

# Japan Fund Fact Sheet

December 2011

**BEDLAM**  
ASSET MANAGEMENT

## Not going Soft

The fund slightly lagged a market enjoying a sudden and decent bounce, with telecommunications (essentially one stock - Softbank) the portfolio's biggest detractor, and the IT, consumer discretionary and industrials sectors all making good relative contributions. For 2011 as a whole, the fund outperformed the TOPIX by some 3%.

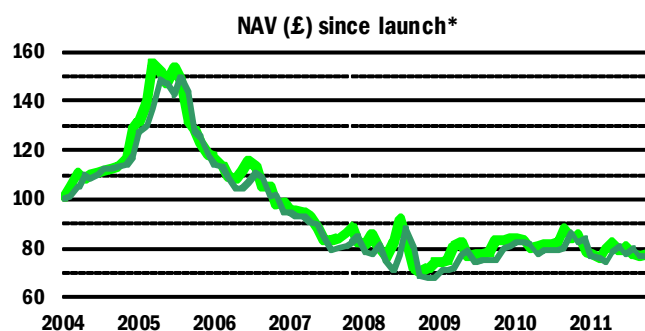
December opened with government plans for a fourth extra budget, to help support a recovery which seems under threat from a combination of the surge in the yen, the crisis in Europe, and production disruptions caused by the floods in Thailand. Since the earthquake in March, 18 trillion yen has already been allocated in three packages and this new set of measures is likely to add another 2 trillion. The Finance Minister acknowledged that public confidence had again fallen and stated his belief that the extra spending was required to secure the populace's peace of mind. The Ministry once again acted to weaken the yen, yet it ended the month stronger still - now a familiar pattern. In the corporate world, Nissan's CEO made clear that the company will gradually shift production abroad because of such domestic challenges, thereby soliciting yet further currency intervention. Toyota meanwhile halved its profits forecast. Machinery orders fell sharply, considerably more than expectations, and the October current account surplus showed further deterioration as exports fell. The economy is expected to shrink by 0.1% in the year to end March.

Against this backdrop, Yahoo! Japan performed well for the portfolio as the market factored in a higher probability of them buying back their own shares from Yahoo! Inc. East Japan Railway was the largest positive contributor, continuing to see upgrades as the rate of recovery in its Tohoku Shinkansen operations ran ahead of expectations, and it became clear that the effects of the March earthquake on non-rail operations were small. A call with the management of Softbank demonstrated that the strong trends in data consumption as consumers adopt high-end smartphones will continue to drive average revenues per user, despite the simultaneous decline in voice revenues. Meanwhile, concerns over competitive dynamics (which contributed to December's price fall) appear overdone, since Softbank's offering remains superior and will be further enhanced by new frequency availability later this year. The company's balance sheet is improving to plan, whilst valuations fail to take account of the profitability and growth. In addition, the notable investments in several fast-growing Chinese internet businesses appear to be valued at or near to zero. Softbank is a clear case of cautious management guidance masking strong company and industry trends.

The positions in SBI Holdings, Universal Entertainment and Yahoo! Japan were all trimmed. There was no other trading activity.

## Key Data

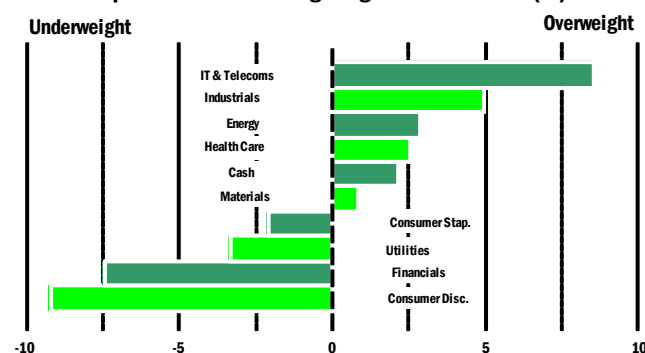
<b>Fund Size</b> £2.0m	<b>Fund Managers</b> Ian McCallum
<b>NAV A Share</b> £77.69	
<b>NAV B Share</b> £77.52	<b>Initial Charge</b> Zero
<b>Launch Date/Price</b> Nov 2004/£100	<b>AMC (B Share)</b> 1.25%
<b>Investment Strategy</b> Unconstrained investment in listed Japanese equities, using Bedlam's proprietary single investment process	



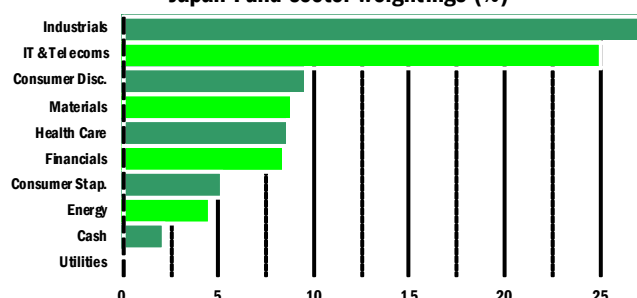
\* A share launch 01 Nov 2004; B share launch 01 Nov 2004

% Total Return	Month	YTD	1 Year	3 Year (annualised)	5 Year (annualised)	Since Launch (annualised)
<b>A share</b>	1.1	-11.8	-11.8	-5.5	-6.4	-3.2
<b>B share</b>	1.4	-9.5	-9.5	-4.0	-5.7	-3.2
<b>TOPIX TR</b>	2.2	-12.5	-12.5	-0.5	-3.7	3.0

## Japan Fund sector weightings vs TOPIX Index (%)



## Japan Fund sector weightings (%)



# Fund Analysis

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## Top 10 Holdings (%)

East Japan Railway	5.4		
Inpex	4.6		
Aeon Delight	4.3		
Yahoo Japan	4.0		
Softbank	4.0		
Nomura Research Inst.	3.8		
Otsuka	3.7		
Secom	3.5		
Shimadzu	3.5		
Fanuc	3.4		

## Transactions

Buys		New weighting (%)	
Sells		New weighting (%)	
Yahoo Japan	4.0		
SBI Holdings	2.7		
Universal Ent.	1.5		

## Performance Attribution

Positive (%)		Negative (%)	
Sector	+	Sector	-
Information Technology	1.0	Telecomm. Services	-0.4
Consumer Discretionary	0.7	Health Care	-0.2
Industrials	0.2	Chemicals	-0.1
Property	0.2	Energy	-0.1
Stock +		Stock -	
East Japan Railway	0.3	Softbank	-0.4
Universal Ent.	0.3	Asahi Intecc	-0.3
Yahoo Japan	0.2	Japan Pure Chemical	-0.3

## Policy and Objectives

The twin investment objectives are the preservation of capital and the generation of an absolute total return which is significantly in excess of those available from bank deposits and government bonds. These are to be achieved through investment primarily in listed equities meeting Bedlam's proprietary single investment process, which is focused on identifying the best businesses and is unconstrained by indices. The investment universe comprises Japan (including equities listed on a recognised exchange outside Japan where the issuer is Japan-based or derives at least 40% of its revenue, assets, income or expenditure from Japan). The fund will hold a concentrated portfolio of normally 25 to 50 securities and aims always to be fully invested, although it can default up to 60% in cash/near-cash instruments in the event that sufficient stocks cannot be found which meet the strict investment criteria. Simple index put options can be utilised in the interests of capital preservation as part of efficient portfolio management.

## Fund Structure

The Fund is an Open Ended Investment Company (OEIC) regulated by the Central Bank of Ireland and fully authorised by the Financial Services Authority (FSA). It has single pricing, in Sterling or Euros, with the option to receive income, or to re-invest. There are three share classes available. 'A' and 'B' shares differ only in their management fees. The A share NAV ('No Gain, No Fee') is net of the daily accrued management fee of up to 1.25% per quarter; this is rebated to the fund post each quarter-end if the quarterly absolute return is less than 1.25%. The B share NAV is after a daily accrued management fee of 1.25% p.a. and any accrued quarterly performance fee based on two absolute return criteria. 'C' shares are € denominated and carry an annual management fee of 1%.

## Dealing & Administration (via Northern Trust)

Pricing	Daily, 12 midday	Telephone	00 353 1 542 2907
Dealing cut-off point	5pm	Fax	00 353 1 434 5231
SEDOL 'A' shares	B02YSFO	Dividends	Distributor status
ISIN 'A' shares	IE00B02YSF00	Ex-dividend dates	30 September
SEDOL 'B' shares	B02YSH2	Pay/reinvest dates	October
ISIN 'B' shares	IE00B02YSH24	Minimum investment	£3,000 (A & B Share)
ISA	Yes		€500,000 (C Share)
SIPP/SASS	Yes		

Bedlam Asset Management plc is authorised and regulated by the Financial Services Authority (212757).

Bedlam Funds plc is regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 as amended by the European Communities (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations, 2003 (the 'UCITs Regulations') and is a recognised collective investment scheme for the purposes of section 264 of the United Kingdom Financial Services and Markets Act, 2000. Shares in Bedlam Funds plc may only be sold on the terms of, and pursuant to, its most recent prospectus.

This document is not investment advice or a recommendation to purchase, hold or sell a security. Past performance is not a reliable indicator of future results.

[www.bedlampc.com](http://www.bedlampc.com) | [marketing@bedlampc.com](mailto:marketing@bedlampc.com) | +44 (0)20 7648 4300 | 20 Abchurch Lane, London, EC4N 7BB, UK