

LINSELL TRAIN

Japanese Equity Fund

ALL DATA AS OF 30 APRIL 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
Relative Return	+2.0	-5.0	-22.2	+5.2	-24.7

Total Return Performance to 30th April 2024 (%) ¥

	Annualised							
	1m	3m	YTD	1yr	3yr	5yr	10yr	Since Appt.*
Japanese Equity Fund (A Yen)	-1.1	-0.9	+3.6	+0.5	+0.7	+2.1	+8.3	+6.3
TOPIX Index	-0.9	+8.6	+17.1	+36.4	+15.9	+13.8	+11.5	+6.5
Relative Return	-0.2	-9.5	-13.5	-35.9	-15.2	-11.7	-3.2	-0.2

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

¥17,717m / £90m

Share Price

A Yen	¥530.09
B Yen	¥238.47
B Yen Dist	¥184.24
B (£) Hedged – Dist	£2.99
B (£) Quoted – Dist	£2.04
C US\$	\$1.41

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

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SW1E 6AU

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Manager

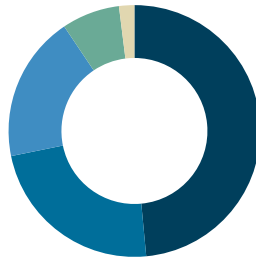
Waystone Management Company (IE)
Limited

Regulated by the Central Bank of Ireland

Issued and approved by Lindsell Train Limited. Authorised and regulated by the Financial Conduct Authority.

Top 10 Holdings (% NAV)

Nintendo	9.71
Kao Corp	8.87
OBIC Business Consultants	7.30
Shiseido	7.06
Astellas Pharma	6.70
Takeda Pharmaceutical	4.78
Milbon Co	4.75
Yakult	4.71
Pigeon	4.71
Square Enix	4.69

Sector Allocation (% NAV)

Allocation and holdings subject to change.

● Consumer Franchise/Brands	48.5
● Media	23.3
● Healthcare Incl. Pharmaceuticals	18.8
● Financials	7.5
● Cash	2.0
Total	100.0

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 29th December 2023. It is calculated by the Fund Administrator and published in the KIID dated 16th 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.

Company/Fund Registered Office

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

Depository & 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

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*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

Kao, the Fund's second biggest holding, had a particularly challenging time during the Covid lockdowns. Its share price peaked in early 2020 at c.¥9,000 per share and fell to a low of ¥5,000 per share in early 2022. There has been some recovery from late last year with the share price ending April at ¥6,500. To put this into context though, the market is up over 90% in the last four years.

As Japan's leading fast moving consumer goods company ('FMCG'), Kao's strength is the domestic market where it dominates 70% of the categories it competes in. Its leading positions in fabric care and household cleaning products make up around a quarter of total sales and underpin its cash flow. Operating profit margins here were highest at c.20% on average prior to 2019. Sales were interrupted by raw material inflation and lockdowns though have now recovered, with margins back up to 15%. We expect further improvement as price rises to combat input cost pressures take hold and volumes recover.

The company has leading positions in health and beauty products representing another quarter of its sales. Brands such as Bioré, Curél and Freeplus have strong premium appeal as dermatological products, but the company's other brands including an extensive range of hair care products serve the wider mass market, and increasingly lack the differentiation necessary to ensure high margin pricing. Approximately half of the sales of this division are outside Japan, with brands such as John Frieda and Jergens, and professional hair care brands such as Oribe and Goldwell.

We have written previously about the company's endeavours to partner with a number other firms to collate comprehensive data on its customers, especially in relation to skin types, which should allow the company to target its products more effectively to individual customers. If successful, this would be an effective way of prioritising product development and targeting marketing spend. Progress with this initiative is ongoing but the rationalisation of its health and beauty product portfolio, something the company readily acknowledges is necessary, could be accelerated.

Kao's cosmetics brands include Kanebo, Kate, Molton Brown and Sensai. In an attempt to focus the portfolio, the company segmented its brands into 11 global brands and eight regional brands. Sales of the regional brands (many of which are Japan centric) have proved particularly disappointing, which suggests that further rationalisation is necessary. Supporting even 11 global brands seems excessive to us when compared to competitors such as Shiseido or Kose. The profitability of Kao's cosmetics division has rarely met expectations. Temporary factors have intervened but it is telling that operating margins have only exceeded 10% once in the last seven calendar years.

Sanitary products, primarily nappies, sold under the Merries brands, and female care products, branded Laurier, have been huge problem areas for the company, especially in China. The company has suffered from cut price competition from local competitors and has curtailed its manufacturing there. Kao hopes to innovate to produce a new generation of nappies that are biodegradable; however until they do, our minimum expectation at this stage is a reduction in losses.

We believe Kao can do much more to raise the profile of its successful brands outside of Japan and expand overseas consumer product sales, especially given population demographics in Japan provide a headwind to future domestic growth. Historically Kao's dominant position in its domestic market may have given it a ready source of stable cashflows, but the company needs to look abroad for its growth in the future.

The company derives a quarter of its sales from a diverse number of unbranded industrial chemical products that range from oleo chemicals, to additives in printer inks, to products to give flexibility to tarmac, to products used in the semiconductor industry. Operating profitability has averaged 10% with approximately a third emanating from Japan. We believe that this division is more exposed to the vagaries of cyclical demand and less protected by the repeat sales and familiarity associated with long-lasting consumer brands, and consequently we discount cashflows at a higher rate than in the other divisions.

With the travails of the lockdown years now behind it, Kao paints a picture of recovery in sales volumes, pricing and margins. Its internal measure of EVA (economic value added), something it adopted 20 years ago, is expected to recover from a low point in 2022, and internal forecasts of ROIC should more than double to 8.6% in FY2024. The company is also targeting higher returns stretching out to FY2027 helped by a c.20% increase in overseas sales. Whilst the recent improved share price performance might be seen as an endorsement of these positive changes, we believe management could do much more to fulfil its potential, by being more aggressive with its product rationalisation, and by exploiting the heritage and functionality of its core brands overseas. Prior to 2019 Kao's 10-year ROE averaged 15%, with individual years as high as 20%. We remain hopeful that the company can at least emulate if not exceed these returns in the future.

Michael Lindsell, 13th May 2024

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

Investment Team Commentary

The top three absolute contributors to the Fund's performance in April were Kao Corp, Kirin Holdings, and Shiseido, and the top three absolute detractors were OBIC Business Consultants, Nintendo and Astellas Pharma.

Source: Lindsell Train, Morningstar & Bloomberg. All data as of 30th April 2024.

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

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