



MARKET COMMENTS

The Topix ended the month of September in positive territory. The price-index appreciated +0.45%, and on a total return basis it gained +1.17% (the majority of Japanese stocks goes ex-dividend on September 30). The Japanese market was remarkably resilient in the wake of a US tech related sell-off sending the NASDAQ down -5.2% and global equities -3.4% (MSCI ACWI). The mega-caps in the US IT sector had a parabolic blow-off top in August, and collapsed under its own weight, whilst the Topix IT sector was actually up +5.5% last month. The Covid19 crisis has clearly accelerated tech adaption in Japan and across the globe and increased penetration of platform businesses. Especially in Japan, there is massive pent-up demand to catch up with OECD e-commerce and IT solutions/applications to enhance productivity in the service sector. The new prime minister Suga-san not only positions himself as a continuation of Abe's reform agenda, even more so he wants to accelerate reforms and IT adaption is top of the agenda. Suga-san has launched an initiative called digital agency, which operates outside the regular ministry departments and acts as a service unit to help the government achieve paperless statues within a few years.

The USD share class appreciated +3.5% (EUR share class +3.9%) last month, especially the long book delivered great results, appreciating +4.3% against a flat market. The hit ratio was 87% despite a long list of holdings. We currently have 70 long positions, for the simple reason that the opportunity set is tremendous. We implemented a barbell approach, meaning a long list of small positions depending on our investment horizon and several high conviction positions with apparent catalysts. On the other hand, the short book, performed roughly in line with the Topix and the hit ratio was balanced, as 9 out of the 19 positions actually declined last month.

SINGLE STOCK OBSERVATIONS

The top 5 contributors last month were SBI Holdings, Fujitsu General, Fujitec, Kyowa Kirin and ISID. SBI Holdings is a financial conglomerate with its origins in the online brokerage business and other lines of businesses are private equity and venture capital business. Using its IT capability, SBI invaded the banking business by taking small stakes in regional banks at fire-sale prices. Oddly enough, PM Suga-san made public comments in the first week of his tenure, hinting at accelerated consolidation of Japan's hugely inefficient regional banking system. SBI Holdings, which trades at a steep discount to its sum-of-the-parts, rallied +12%.

Fujitec was highlighted last month and appreciated another +7%. Kyowa Kirin contributed +30bps and ISID (Information Services International-Dentsu) contributed +27bps. Although

these two companies operate in vastly different sectors, they have one thing in common: both listed stocks are majority-owned by a listed parent (Kirin in Kyowa Kirin's case and Dentsu in ISID's case). Late September, NTT, Japan's largest fixed-line operator, announced to acquire its listed mobile subsidiary NTT Docomo at a 40% premium. This surprising announcement lit a fire underneath the corporate governance plays.

There was only one significant losing position, Toho Gas, which lost 36bps on a fund level. This short position was deep in the money and, without any noteworthy newsflow, the share price had a steep (+12%) bounce last month. Those type of regulated businesses have the general public as major stakeholder and by definition produce below-market cash-return-on-invested-capital in Japan. Therefore, we target such propositions as short positions, which we believe will lag our long book over the medium to long run.

RISK ALLOCATION & STYLE PERFORMANCE

With the present opportunity set, we aim to utilize our entire risk budget. The gross exposure at month end stood at 239% with net exposure of 55%. The risk models indicate an ex-ante beta of just 0.09, which proved rather accurate in September's risk off environment. Nevertheless, our experience teaches us that prolonged risk-off periods or certain event-driven sell-offs lead to correlation spikes and the models' beta estimates are more or less meaningless. 13% of the 55% net exposure is REITs related, of which 10% are solar REITs, that basically act as a long duration bond with 6%+ carry.

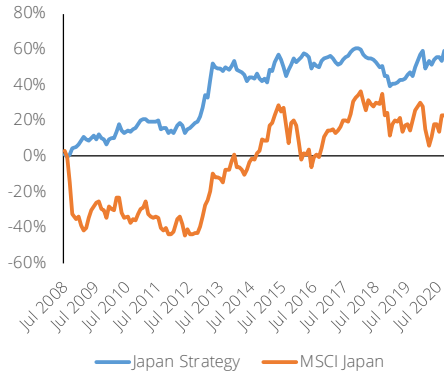
In terms of style, quality and price momentum worked tremendously well, whilst value was significantly down. Our barbell approach performed well as we own deep value quality and asset light compounders.

OUTLOOK

Covid19 and the US elections are the obvious risk events going into Q4. The Covid19 risk is increasingly better understood and market participants are able to price it in. Nevertheless, the depth of the current global economic crisis forces policy makers to backstop the shortfall in economic activity. A failure to do so would quickly sink risk assets as defaults accelerate. Our long book consists largely of domestic business models and with Covid19 pretty much under control in Japan, most of our investments should not be massively affected going forward. As visibility concerning downside risk of Covid19 improves, we expect the speed of corporate realignments to pick-up after the first-half earnings announcements, starting last week of October. The next 12 months will be very exciting, having significant positions in probable corporate action candidates Fujitec, Daibiru, Keihanshin Building and Toshiba Tec.



FUND CHARTS AND FACTS



TOP 5 GROSS POSITIONS

TAKARA LEBEN INFRASTRUCTURE
HEIWA REAL ESTATE CO LTD
CANADIAN SOLAR INFRASTRUCTUR
TOSHIBA TEC CORP
KYOWA KIRIN CO LTD

TOP 5 MOVERS

SBI HOLDINGS INC	0.48%
FUJITSU GENERAL LTD	0.42%
FUJITEC CO LTD	0.30%
KYOWA KIRIN CO LTD	0.30%
INFO SERVICES INTL DENTSU	0.27%

TOP 5 SHAKERS

TOHO GAS CO LTD	-0.36%
SANRIO CO LTD	-0.15%
NTN CORP	-0.10%
KOSAIDO CO LTD	-0.10%
ZENSHO HOLDINGS CO LTD	-0.09%

FUND PERFORMANCE*

	USD [^]	EUR [*]
Month to date performance	3.49%	3.86%
Year to date performance	2.53%	1.71%
Inception to date performance	10.09%	59.39%

**based on share class B EUR, [^]based on share class C USD*

FUND FACTS*

Fund size in mln EUR	141.17
Fund size in mln USD	165.42
Firm size in mln EUR	171.36
Firm size in mln USD	200.80

RISK STATISTICS

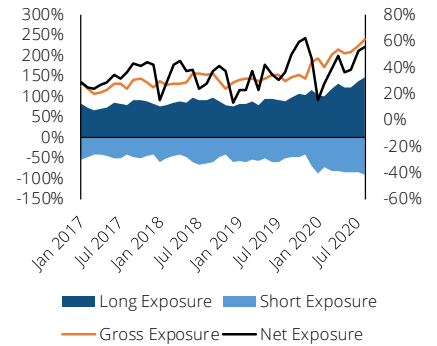
Net Exposure	55%
Gross Exposure	239%
Volatility (ex-ante; 3 months daily data)	7%
Beta (ex-ante)	0.09
Sharpe Ratio	0.56
Sortino Ratio	0.90
Sterling Ratio	0.29
Max Drawdown (monthly)	13.5%
Annualized Return	3.9%

SECTOR EXPOSURES (IN PERCENT)

	Long	Short	Net	Gross
Consumer Discretionary	20	-22	-2	41
Consumer Staples	5	-7	-2	12
Energy	10	0	10	10
Financials	6	-7	-2	13
Health Care	7	-9	-2	16
Industrials	40	-20	20	60
Information Technology	27	-11	15	38
Materials	10	-4	5	14
Real Estate	21	-3	18	24
Communication Services	2	-7	-5	9
Utilities	0	-2	-2	2

GENERAL STATISTICS

% Return long book	4.27%
% Return short book	1.52%
# Long stocks	70
# Short stocks	19
% Long stocks ↑	87%
% Short stocks ↓	47%
# Up days / Down days	16 / 6
Turnover as % NAV	72%



FUND PERFORMANCE

CLASS EUR	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
	2020	1.70%	-6.30%	2.66%	-1.17%	1.80%	0.83%	0.23%	-1.54%	3.86%					1.71%
2019	1.05%	0.00%	0.51%	0.98%	-0.04%	0.56%	1.54%	0.90%	-1.46%	3.43%	2.35%	2.34%		12.75%	56.71%
2018	-0.26%	-1.77%	-1.03%	-0.63%	-0.06%	-0.36%	-0.87%	-1.66%	0.36%	-3.69%	-0.13%	-4.14%		-13.45%	38.99%
2017	0.56%	-0.92%	-1.63%	-0.57%	0.23%	1.32%	1.18%	0.46%	0.99%	1.25%	0.20%	0.14%		3.22%	60.59%
2016	1.27%	0.92%	1.18%	-0.19%	-1.06%	-4.33%	2.12%	-1.05%	-0.29%	2.38%	0.88%	0.39%		2.07%	55.58%
2015	-1.24%	4.89%	-0.27%	3.25%	2.57%	-1.67%	-2.94%	-3.01%	2.46%	1.88%	2.06%	-1.42%		6.36%	52.42%
2014	-3.16%	-0.60%	-0.56%	-0.99%	-2.24%	1.44%	0.23%	-0.60%	2.06%	-1.89%	-1.24%	0.96%		-6.52%	43.31%
2013	5.35%	-0.58%	6.98%	6.48%	-1.07%	-0.78%	0.31%	-0.92%	1.18%	-0.80%	1.46%	1.73%		20.57%	53.31%
2012	-1.38%	3.81%	1.35%	-1.21%	-3.83%	1.76%	0.84%	0.93%	1.32%	0.58%	2.50%	4.06%		10.95%	27.15%
2011	0.93%	-0.03%	-1.55%	0.14%	-0.14%	0.42%	0.03%	-3.63%	0.69%	-0.38%	-2.60%	1.68%		-4.48%	14.60%
2010	0.73%	-0.23%	3.52%	3.69%	-3.11%	-1.31%	1.23%	-0.37%	0.91%	1.13%	1.40%	1.89%		9.67%	19.97%
2009	2.07%	1.67%	-0.73%	-0.67%	1.34%	1.13%	-1.93%	2.24%	-1.68%	-0.39%	-2.99%	2.84%		2.75%	9.39%
2008							0.96%	-1.35%	1.40%	3.44%	0.52%	1.39%		6.46%	6.46%

CLASS USD	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
	2020	1.57%	-5.92%	2.93%	-0.95%	1.90%	0.92%	0.29%	-1.39%	3.49%					2.53%
2019	1.33%	0.25%	0.75%	1.29%	0.45%	0.87%	1.82%	0.43%	-1.19%	3.77%	2.35%	2.36%		15.37%	7.38%
2018	-0.27%	-1.58%	-0.86%	-0.36%	-0.05%	-0.09%	-0.64%	-1.42%	0.52%	-3.33%	0.20%	-3.81%		-11.17%	-6.93%
2017							1.17%	0.64%	1.13%	1.21%	0.16%	0.38%		4.78%	4.78%

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