



VIEW FROM THE TOP

Last month, the MSCI Japan advanced +3.6% and year-to-date the index stood at -2.2% in local currency terms. The market bottomed end-of-March and in a rather linear, low volatility manner recovered 50% of the steep 14% drop in Q1 of this year. The Japanese Yen (JPY) peaked at the same time the equity market bottomed and the continuous JPY weakness supported the beta rally. The best performing sectors were Energy (+8.7%), Utilities (+9.9%) and Telecom (+6.6%).

These are sectors, in which we have little to no exposure and therefore the long book underperformed the market by 100bps. However, the short book had a rather disturbing +9% move. Expensive defensives had stellar runs supported by little to no fundamental reason. We have seen such type of moves in the past and history has taught us that, especially in the low quality companies, these rallies needed to be faded and sold short.

SINGLE STOCK OPPORTUNITIES

The best performing stock in the fund last month was Heiwa Real Estate. The stock price appreciated +25% as the management announced great earnings and most importantly its first share buyback in corporate history, a respectable 3% of outstanding shares. The stock still trades at a heavy discount to net-asset-value and buying back shares makes a tremendous amount of sense. In addition, Heiwa Real Estate owns the property of the Tokyo Stock Exchange, which is on a prime location in Nihonbashi and rents are 15% below prevailing market rates. Thus, plenty of upside to raise rents and thus room for share price appreciation.

Nishimatsu Construction and Maeda Road contributed +30bps each. These stocks sold off aggressively in the first quarter and rebounded in April. When these stocks sold off, we explained that most of the share price weakness was related to temporary factors, which has been proven right as the underlying businesses continued to perform well. Pola Orbis contributed another +30bps as the growth for its mainstay brands continued to show solid numbers. The next big catalyst will be the introduction of its skincare products in other Asian countries, especially the Chinese market will be of great importance. Pola Orbis is waiting for approval by the Chinese authorities; in the meantime the company has established a footprint with stores in major locations. The biggest negative contribution last month came from a stock called Canon Marketing, a listed Canon subsidiary. The stock declined -18% due to worse than expected earnings. The company's shares are extremely undervalued, however the stock always traded at a steep discount to intrinsic value and it is a business model in

transition. The consumer segment was sluggish and will remain dull. However, the business-to-business segment is growing strongly and will continue to do so. Only a few analysts cover the stock and we expect the share price to slowly recover. The short position in Monex was another significant negative contributor. We set up the short after the stock had a significant run-up due to its M&A relating to crypto exchange Coincheck. We think market participants overestimate the future profitability and contribution to Monex shareholders at the same time we hold a long position in SBI Holdings, with even more promising crypto assets at a much cheaper price.

RISK ALLOCATION

After the beta sell-off in late January / early February we initially lowered the net exposure with short futures contracts and thereafter established put spreads to hedge the remaining market exposure. With risk perception normalizing we re-sized single stock positions bottom-up and as such increased the net to +42% as well as the gross exposure from 128% to 132%.

STYLE ANALYSIS

Value stocks performed extremely poorly so far this year. In April, there was a rebound in value stock mainly in the financial sector. Especially banks performed well as rates started to rise globally.

OUTLOOK

The global environment for risk assets is becoming increasingly tricky. The US Fed is on a tightening cycle aiming to normalize rates, which has and will have negative consequences for credit creation and therefore risk assets. The incremental approach by the FED in addition to a still very accommodative BOJ and ECB means a measured return to a higher volatility regime. Economic growth is still solid and bottlenecks started to appear in Japan manifesting itself in an extremely tight labor market. The big theme of 2018 is wage pressure and buy backs. Wages started to increase rapidly, especially in real terms. The deflationist mindset from consumer is shifting was well. It is increasingly better understood that service is not a 'free' good and that hard working employees in the service sector need to be appropriately compensated. The willingness and ability of management to raise prices will separate the winning business models from the losing business models. Concerning share buybacks, we are extremely enthusiastic about the potential to see a widespread implementation of buybacks and increased shareholder returns. Japan has a long way to go, but in a gradual manner, it will get there, meaning a higher level of Return-On-Equity.



FUND CHARTS AND FACTS



TOP 5 GROSS POSITIONS

Ichigo Group
Toshiba Plant Sy
Taihei Dengyo
Shimachu
Sbi Holdings

TOP 5 MOVERS

Heiwa Real Estat (long)	0.48%
Nishimatsu Const (long)	0.31%
Maeda Road Const (long)	0.30%
Pola Orbis (long)	0.29%
Zuiko (long)	0.27%

TOP 5 SHAKERS

Canon Marketing (long)	-0.50%
Monex Group (short)	-0.41%
Megmilk Snow (short)	-0.18%
Investors Cloud Co Ltd (long)	-0.17%
Fanuc Corp (long)	-0.16%

FUND FACTOR

	Long	Short
Price to Earnings (PE)	17.2	17.8
EV/EBITDA	11.2	10.7
Price to Book (PB)	1.9	3.2
Dividend Yield	2.2	2.1
EV/IC	1.3	2.2
1 month momentum	3.9	2.5
12-1 month momentum	25.5	20.2

FUND PERFORMANCE*

Month to date performance	-0.63%
Year to date performance	-3.65%
Inception to date performance	54.72%

*based on share class B EUR

FUND FACTS*

Fund size in mln EUR	98.46
Fund size in mln USD	103.38
Firm size in mln EUR	235.78
Firm size in mln USD	284.87

RISK STATISTICS

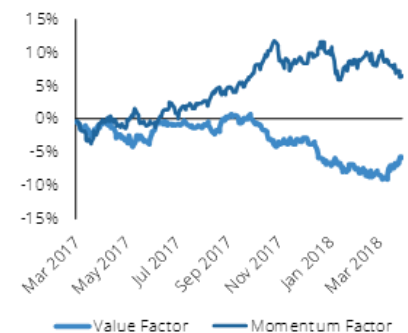
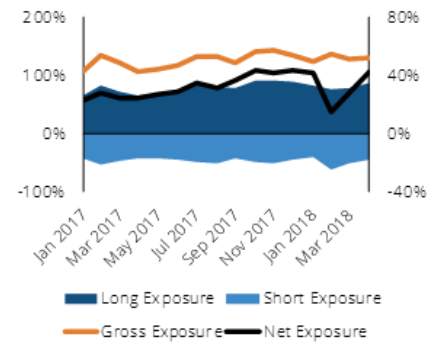
Net Exposure	42%
Gross Exposure	131%
Volatility (ex-ante; 3 months daily data)	5.5%
Beta (ex-ante)	0.29
Sharpe Ratio	0.66
Sortino Ratio	1.26
Sterling Ratio	0.54
Max Drawdown (monthly)	-8.4%
Annualized Return	4.5%

SECTOR EXPOSURES (IN PERCENT)

	Long	Short	Net	Gross
Consumer Discretionary	13	-8	5	21
Consumer Staples	7	-6	1	13
Energy	0	-1	-1	1
Financials	4	-1	3	5
Health Care	0	-2	-2	2
Industrials	27	-8	20	35
Information Technology	7	-4	3	12
Materials	3	-3	0	7
Real Estate	22	-8	15	30
Telecommunication Services	0	-1	-1	1

GENERAL STATISTICS

% Return long book	2.64%
% Return short book	9.33%
# Long stocks	55
# Short stocks	13
% Long stocks ↑	62%
% Short stocks ↓	23%
# Up days / Down days	8 / 12
Turnover as % NAV	41%



FUND PERFORMANCE: CLASS B EUR	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
	2018	-0.26%	-1.77%	-1.03%	-0.63%										-3.65%
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%	-0.16%	-1.08%	-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%	-0.29%	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%	3.39%	-2.83%	-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%



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