



MARKET COMMENTS

After the -10% decline in December, the market recovered in January with the MSCI Japan climbing +5.2% in Japanese yen (JPY) terms. During this reversal month, the fund appreciated +1.05%. 2018 was a year characterized as the comeback of volatility. The Japanese market had seven down months, of which two in excess of -3% and two in excess of -9%. As the global economy continues to slow, equity markets will remain in this high volatility regime during 2019. Global leading indicators point towards further deterioration across almost all economies with China at the epicenter. The US FED's interest rate hiking cycle started to impact global liquidity and what started with some pockets of weakness in the technology sector and a slowdown in Chinese auto sales has spread globally and led to downward earnings adjustments across many countries and sectors.

SINGLE STOCK OBSERVATIONS

In January, the long position in online broker Kabu.com was the biggest positive contributor. The stock increased +43% on unconfirmed comments in the Nikkei newspaper that KDDI, Japan's second largest telecom provider, intends to buy out minority shareholders and take the company private, with Mitsubishi UFJ as majority owner. Obviously, we are delighted to be on the right side of this trade, however we believe the consequences of this deal are much bigger than is currently understood. On one hand, the Japanese government pushed the telecom providers to drastically lower monthly customer chargers and therefore the telecom carriers need to look for a different income stream. Second, the Japanese FSA, being in charge of financial sector oversight, has increased its attention towards cross-shareholdings unwind and reduction of listed subsidiaries. Kabu.com is majority owned by MUFJ. In the long run this is extremely positive for the Japanese market as the number of listed companies will shrink and capital allocation will improve.

The other big positive contributor last month was Ichigo. The company presented Q3 numbers and as we expected and explained in earlier newsletters, the management delivered

outstanding results and the stock rallied +17.5%, more or less what has been lost in December.

The worst performing stock in January was Maeda Road, this long position declined -7.2% on no news. This stock trades with a 10% discount to book value, its net current assets minus total liabilities are 110bn JPY, whilst the company's market capitalization is 200bn JPY. The current value of its cross shareholdings including treasury shares is 38bn JPY. Thus investors buying the stock at current levels get future cash flows, which are very resilient and improving over time, almost for free. We remain long Maeda Road.

Another minor loss occurred in short position Shinoken. The stock bounced +20% in January. We timely reduced the short position last December when the stocks collapsed -24% and kept a 1% short position, because we think the business model, construction and management of rental housing for retail investors, is under tremendous pressure. Bank funding is slowly disappearing as the FSA wants regional banks to lower exposure towards rental housing, especially for those targeting the average retail investors.

RISK ALLOCATION

With increased volatility we reduced the overall risk budget with end-of-the-month net exposure of 14% and 136% gross exposure.

OUTLOOK

Japanese equities are extremely cheap, cash-to-market cap at an all-time high, global investors are most underweight Japanese equities since 2008, the FSA is pushing for structural corporate governance reforms, the BOJ is buying Japanese equities, share buy-backs and management as well as subsidiary buy-outs will accelerate. This makes for a once in a decade contrarian call on Japanese equities. HOWEVER, earnings are drastically slowing and earnings revisions are still downward trending. Once we have some visibility that earnings are stabilizing, despite geopolitical risk being on a multi-decade high, we will start accumulating long positions in high quality cyclicals, a part of the universe we are currently not engaged with.



FUND CHARTS AND FACTS



TOP 5 GROSS POSITIONS

Toshiba Plant Sy
Ichigo Hotel REIT Investment C
Taihei Dengyo
Ichigo REIT
Ichigo Group

TOP 5 MOVERS

Kabu.com Sec	0.68%
Ichigo Group	0.62%
Heiwa Real Estat	0.41%
Creo	0.40%
Ichigo Hotel REIT Investment C	0.24%

TOP 5 SHAKERS

Maeda Road Const	-0.31%
Shinoken Group	-0.21%
Shimamura Co	-0.18%
Start Today	-0.13%
Mitsui Osk Lines	-0.10%

FUND FACTOR

	Long	Short
Price to Earnings (PE)	13.5	18.5
EV/EBITDA	11.4	15.5
Price to Book (PB)	1.4	3.7
Dividend Yield	2.7	1.8
EV/IC	1.2	4.1
1 month momentum	5.1	2.0
12-1 month momentum	-7.6	-19.4

FUND PERFORMANCE*

Month to date performance	1.05%
Year to date performance	-13.45%
Inception to date performance	38.99%

*based on share class B EUR

FUND FACTS*

Fund size in mln EUR	91.81
Fund size in mln USD	105.34
Firm size in mln EUR	218.83
Firm size in mln USD	251.09

RISK STATISTICS

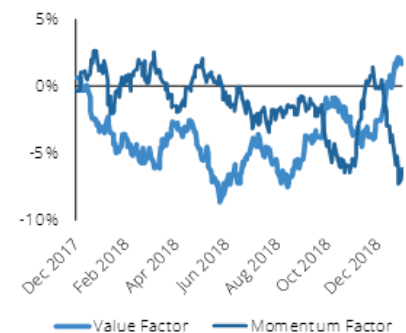
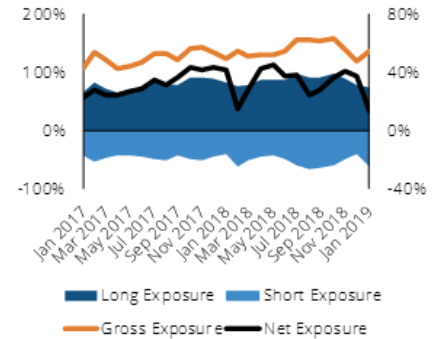
Net Exposure	14%
Gross Exposure	136%
Volatility (ex-ante; 3 months daily data)	5.5%
Beta (ex-ante)	0.29
Sharpe Ratio	0.47
Sortino Ratio	0.84
Sterling Ratio	0.39
Max Drawdown (monthly)	-8.4%
Annualized Return	3.3%

SECTOR EXPOSURES (IN PERCENT)

	Long	Short	Net	Gross
Consumer Discretionary	1	-12	-11	14
Consumer Staples	4	-6	-2	11
Energy	0	0	0	0
Financials	4	-3	1	7
Health Care	1	-1	0	1
Industrials	30	-7	22	37
Information Technology	6	-2	5	8
Materials	3	-2	1	5
Real Estate	22	-10	12	32
Telecommunication Services	0	0	0	0

GENERAL STATISTICS

% Return long book	5.00%
% Return short book	4.06%
# Long stocks	46
# Short stocks	21
% Long stocks ↑	78%
% Short stocks ↓	14%
# Up days / Down days	14 / 8
Turnover as % NAV	43%



FUND PERFORMANCE: CLASS B EUR	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
	2019	1.05%													1.05%
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%	30.55%
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%	50.84%
2016	1.27%	0.92%	1.18%	-0.16%	-1.08%	-4.33%	2.12%	-1.05%	-0.29%	2.38%	0.88%	0.39%		2.07%	46.13%
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%	43.17%
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%	34.60%
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%	44.00%
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%	19.43%
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%	7.64%
2010	0.73%	-0.23%	3.52%	3.39%	-2.83%	-1.31%	1.23%	-0.37%	0.91%	1.13%	1.40%	1.89%		9.67%	12.69%
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%	2.75%
2008							0.96%	-1.35%	1.40%	3.44%	0.52%	1.39%		6.46%	6.46%

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