

Man GLG Japan Core Alpha C Professional Acc

November 2021

Investment Report



Overview

The fund is focused on long-term capital appreciation through investment into shares listed in Japan. It is vulnerable to movements in the Japanese stock market, which can be volatile, especially over shorter time periods, and therefore investors' capital is at risk.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that the fund should be able to outperform the TOPIX over rolling five-year periods.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Japan
Launch Date: 21/05/2004	Fund Size (as at 30 Sep 2021): £1223.1m
Yield: 1.77%	Distribution Pay Date: Jun 01 (Final)
Fund Manager: Adrian Edwards, Jeff Atherton	Ongoing Charge Figure: 0.90%
	Transaction Cost ex Ante: 0.19%



Fund Opinion

Following the announcement of the retirements of Steve Harker and Neil Edwards in March 2021, the fund's rating was lowered from AAA to AA to reflect the significant level of experience leaving the team, but also to highlight our belief in Jeff Atherton to assume responsibility and lead the strategy going forwards. Having been with the team since 2011, Mr Atherton is an experienced Japanese equity investor in his own right and through running the fund he will be closely supported by Adrian Edwards and two assistant portfolio managers. All four are strongly committed to maintaining the integrity of the investment philosophy and we do not foresee any material changes to the approach that was established by Mr Harker and Mr Edwards.

The team invests with conviction, often increasing position sizes as the stocks' valuations become cheaper. Such dedication to this style can be testing at times, and it is an approach that very few investors have the fortitude to withstand. Given the nature of the process, it can take some time for the market to correct the valuation anomalies that the team identifies and this, coupled with the low turnover approach, may mean that holders require patience. We would also highlight, that over recent years, growth stocks have significantly outperformed value stocks; which has been a headwind for this fund's strict value approach over the medium term. Nevertheless, Mr Atherton, in line with his predecessors, will seek to deliver meaningful outperformance of both the TOPIX and Russell Nomura Large Cap Value indices over time; something which the strategy has historically achieved.

This fund remains a strong choice for investors, but we would underline that it can be very volatile, especially in narrowly led markets, such as we have seen in recent years. However, it can also be a powerful way of generating returns for those prepared to invest for the long term and who can accept the volatility that can come from this approach.

Fund Description

This dedicated and highly collegiate team is led by Jeff Atherton, who is also the lead manager of this strategy following the retirement of previous incumbents Stephen Harker and Neil Edwards at the end of March 2021. Mr Atherton has worked on the fund since 2011 and is someone whom we hold in high regard, as a seasoned Japanese equity investor, with a career spanning over 25 years. He is also completely committed to the value-focused investment philosophy and process applied to this fund, having been indoctrinated when he first worked with Mr Harker in 2001. In running the fund, Mr Atherton is closely supported by his very able colleagues; deputy manager, Adrian Edwards who joined the team in 2014, and assistant portfolio managers, Emily Badger and Stephen Harget, who joined in 2015. We would note that all three have received not only extensive support and training from Mr Atherton, but also the insight and experience of working with Mr Harker and Mr Edwards.

The team members' approach is to focus on companies trading on cheap valuations compared to the company's asset base. They believe that Japan's low growth rate limits the supply of companies with dynamic growth prospects. Instead, many Japanese companies are cyclical in nature and oscillate between good and poor periods. The team believes that investors can become either over optimistic or pessimistic in their outlooks, typically by extrapolating recent events into the future and, as a result, exploitable valuation anomalies can arise.

This contrarian approach involves considering companies which are very out of favour with the wider investor base in the market. The team assesses the viability of the business through balance sheet analysis and by reviewing the sustainability of the business model. If companies can be found on cheap valuations and where the business is not in terminal decline, the team reasons that any shorter term issues holding back the company will pass and the valuation will revert towards a more usual level.

We would note that the strategy is focused towards the largest companies listed in Japan, but that the portfolio tends to be reasonably concentrated with approximately 35 to 70 holdings and punchy sector positions, which can arise from the managers' bottom up approach. The managers apply various risk overlay controls in order to moderate any excessive risks in the portfolio and to ensure that any sector biases do not become the overwhelming determinant of the returns.

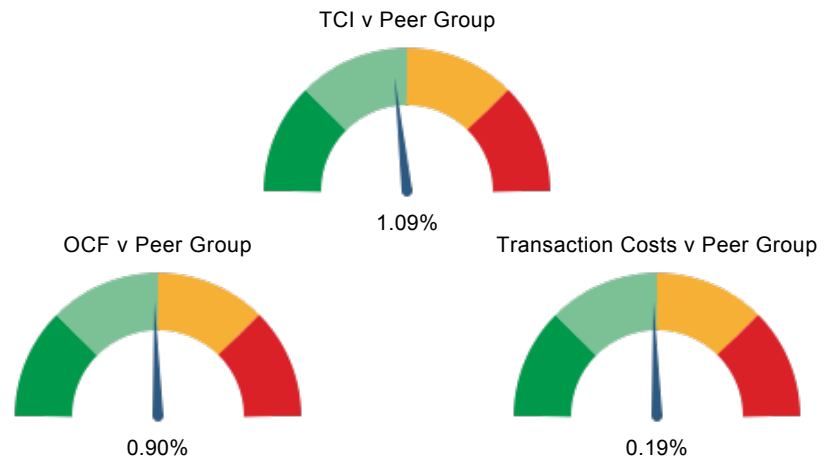
Risk Summary

The fund has a high asset class risk score, as it is exposed to movements in the Japanese stock market, which can, at times, be driven by a host of factors separate from company operating fundamentals. Furthermore, this strategy is a high conviction, concentrated offering that can be markedly different from a standard index and its peer group. The fund's risk score is high as the investment process is value driven, with a deep contrarian approach to stock picking and the managers are willing to hold sizeable positions. This can, at times, lead to an uncomfortable ride for investors, but the team's lengthy investment experience gives them an edge in running this type of mandate.

Value for Money

The ongoing charge figure (OCF) of this fund is currently below that of its peer group, however, the fund's total cost of investment is actually in line with the peer group median because of its above average transaction costs, which are associated with trading activity. This fund represents good value for money as it provides investors with access to the detailed work of a high quality management team and their disciplined adherence to their well-established value focused approach which has been shown to deliver strong long-term performance.

Under MiFID II regulations, asset managers are required to disclose all costs and charges related to the running and administration of their funds, which can include items outside of the OCF, such as research costs. Man GLG absorbs the costs associated with its research, which should slightly reduce the overall fee paid by investors.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are considered formally but are not instrumental within all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	0.34%
Annualised Volatility	20.99%
Max Drawdown	-29.49%
Max Gain	16.17%
Max Loss	-25.15%
Sharpe Ratio	0.02
Sortino Ratio	0.02

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

192.8 pence

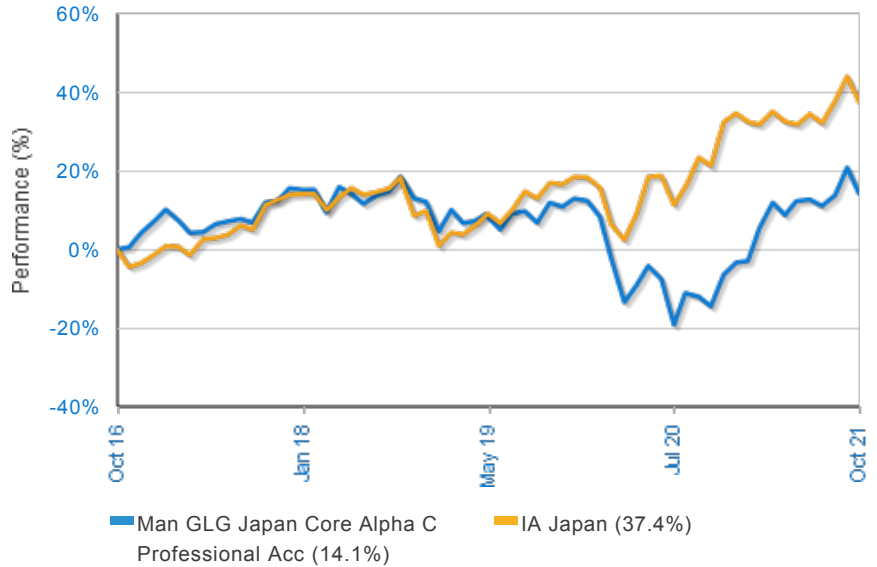
Benchmark

TOPIX

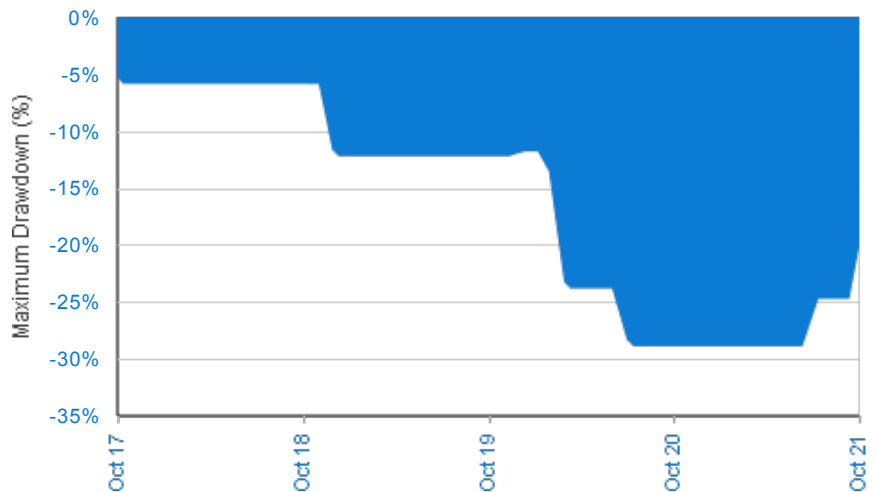
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	37.3	16.6	1
12-24m	-21.4	5.6	4
24-36m	-5.6	-1.1	4
36-48m	10.9	12.6	3
48-60m	18.0	13.3	1

Capital Growth



Maximum Drawdown (Rolling 12 Months)



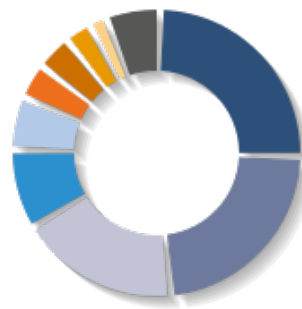
Top Ten Holdings

(Data as at 29 Oct 2021)

Company Name	%
TOYOTA MOTOR CORP	5.6
MITSUBISHI ESTATE CO	5.0
HONDA MOTOR CO	4.6
MITSUBISHI UFJ FINANCIAL GROUP	4.1
SUMITOMO MITSUI FINANCIAL GROUP INC	3.7
NOMURA HLDGS INC	3.6
NISSAN MOTOR CO	3.4
MITSUBISHI HEAVY INDUSTRIES	3.0
RESONA HLDGS INC	2.9
MITSUI FUDOSAN	2.9

Sector Breakdown

(Data as at 29 Oct 2021)



- Financials (25%)
- Consumer Discretionary (23%)
- Industrials (18%)
- Real Estate (9%)
- Materials (6%)
- Energy (4%)
- Information Technology (4%)
- Communications (3%)
- Consumer Staples (2%)
- Other (6.1%)

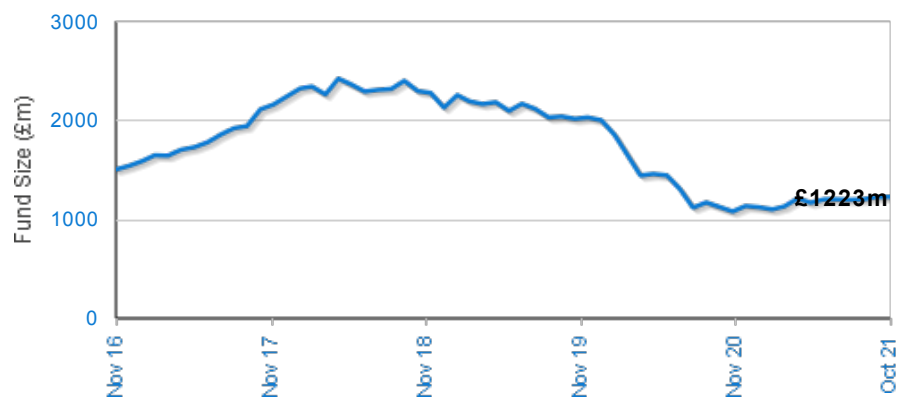
Geographic Breakdown

(Data as at 29 Oct 2021)



- Japan (100%)
- Money Market (0%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 114.00

SRRI: 6

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