

LINDSELL TRAIN

Japanese Equity Fund

ALL DATA AS OF 31 MARCH 2024

QUARTERLY REPORT | FACTSHEET

Fund Objective & Policy

To increase the value of Shareholders' capital over the longer term from a focused, actively managed portfolio of equities primarily quoted on stock markets in Japan. The Fund's investment performance is compared with the TOPIX (Tokyo Stock Exchange (First Section) Index) in Yen terms. The fund is not constrained by the benchmark (TOPIX) and will take positions in individual stocks that differ significantly from the Index with the aim of achieving a return in excess of the benchmark. There is no guarantee that a positive return will be delivered.

Calendar Year Total Return Performance (%) ¥

	2019	2020	2021	2022	2023
Japanese Equity Fund (A Yen)	+20.1	+2.5	-9.5	+2.7	+3.6
TOPIX Index	+18.1	+7.4	+12.7	-2.5	+28.3
Relative Return	+2.0	-5.0	-22.2	+5.2	-24.7

Total Return Performance to 31st March 2024 (%) ¥

	Annualised							
	1m	3m	YTD	1yr	3yr	5yr	10yr	Since Appt.*
Japanese Equity Fund (A Yen)	-0.5	+4.7	+4.7	+7.6	+0.4	+2.4	+7.9	+6.3
TOPIX Index	+4.4	+18.1	+18.1	+41.3	+15.1	+14.4	+11.2	+6.6
Relative Return	-4.9	-13.4	-13.4	-33.7	-14.7	-12.0	-3.3	-0.3

Source: Morningstar Direct. Fund performance is based on total return of A Class shares and is net of fees. For periods greater than one year, returns are shown annualised. The TOPIX performance has been changed to total return with effect from 2/11/09 as disclosed in the Prospectus. Prior to that it was based on capital return. *Lindsell Train was appointed as portfolio manager to the fund in January 2004.

Past performance is not a guide to future performance.

Fund Information

Type of Scheme	Dublin OEIC (UCITS)
Launch Date	30 October 1998 (LT appointed January 2004)
Classes	A Yen / B Yen / B Yen Dist. / B £ Hedged – Dist. / B £ Quoted – Dist. / C US\$
Base Currency	Yen (¥)
Benchmark	TOPIX
Dealing & Valuation	12 noon each UK / Irish / Japanese Business Day
Year End	31 December
Dividend XD Dates	1 January, 1 July
Pay Dates	31 January, 31 July

Fund Assets

¥19,312m / £101m

Share Price

A Yen	¥535.78
B Yen	¥240.92
B Yen Dist	¥186.13
B (£) Hedged – Dist	£3.01
B (£) Quoted – Dist	£2.13
C US Dollar	\$1.48

Source: Lindsell Train Limited and Link Fund Administrators (Ireland) Limited.

Fund Profile

The portfolio is concentrated, with the number of stocks ranging from 20-35, and has low turnover.

Portfolio Manager

Michael Lindsell

Investment Manager & Distributor

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Manager

Waystone Management Company (IE)
Limited

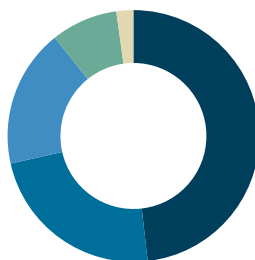
Regulated by the Central Bank of Ireland

Issued and approved by Lindsell Train Limited. Authorised and regulated by the Financial Conduct Authority.

Top 10 Holdings (% NAV)

Nintendo	9.74
Kao Corp	8.61
OBIC Business Consultants	7.65
Shiseido	6.90
Astellas Pharma	6.68
Calbee	4.74
Japan Exchange Group	4.66
Takeda Pharmaceutical	4.66
Yakult	4.62
Pigeon	4.56

Sector Allocation (% NAV)



Allocation and holdings subject to change.

● Consumer Franchise/Brands	48.2
● Media	23.3
● Healthcare Incl. Pharmaceuticals	17.8
● Financials	8.6
● Cash	2.2
Total	100.0

Lindsell Train sector definitions.

Fund Attribution - Q1 2024

Top Contributors (%)

Japan Exchange Group	1.79
Nintendo	1.31
Calbee	1.04
OBIC Business Consultants	0.99
Square Enix	0.84

Top Detractors (%)

Milbon Co	-0.71
Pigeon	-0.53
Kao Corp	-0.28
Shiseido	-0.24
Tsutsumi Jewelry	-0.19

Source: Morningstar Direct. Attribution calculated on an absolute basis in JPY.

Share Class Information

	Minimum Investment	Management Fees	Ongoing Charges Figure (OCF)*	ISIN	Sedol
A Yen	¥200,000	1.10% p.a.	1.30% p.a.	IE0004384180	438318
B Yen	¥10,000,000	0.60% p.a.	0.80% p.a.	IE00B11DWM09	B11DWM0
B Yen Dist	¥10,000,000	0.60% p.a.	0.80% p.a.	IE00B11DWS60	B11DWS6
B (£) Hedged – Dist	£100,000	0.60% p.a.	0.80% p.a.	IE00B3MSSB95	B3MSSB9
B (£) Quoted – Dist	£100,000	0.60% p.a.	0.80% p.a.	IE00B7FGDC41	B7FGDC4
C US\$	\$250,000	0.60% p.a.	0.80% p.a.	IE00BK4Z4T73	BK4Z4T7

*The OCF is a measure of the Fund's total operating expenses over 12 months, including management fee, as a percentage of the Fund's net assets. The OCF is based on expenses and average assets for 12 months to 29th December 2023. It is calculated by the Fund Administrator and published in the KIID dated 16th February 2024. It is an indication of the likely level of costs and will fluctuate as the Fund's expenses and net assets change. The OCF excludes any portfolio transaction costs. A copy of the latest prospectus and the Key Investor Information Document for each class is available from www.lindselltrain.com.

Please refer to Lindsell Train's Glossary of Investment terms [here](#).

Investment Team Commentary

The Fund increased in value by 4.7% over the first three months of 2024. Any gains were attributable to the two parts of the portfolio that have “worked” over the last year. The first part can be broadly categorised as digital winners, including our video game companies Nintendo and Square Enix, and our business software platform, Obic Business Consultants (OBC). All three companies are exploiting the functionality of digital distribution and the data that the companies amass, which informs future product and marketing strategies. Having that data represents a significant competitive advantage. Nintendo's total return over the quarter was 13%, OBC's was 15% and Square Enix's 18%. Square Enix's higher return helped offset a poor last quarter of 2023, which resulted from a management change and strategic shift to focus the company's game production in Japan rather than overseas.

The other part of the portfolio that did even better was our market proxies – namely Japan Exchange Group (JPX), which generated an impressive 40% return in the first quarter, and SBI Global Asset Management (SBIGAM), which returned 23%. Both companies benefited from the strong performance of the stock market, with JPX revising up its profits thanks to increased transactions and higher share values. SBIGAM has too been spurred on by rising market confidence and an increase in the NISA (Japanese ISA) allowable limits. Together our tech and market proxy exposure make up a third of the portfolio. Unfortunately the remainder added little value and in some cases fell in value, more than cancelling out the returns from our better performers.

Around half of the Fund is invested in a range of differentiated consumer franchises that have established important and sustainable market positions with consumers in Japan and offshore. Unfortunately, all of our consumer companies have faced headwinds in recent years, on account of interrupted distribution during lockdowns, a cessation of revenues from tourists, falling real incomes, input price inflation, a weak Yen and Chinese boycotts. These factors have hit sales and profits at different times or cumulatively, resulting in many investors to question the durability of the franchises and their ability to generate historic levels of capital returns. The leading position in the Fund is Kao Corp, Japan's FMCG supremo, followed by Shiseido, Japan's leading premium cosmetics company. The Fund also has positions in: Pigeon, a leading Japanese and Asian baby care franchise; Mandom, which specialises in male cosmetics; Yakult, which sells its eponymous probiotic drink in Japan and a wide range of emerging markets; and Milbon, which supplies salons and beauty parlours with its branded products. Although all companies have had issues over the last three years, Milbon and Pigeon had a particularly tough Q1, down 14% and 11%, respectively. Milbon's fall was in response to disappointing 2023 results and Pigeon's due to falling Chinese revenues on account of the recent boycotts.

Calbee, Japan's dominant snack company, stood out as the only consumer franchise to generate a strong positive total return in the portfolio last quarter, up 23%. Following disrupted sales between 2020 and 2022, last year saw a strong recovery thanks to recovering domestic travel, product price rises associated with rising volumes, and stronger overseas sales. It is interesting that Calbee's better performance reflects similar strong relative returns from snack franchises in Western markets such as Pepsi and Mondelez, which are both held in our Global Equity Strategy.

The remaining c.20% of the portfolio is invested in healthcare, dominated by two prescription pharmaceutical companies, Astellas and Takeda. Revenues from these companies are largely determined by the innovation that lies behind their product portfolios. A successful patented cure can command a huge price thanks to its exclusivity and can earn the companies margins on sales well in excess of other products. In addition, the reality is that healthcare expenditures in general rank higher in terms of priority compared with general goods and services. Set against these positive fundamentals is the cycle of patent expiry and the cost and success rate of innovation. And it is these concerns that burden the share prices of both companies currently, we think unjustifiably given the range of promising products both are developing. For the quarter, Takeda eked out a total return of 6%, whilst Astellas made a slight loss.

What remains most injurious to the relative performance of the portfolio is the sustained strength of a range of economically sensitive sectors, all heavily weighted within the stock market. It's been a trend that also dominated relative performance for much of 2023 but has become accentuated in the first quarter of 2024, with the market rising by 18.1% driven largely by these sectors. This included 37% gains from Transport Equipment (predominantly car companies), 28% from Banks and Trading companies and 24% from Machinery. Unfortunately none of the companies in these sectors fit the characteristics that we seek in our holdings. On the other hand, and away from the fray, a majority of our portfolio companies continue to compound cashflows at higher than average rates of return at ever more attractive valuations. If we are correct about our assessment of their durability and resilience, those characteristics should in time, and especially when returns from others look less consistent, gain much more recognition than they do today.

Michael Lindsell, 12th April 2024

Source: Lindsell Train, Morningstar & Bloomberg. All data as of 31st March 2024.

Note: All returns are total returns in JPY unless otherwise specified.

Contacts

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Past performance is not a guide or guarantee to future performance. Investments carry a degree of risk and the value of investments and any income from them may go down as well as up and you may not get back the amount you originally invested. Investments may be affected by movements in currency fluctuations. All references to benchmarks are for information purposes only. To the extent that the portfolio invests a relatively high percentage of its assets in securities of a limited number of companies, and also invests in securities with a particular industry, sector or geographical focus, they may be more susceptible than a more diversified portfolio to large swings (both up and down) in their value. Furthermore, the concentrated nature of the

portfolio leads to relatively significant holdings in individual securities which can have an adverse effect on the ability to sell these securities when the Investment Manager deems it appropriate and on the price of these securities achieved by the Investment Manager at the time of sale.

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