



## MARKET COMMENTS

2020 was by far the most remarkable year of our lifetime. Life, as we used to live it, stopped to exist and every corner of the world was affected by drastic change in human behavior. The implications of this pandemic will impact an entire generation with many unknown-unknowns in play. Democratic societies were confronted with unprecedented elimination of personal freedom during peacetime. Japan handled the Covid19 crises remarkably well with low mortality rates compared to other democracies. For Japan, a few extremely positive trends emerged. It experienced a dramatic adoption and acceleration of e-commerce and broad-based digital services. A paradigm shift due to pure necessity has finally pushed one of the most aged societies into embracing the convenience and productivity enhancements of digital applications. Against this backdrop, we managed to achieve a small positive gain for the year. In 2020, the Topix appreciated +4.84% in yen (JPY) terms and 0.87% in euro. It was a tough year in every sense. Due to the massive macro uncertainty, returns of risk assets were almost exclusively driven by policy intervention, passive flows and thematic ETFs. The initial plunge in equities and economic activity met war-style government intervention with yields dropping to "yet-another-historic" low. The decade long trend of growth outperforming value accelerated. Growth stocks geared into e-commerce and digital services were genuine Covid19 beneficiaries. At the beginning of Q4, the herding into growth-momentum stocks caused tremendous intra-market volatility with forced risk reduction on both sides of the price momentum-value spectrum. In December, the Topix index appreciated +2.84% in JPY. Both, the long and the short book underperformed the market and, as such, last month's profit was attributable to the elevated net exposure.

## SINGLE STOCK OBSERVATIONS

The best contributors last month were WealtNavi (+120%), Heiwa Real Estate (+9%), Elecom (+12%), Creo (+18%) and SushiRo (+19%). For a considerable time we have held a long position in FinTech company SBI Holdings. The valuation case based on sum-of-the-parts looked extremely appealing, as we anticipated a series of IPOs from its venture capital investment division. WealthNavi was amongst its latest IPOs, which we participated in and contributed 0.6%. WealthNavi is a 'robo-advisor' with almost guaranteed parabolic growth in assets under management, ready to disrupt the hell out of old-fashioned private wealth managers, which still operate on a 1990s model. SushiRo and Heiwa Real Estate (HRE) continued their stellar performance in December and contributed +1.5% each in 2020. SushiRo is a conveyor belt sushi restaurant chain, once restructured by private equity and run by ex-private equity managers. With central purchasing, scale is of utmost

importance and as the largest sushi chain it greatly benefited from the take-out boom. SushiRo can operate with less staff, gained tremendous market share and had the digital acumen to accelerate its business during the pandemic. Creo contributed +0.4% in December. 2021 will be a formidable year for this tiny IT service company. It has a great project line-up for which 2020 was the investment phase, and profit contribution will accelerate starting from Jan-Mar 2021. Valuation remains extremely attractive with solid growth outlook and an overcapitalized balance sheet. The top losing positions last month were long SBI Holdings (-14%), long Daibiru (-2.8%), long Findex (-14%), long Mimasu Semi (-8%) and short Mitsubishi Motors (+15%). SBI Holdings had a significant drop in share price due to its Ripple exposure. Despite last month's overreaction to the downside, it was still a great outperformer in 2020. Daibiru is our largest position and comparable to HRE. This real estate developer is a listed subsidiary of Mitsui OSK with obvious corporate governance shortcomings. Under current corporate governance guidelines, this situation is unattainable and will be resolved soon and in combination with a share buyback we expect the stock's rally to resume in 2021..

## RISK ALLOCATION & STYLE PERFORMANCE

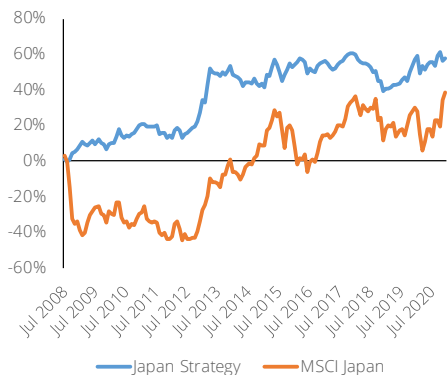
Price momentum (12-month, 6 month, 3 month) in Japan had a gigantic blow-up in December. The momentum factor collapsed 11%, but still ended the year in positive territory. On the other end of the spectrum, value marked a positive month, but still lost -20% for the year. Last month was especially remarkable, as we noticed daily flipping between value and momentum stocks depending on the direction of US yields. It seems common sense has left the building and machines took over only being 'conscious' of cross asset correlations.

## OUTLOOK

Against all odds, the Japanese bull market re-established itself in 2020. Extreme cheapness is widely accepted and equally ignored, as value-investing has not worked for too long. Indeed, the number of value traps is staggering, but the step-up in corporate governance reform ensures that listing and compliance costs will make 'being listed for being listed sake' extremely cumbersome and expensive. The latest bull leg was VIP only; with well-known mega-caps such as Softbank, Fanuc, Daikin, Nidec etc. carrying the load. However, there won't be a sustainable bull market without small cap participation. The stars are lining up for a massive re-rating of small caps. No sellers left and incrementally news can only get better from current low base. As an aside, green investing is the next big thing in Japan. The 12% position in our three solar REITs will pay off nicely, however it seems they are still too small and the ESG funds have not yet found out about them.



**FUND CHARTS AND FACTS**



**TOP 5 GROSS POSITIONS**

DAIBIRU
HEIWA REAL ESTATE
FUJITEC
CANADIAN SOLAR INFRASTRUCTURE
ELECOM

**TOP 5 MOVERS**

WEALTHNAVI	0.59%
HEIWA REAL ESTATE	0.49%
ELECOM	0.45%
CREO	0.42%
SUSHIRO	0.31%

**TOP 5 SHAKERS**

SBI HOLDINGS	-0.41%
DAIBIRU	-0.34%
FINDEX	-0.25%
MIMASU SEMICONDUCTOR	-0.20%
MITSUBISHI MOTORS	-0.17%

**FUND PERFORMANCE\***

	USD <sup>^</sup>	EUR <sup>*</sup>
Month to date performance	0.85%	0.82%
Year to date performance	1.93%	0.67%
Inception to date performance	9.45%	57.76%

\*based on share class B EUR, <sup>^</sup>based on share class C USD

**FUND FACTS\***

Fund size in mln EUR	139.34
Fund size in mln USD	170.17
Firm size in mln EUR	169.53
Firm size in mln USD	207.04

**RISK STATISTICS**

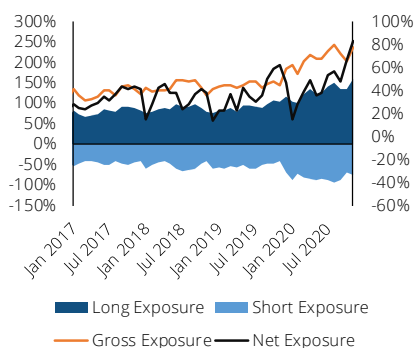
Net Exposure	83%
Gross Exposure	236%
Volatility (ex-ante; 3 months daily data)	10%
Beta (ex-ante)	0.24
Sharpe Ratio	0.53
Sortino Ratio	0.85
Sterling Ratio	0.28
Max Drawdown (monthly)	13.5%
Annualized Return	3.74%

**SECTOR EXPOSURES (IN PERCENT)**

	Long	Short	Net	Gross
Consumer Discretionary	10	-13	-3	23
Consumer Staples	1	-4	-3	5
Energy	16	0	16	16
Financials	5	-2	3	7
Health Care	1	-4	-2	5
Industrials	45	-17	27	62
Information Technology	26	-6	20	31
Materials	9	-2	8	11
Real Estate	24	-2	22	26
Communication Services	2	-3	-1	5
Utilities	0	-2	-2	2

**GENERAL STATISTICS**

% Return long book	2.36%
% Return short book	2.59%
# Long stocks	66
# Short stocks	23
% Long stocks ↑	62%
% Short stocks ↓	48%
# Up days / Down days	13 / 8
Turnover as % NAV	85%



## 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%	1.16%	-2.95%	0.82%	0.67%	57.76%
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%	1.12%	-2.51%	0.85%	1.93%	9.45%
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						0.00%	1.17%	0.64%	1.13%	1.21%	0.16%	0.38%	4.78%	4.78%	

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