

# LINDSELL TRAIN

## Japanese Equity Fund

ALL DATA AS OF 31 MAY 2024

MONTHLY REPORT | FACTSHEET

### Fund Objective & Policy

To increase the value of Shareholders' capital over the longer term from a focused, actively managed portfolio of equities primarily quoted on stock markets in Japan. The Fund's investment performance is compared with the TOPIX (Tokyo Stock Exchange (First Section) Index) in Yen terms. The fund is not constrained by the benchmark (TOPIX) and will take positions in individual stocks that differ significantly from the Index with the aim of achieving a return in excess of the benchmark. There is no guarantee that a positive return will be delivered.

### Calendar Year Total Return Performance (%) ¥

	2019	2020	2021	2022	2023
Japanese Equity Fund (A Yen)	+20.1	+2.5	-9.5	+2.7	+3.6
TOPIX Index	+18.1	+7.4	+12.7	-2.5	+28.3
<b>Relative Return</b>	<b>+2.0</b>	<b>-5.0</b>	<b>-22.2</b>	<b>+5.2</b>	<b>-24.7</b>

### Total Return Performance to 31st May 2024 (%) ¥

					Annualised			
	1m	3m	YTD	1yr	3yr	5yr	10yr	Since Appt.*
Japanese Equity Fund (A Yen)	+1.1	-0.5	+4.7	+6.5	+0.6	+3.0	+8.0	+6.3
TOPIX Index	+1.2	+4.7	+18.4	+33.1	+15.8	+15.7	+11.2	+6.6
Relative Return	-0.1	-5.2	-13.7	-26.6	-15.2	-12.7	-3.2	-0.3

**Source:** Morningstar Direct. Fund performance is based on total return of A Class shares and is net of fees. For periods greater than one year, returns are shown annualised. The TOPIX performance has been changed to total return with effect from 2/11/09 as disclosed in the Prospectus. Prior to that it was based on capital return. \*Lindsell Train was appointed as portfolio manager to the fund in January 2004.

**Past performance is not a guide to future performance.**

### Fund Information

Type of Scheme	Dublin OEIC (UCITS)
Launch Date	30 October 1998 (LT appointed January 2004)
Classes	A Yen / B Yen / B Yen Dist. / B £ Hedged – Dist. / B £ Quoted – Dist. / C US\$
Base Currency	Yen (¥)
Benchmark	TOPIX
Dealing & Valuation	12 noon each UK / Irish / Japanese Business Day
Year End	31 December
Dividend XD Dates	1 January, 1 July
Pay Dates	31 January, 31 July

### Fund Assets

¥16,955m / £85m

### Share Price

A Yen	¥535.93
B Yen	¥241.20
B Yen Dist	¥186.34
B (£) Hedged – Dist	£3.04
B (£) Quoted – Dist	£2.03
C US\$	\$1.42

**Source:** Lindsell Train Limited and Link Fund Administrators (Ireland) Limited.

### Fund Profile

The portfolio is concentrated, with the number of stocks ranging from 20-35, and has low turnover.

### Portfolio Manager

Michael Lindsell

### Investment Manager & Distributor

Lindsell Train Ltd,  
66 Buckingham Gate,  
London,  
SW1E 6AU

Tel: +44 (0) 20 7808 1210  
info@lindselltrain.com

### Manager

Waystone Management Company (IE)  
Limited

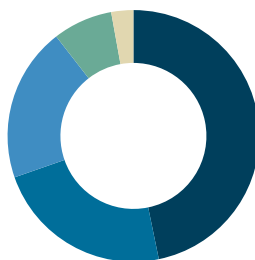
*Regulated by the Central Bank of Ireland*

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## Top 10 Holdings (% NAV)

Nintendo	9.91
Kao Corp	8.62
OBIC Business Consultants	7.25
Shiseido	6.93
Astellas Pharma	6.80
Takeda Pharmaceutical	4.84
Pigeon	4.79
Milbon Co	4.59
Yakult	4.46
Square Enix	4.30

## Sector Allocation (% NAV)



Allocation and holdings subject to change.

● Consumer Franchise/Brands	46.8
● Media	22.9
● Healthcare Incl. Pharmaceuticals	19.8
● Financials	7.7
● Cash	2.8
<b>Total</b>	<b>100.0</b>

Lindsell Train sector definitions.

## Share Class Information

	Minimum Investment	Management Fees	Ongoing Charges Figure (OCF)**	ISIN	Sedol
A Yen	¥200,000	1.10% p.a.	1.30% p.a.	IE0004384180	438318
B Yen	¥10,000,000	0.60% p.a.	0.80% p.a.	IE00B11DWM09	B11DWM0
B Yen Dist	¥10,000,000	0.60% p.a.	0.80% p.a.	IE00B11DWS60	B11DWS6
B (£) Hedged – Dist	£100,000	0.60% p.a.	0.80% p.a.	IE00B3MSSB95	B3MSSB9
B (£) Quoted – Dist	£100,000	0.60% p.a.	0.80% p.a.	IE00B7FGDC41	B7FGDC4
C US\$	\$250,000	0.60% p.a.	0.80% p.a.	IE00BK4Z4T73	BK4Z4T7

\* The OCF is a measure of the Fund's total operating expenses over 12 months, including management fee, as a percentage of the Fund's net assets. The OCF is based on expenses and average assets for 12 months to 29<sup>th</sup> December 2023. It is calculated by the Fund Administrator and published in the KIID dated 16<sup>th</sup> February 2024. It is an indication of the likely level of costs and will fluctuate as the Fund's expenses and net assets change. The OCF excludes any portfolio transaction costs. A copy of the latest prospectus and the Key Investor Information Document for each class is available from [www.lindselltrain.com](http://www.lindselltrain.com).

\* The OCF is capped at 0.90% for all B & C share classes and 1.40% for the A share class until further notice. Where the OCF falls below the cap the actual figure applies.

## Company/Fund Registered Office

Lindsell Train Global Funds plc,  
33 Sir John Rogerson's Quay,  
Dublin, Ireland

## Depositary &amp; Custodian

The Bank of New York  
Mellon SA/NV

Regulated by the  
Central Bank of Ireland

**Fund Administrator,  
Dealing & Registration**  
Link Fund Administrators  
(Ireland) Limited

Tel: +353 1 400 5300  
Fax: +353 1 400 5350

Email: [dublinTA@linkgroup.ie](mailto:dublinTA@linkgroup.ie)

Regulated by the  
Central Bank of Ireland

## Board of Directors

Alex Hammond-Chambers  
Claire Cawley  
David Dillon  
Lesley Williams  
Keith Wilson

Please refer to Lindsell Train's Glossary of Investment terms [here](#).

## Investment Team Commentary

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It seems that some of the afflictions that have been burdening our core consumer franchise holdings of Kao and Shiseido are showing signs of abating. Both companies are now raising prices whilst sales volumes recover.

The unhelpful backdrop of persistent real wage declines in Japan endures but the weakening Yen has attracted a renewed surge in tourism. Tourist numbers now exceed the 2019 peak and these consumers are especially drawn to the quality branded products produced by both companies. In China, where both companies have striven to take advantage of the huge potential market, consumption remains depressed on account of falling property prices but the boycotts of Japanese goods associated with the release of nuclear waste water have begun to wane. Both Kao and Shiseido experienced a meaningful pick up in domestic Japanese sales in the first quarter, reflected by the increase in underlying profits. Our recent interactions with management suggests a renewed confidence about the pace of recovery. Both companies have been forced to act to contain costs by shedding excess staff, taking one-off charges against profits in the process and both are rationalising product portfolios to ensure that precious marketing expenses are most effectively spent.

Whilst this is all encouraging, there is steep hill to climb to attain the profitability that we think is ultimately achievable. Kao is forecasting a 9% operating profit margin in FY2024 but that is still significantly below the 14% it made in the years before 2019, and the mid-teens margin earned by similar businesses outside of Japan such as Unilever. Given the poor recent profit performance, investors have understandably punished Kao's valuation. Kao is currently trading on an enterprise value of 2.0x its sales as compared to 2.9x at its peak valuation when profitability was best, between 2017-2019. Clearly improving profitability should underpin higher valuations and a share price that is already making up lost ground, up c.45% in local currency terms over the past 12 months, though still more than 20% lower than pre Covid levels. As we outlined in [April's commentary](#), we think the company needs to do more to differentiate its haircare range and to ensure successful brand penetration in overseas markets.

Shiseido is forecasting a 6% operating profit margin in FY2024. Major overseas competitors such as L'Oreal typically achieve 10-20% margins and even Estee Lauder earned 9% in 2023 despite a disappointing year largely due to inventory problems in China. It's been a source of ongoing frustration that over the decade we have invested in Shiseido, operating profit margins have averaged only 6% and reached just 10% at their peak for two years prior to the pandemic. Admittedly much has changed over that time as the company has tried to improve returns. This has included the disposal of a number of unprofitable brands, allowing management to a focus on its core premium brands, particularly in skin care where the company excels.

At the same time there has been new investment in facilities to increase more profitable and responsive in-house production, more investment in distribution and technology, personnel rationalisation and growing efforts to improve governance. We have been generally supportive of these proactive measures, many of which are atypical of Japanese companies. This should put in place the foundation for a sustainable increase in returns but, as with Kao, the results have been slow in materialising. The shares have recovered c.25% since their lows in Q4 2023, but are some 40% lower than their pre-Covid highs.

In light of the recent challenges, it's understandable that the company currently trades at an enterprise value of 2.1x sales, versus L'Oreal's 5.5x and Estee Lauder's 3.1x. Prior to the pandemic, when operating profit margins crept up to 10% and there were expectations of higher and more stable returns in the future, Shiseido managed an enterprise valuation of 3x sales. This gives us a clear steer for what the company has to do to sustain a higher valuation. Looking ahead, the company only forecasts the achievement of 10% operating margins beyond FY2025. Given the underlying strength of its core brands, we hope and expect for more.

**Michael Lindsell, 3<sup>rd</sup> June 2024**

The top three absolute contributors to the Fund's performance in May were Shiseido, Nintendo and Kao Corp, and the top three absolute detractors were Square Enix, Calbee and Yakult.

**Source: Lindsell Train, Morningstar & Bloomberg. All data as of 31st May 2024.**

**Note: All stock returns are total returns in JPY unless otherwise specified.**

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4 June 2024 LTL-000-300-5