

# FTF MARTIN CURRIE JAPAN EQUITY FUND - GBP

INVESTMENT RESEARCH NOTE  
FEBRUARY 2024

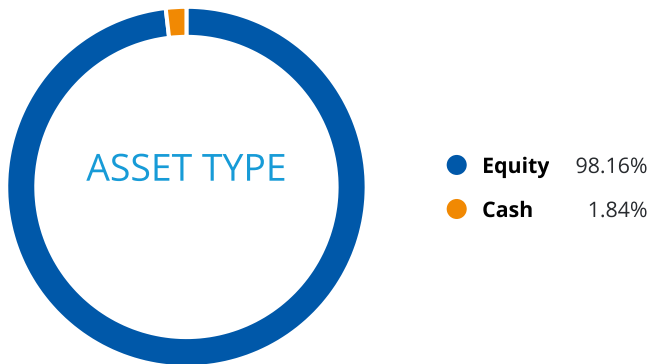
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SUMMARY

Martin Currie was originally taken over by Legg Mason in 2014, before Franklin Templeton ('FTF') purchased Legg Mason in 2020. At the time it made FTF the 6th largest asset manager globally with over \$1.2tn in AUM (now c.\$1.5tn as of 09/21). The Japan Equity fund was renamed from 'Legg Mason' to 'Martin Currie' in 2021 as part of the structural change following the FTF takeover of Legg Mason.

The fund manager, Hideo Shiozumi, has over 45 years of experience in Japanese equities. He founded and owns 70% of Shiozumi Asset Management Co which manages the Legg Mason Japan Equity Fund under a standard investment management agreement (IMA). Shiozumi is supported by his daughter Rena Sasaki, an investment analyst who owns 30% of Shiozumi Asset Management Co. Shiozumi applies a “New Japan” (i.e. a more competitive economy) investment philosophy that gives unique focus on companies that benefit from structural changes in the Japanese economy. . As no currency hedging is done, a GBP share class is offered to reduce currency exposure risk to sterling investors.

The investment style is long-only bottom-up, growth oriented, high beta and the portfolio is concentrated with between 25-60 Japanese holdings that display strong profit growth in domestic - oriented sectors. The Fund has a bias towards small to mid-cap exposure and is managed on the basis of an absolute performance, implementing investment decisions on true conviction rather than the perceived safety of index weighting. Active share is high, over 90%.



INVESTMENT PROCESS

This fund strategy is seen as a concentrated mandate, due to the low number of holdings, high active share, the bias to smaller companies within Japan and high growth focus. It tends to have a higher beta vs the Japanese market while volatility is often higher than the Japanese market too. The long-term buy-and-hold profile means that turnover is very low over a cycle. The manager adopts a traditional approach to stock-picking, relying on his extensive knowledge (over 45 years investment experience) of the Japanese equity market. Favoured themes are internet growth, an ageing society and healthcare, in-line with the 'New Japan' philosophy..

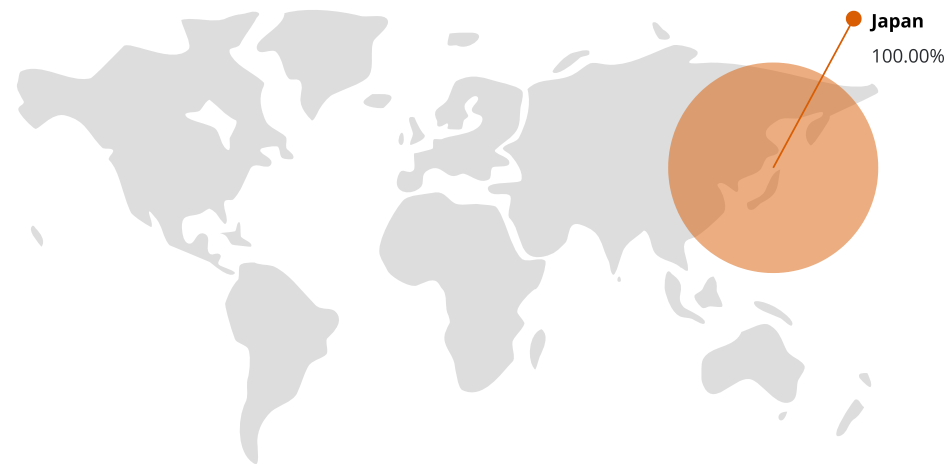
The fund management team filters the stock universe by targeting companies that will benefit from a 'New Japan' in the medium to long term. Using this thematic filter, the universe of stocks is then reduced to approximately 100 companies in targeted sectors. After the initial screening process the stock selection takes place in two stages: 1. Quantitative - First Stage portfolio construction - from the short list of stocks companies are screened for high sales and profit growth past, present and future (average 4 years); 2. Qualitative - Second Stage portfolio construction - companies are filtered for theme exposure to marketing concepts that explore the 'New Japan'. After a rigorous in-depth business analysis of cash flows and balance sheets, high potential companies are visited and competitors interviewed, before a purchase is made; Stocks are held for the long-term, with some ideas being held for a decade or more. 70% of ideas are sourced externally given the strong relationship the managers have with 6-7 sell-side brokers.

Portfolio construction - The overall process results in a concentrated list of 25-60 of the managers best ideas. Stocks generally enter the portfolio at a 1% position then are built to at least 3% to back conviction of purchase. The top ten stocks typically account for c.50% of net assets illustrating conviction through concentration of holdings.

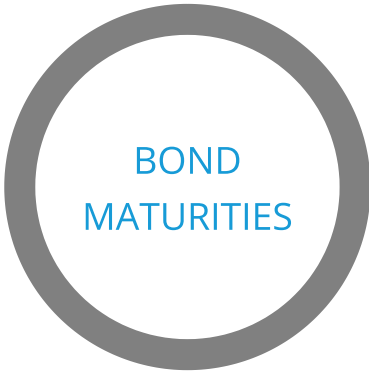
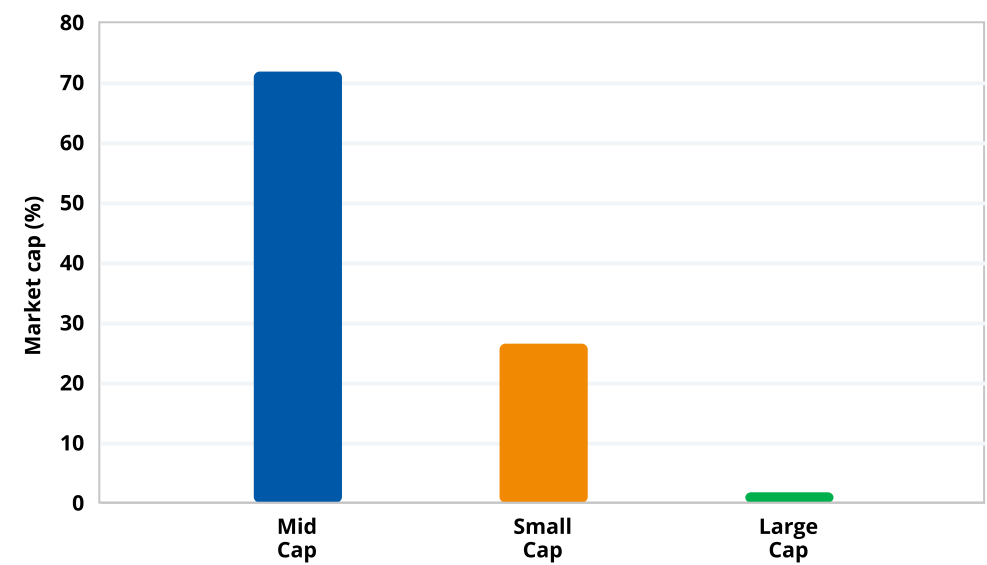
Buy and Sell Discipline - Risk is controlled by buying stocks on reasonable price-to-earnings multiples relative to their growth rates, this aims to limit the downside risk in a declining market. Close monitoring of business fundamentals is carried out on a daily basis to limit stock specific risk, alongside an overall portfolio assessment via a weekly investment committee. Fundamentals are re-assessed if stocks reach a price-earnings to growth ("PEG") ratio of 1 and trim positions with a PEG between 1-1.5.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



Not Applicable



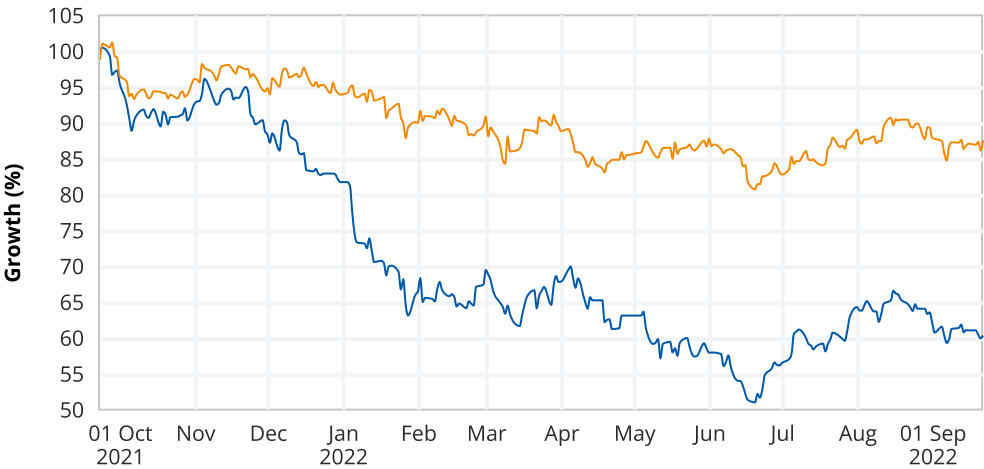
Not Applicable

# OVERALL PERFORMANCE

● FTF Martin Currie Japan Equity X Acc    ● Japan Equity GBP

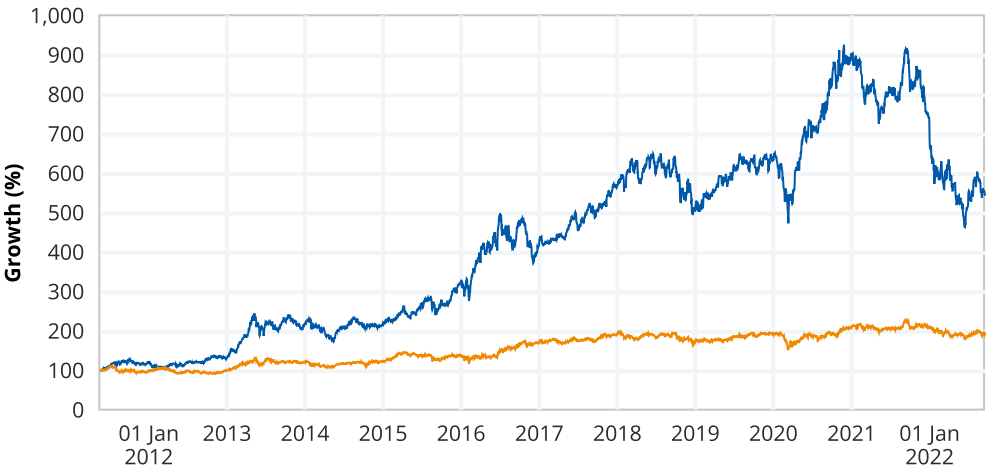
## GROWTH (%) - OVER 1 YEAR

23 Sep 2021 - 22 Sep 2022



## GROWTH (%) - FROM INCEPTION

24 May 2011 - 22 Sep 2022



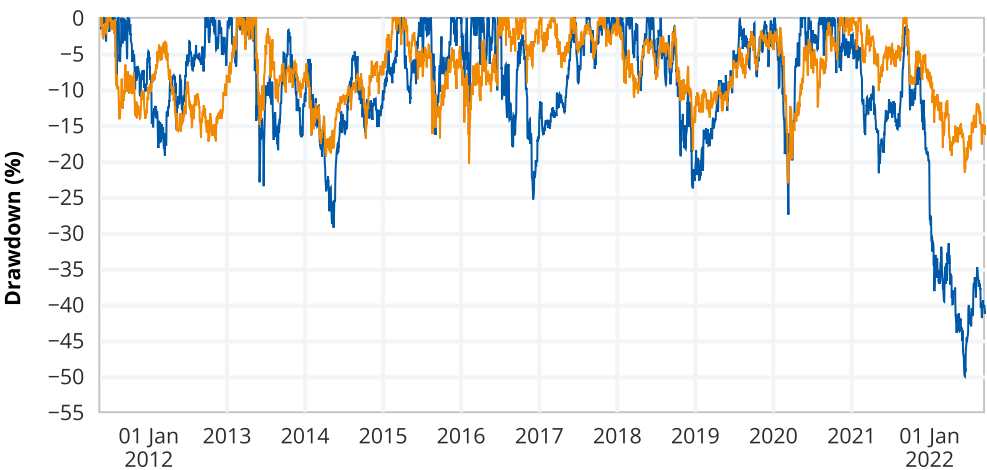
## DRAWDOWN (%) - OVER 1 YEAR

23 Sep 2021 - 22 Sep 2022



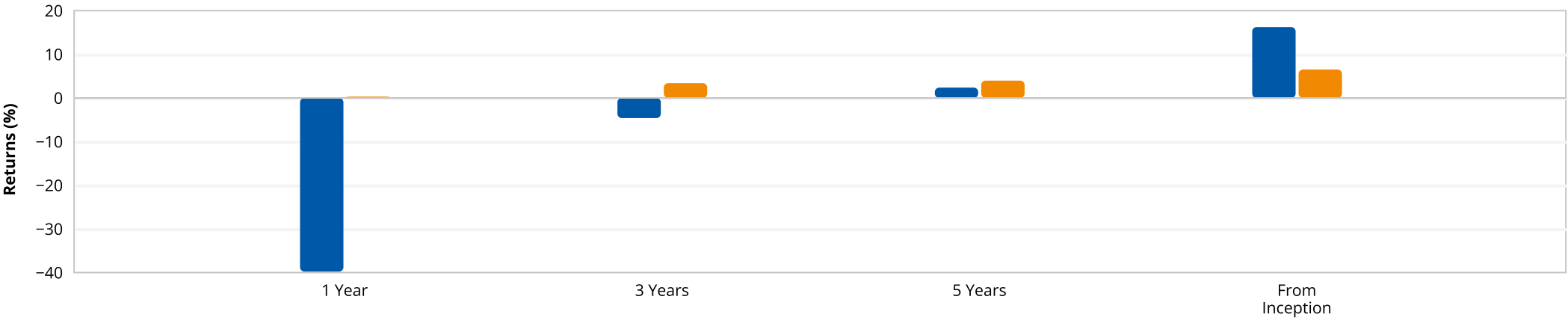
## DRAWDOWN (%) - FROM INCEPTION

24 May 2011 - 22 Sep 2022



# RETURNS

● FTF Martin Currie Japan Equity X Acc    ● Japan Equity GBP



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2022	-19.22	2.12	0.57	-6.92	-7.27	-4.07	11.97	1.10	-5.07				-26.18
2021	-2.94	-5.09	-0.95	-3.30	-2.46	7.59	-3.66	6.82	4.50	-7.15	-1.71	-7.95	-16.33
2020	-6.75	-10.25	3.79	12.88	15.40	0.45	-1.94	4.82	12.62	0.19	10.51	-3.56	40.50
2019	3.12	2.92	4.21	6.11	-1.85	1.49	9.51	-1.98	-0.40	-2.32	3.74	-1.40	24.88
2018	3.64	4.31	2.43	-6.21	9.42	-2.12	-1.13	0.11	2.88	-14.12	4.15	-11.71	-10.56
2017	1.51	1.27	1.94	0.25	9.27	-0.64	1.16	8.25	-2.42	2.98	5.66	2.62	36.07

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
FTF Martin Currie Japan Equity X Acc	-39.78	-4.61	2.37	16.24
Japan Equity GBP	0.31	3.40	3.97	6.52

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
FTF Martin Currie Japan Equity X Acc	-39.66	-13.18	12.38	447.06
Japan Equity GBP	0.74	15.75	28.10	122.76

● FTF Martin Currie Japan Equity X Acc    ● Japan Equity GBP

PERFORMANCE - OVER 1 YEAR

23 Sep 2021 - 22 Sep 2022

	FTF Martin Currie Japan Equity X Acc	Japan Equity GBP
RETURNS (%)	-39.78	-12.48
VOLATILITY (%)	29.02	18.23
ALPHA	-0.23 *	
BETA	1.44 *	1.00
CORRELATION	0.75 *	1.00
SHARPE RATIO	-1.39	-0.73
SORTINO RATIO	-1.80	-1.02
MAX DRAWDOWN (%)	-49.22	-20.20

\*Calculated over a 3 year period where history permits.

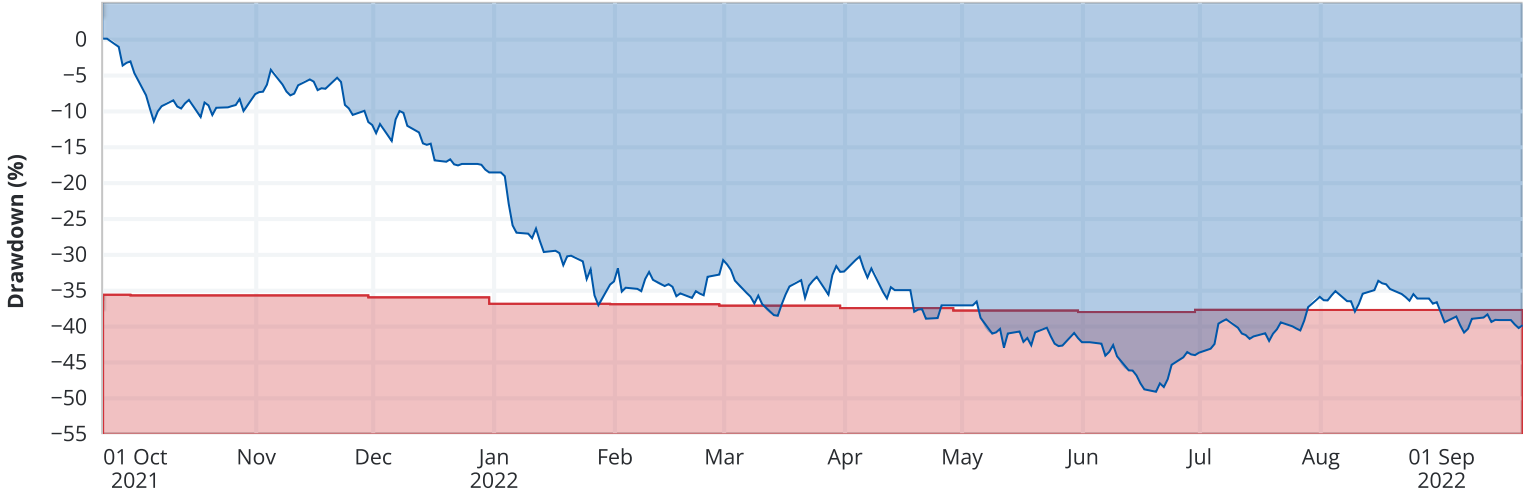
PERFORMANCE - FROM INCEPTION

24 May 2011 - 22 Sep 2022

	FTF Martin Currie Japan Equity X Acc	Japan Equity GBP
RETURNS (%)	16.24	6.03
VOLATILITY (%)	24.09	18.89
ALPHA	0.88	
BETA	1.09	1.00
CORRELATION	0.56	1.00
SHARPE RATIO	0.65	0.29
SORTINO RATIO	0.92	0.41
MAX DRAWDOWN (%)	-50.01	-22.96

SIMPLE STRESS TEST DRAWDOWN (%)

23 Sep 2021 - 22 Sep 2022



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

# DISCLAIMER

FTF Martin Currie Japan Equity Fund - GBP | February 2024

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