

## **United Japan Discovery Fund**

**As at 31 August 2022**

### **Performance Update**

For the month of August, the Fund registered a returned of 1.82%. Last month, the top performers are Iriso Electronics Co Ltd, Sanwayuka Industry Corp and AI Holdings Corp.

The market showed a slow start with strong JPY and risk aversion affected by Nancy Pelosi's Taiwan visit. US-China relationship was concerned for deterioration. However, it rose in favor of smaller US CPI increase (suggested possible relax of inflation fight) and PBOC's LPR cut. Later, although the market declined as FED Chair Jerome Powell emphasized the need to bring down inflation by rate hike, it was supported by Japan's reopening from Covid-19 and cheap JPY against USD.

Our portfolio is well diversified with roughly 90 names. There have been no significant changes in sector allocation of the portfolio compared with the previous month. We have large exposure to Information & Technology sector such as software developers and system integrators, since we have been seeing the promising growth of the industry. This trend has accelerated triggered by COVID-19 pandemic and the demand for further DX (=Digital Transformation) in Japanese society. We also have a large position in staffing services companies in industrials sector, which could provide great solutions to Japanese companies. In the aging society like Japan, securing enough workforce is a big challenge for all the companies. Particularly, the demand for human resource with digital background is becoming stronger with DX expectation. Staffing service companies which are capable to meet such needs could benefit from the long-term social structural change in Japanese society.

### **Market Review on Japanese Equity Market**

Kimura PM said they see a stronger concern in recent market over economic deterioration with aggressive tightening indicated by FED's chairman. Since Covid-19 expanded 2 years ago, many countries have implemented unprecedented scales of economic measures and monetary easing, and caused side effects like fast inflation. As the monetary policies are getting tighter now in order to treat the side effects, they assume that the monetary tightening would continue until those side effects diminish. There is no need to be emotionally affected by the statements of financial authorities or fluctuation in inflation indices.

They think that current Japanese economy looks better than other economies in the first place, and the easing of restrictions could give more positive effects on the economy going forward. Adding to that, lots of Japanese equities are left undervalued, and are even cheaper for overseas investors with the sharp JPY depreciation. They are ready to spread the attractiveness of Japanese equities to overseas investors when meeting them, because it has been the main drivers of Japanese equity market.

### **Major Change in Allocation**

In July, there were no new holdings.

### **Message from the Portfolio Management Team**

We see a stronger concern in recent market over economic deterioration with aggressive tightening indicated by FED's chairman. Since Covid-19 expanded 2 years ago, many countries have implemented unprecedented scales of economic measures and monetary easing, and caused side effects like fast inflation.

As the monetary policies are getting tighter now in order to treat the side effects, we personally assume that the monetary tightening would continue until those side effects diminish. There is no need to be emotionally affected by the statements of financial authorities or fluctuation in inflation indices.

### Stock Commentary

Stocks	Sector	Remarks
Iriso Electronics Co Ltd	Electric Appliances	<ul style="list-style-type: none"> <li>The company manufactures, develops and sells connectors for printed circuit board connection, flexible printed circuit (FPC) boards and flexible flat cable (FFC) cable connection for automotive equipment, digital equipment and industrial equipment.</li> <li>Stock price of the company skyrocketed right after its strong-than-expected earnings announcement which shows its operating profits of 1.4 billion yen beating the estimate 890 million yen.</li> </ul>
Sanwayuka Industry Corp	Chemicals	<ul style="list-style-type: none"> <li>The company had been engaged in the manufacture and sale of oils and chemicals for the automobile industry, and entered the organic solvent recycling business in the 1990s.</li> <li>Currently, the company's main business is the recycling of used chemical products and the sale of reusable and recyclable products.</li> <li>The company's record-high stock price was due to its solid earnings announcement for the Q1 FY2023, on the back of strong a sales of chemical products for semiconductors and lithium-ion batteries. The upgrade from sell-side analyst was also supportive.</li> </ul>
AI Holdings Corp	Wholesale Trade	<ul style="list-style-type: none"> <li>The company is mainly strong in security camera systems and is diversifying business in paper/cloth cutting machines, card printers for hospitals and construction designs.</li> <li>Also they are going to focus on decarbonization system as a new business.</li> <li>The company's share price rallied due to its solid earnings announcement with consolidated net income for FY2022 of 7.74 billion yen (up 32.0% from the previous year).</li> <li>The company's own renewal and new acquisitions of security equipment for condominium continued to be strong.</li> <li>A dividend increase was also favored by the market.</li> </ul>

### Fund Classes

#### Fund Classes

MYR Hedged Class

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