation and shareholder returns. The change in mentality is most clearly reflected in an almost doubling of share buybacks in 2019 despite a decline in Japanese corporate profits.

Gerard Cawley & Chris Smith

8 October 2019

FE CROWN FUND RATING

CITYWIRE AA

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