

Shin-Ka Fund 2024 Newsletter

June 2024 | Class A | JPY



INVESTMENT MANAGER COMMENTARY

Market Comment:

In June, the Japanese stock market performed well despite the burden of European political uncertainties. By the latter half of the month, the weakening yen further contributed to positive developments. Growth stocks gained prominence due to the decline in long-term U.S. interest rates. Within sectors, there was a focus on insurance stocks and overall domestic demand-related shares. The TOPIX index rose by 1.3%, while the Tokyo Stock Exchange Growth 250 Index saw a 6.9% increase.

Portfolio Comment:

This month, there was keen interest in events related to central banks across various countries, especially the Bank of Japan's monetary policy decision meeting. However, the outcome was rather uneventful, with no significant policy changes. From a fundamental perspective, there were no compelling reasons to make major portfolio adjustments. As a result, both long and short positions in portfolios were only slightly fine-tuned.

Although we sought for more clarity in the FX and rates outlook during June's monetary policy meetings in Japan and the US, however, the overhangs persisted. Financial stocks rallied strongly, while the recovery from post-earnings movements that we anticipated did not materialize as the Japanese Yen weakened even more sharply, leading to foreign investors selling their holdings. As a result, the Fund's fundamental strategy did not perform up to expectations. Semiconductor stocks held steady for most of the month, until US memory company Micron announced its earnings results. Despite the company's earnings beating market consensus, its shares tumbled post-earnings, affecting other semiconductor names. Amid rising long-term interest rates in Japan, small cap names remained out of favor. As such, the Fund's IPO strategy underperformed.

At the beginning of the month, our strategy assumed that central bank events would provide some clarity on market direction. We had prepared to significantly reduce risk levels for our short positions, which had performed well since the start of the year. However, as events were uneventful, we decided to maintain a watchful stance unless portfolio gains or losses fluctuated significantly. Ultimately, in June, the Japanese market saw small-cap stocks outperforming large-cap stocks. Surprisingly, despite our short positions being primarily in small-cap stocks, they were not significantly affected by market movements. While some new money may have entered the small-cap market due to perceived undervaluation, substantial short covering did not materialize.

Outlook:

Based on the scenario originally anticipated last month, we are considering extending the timeline for the market reversal scenario triggered by central bank events by 1-2 months. In July, both the Bank of Japan and the U.S. Federal Reserve have events scheduled at the end of the month, which suggests a relatively stable market environment until the latter half of July. However, towards the end of the month, in addition to central bank events, April-June earnings announcements may introduce elements that could impact the market. While we maintain a watchful stance this month, if market direction becomes clearer within July, we will also consider making significant portfolio adjustments for the following months.

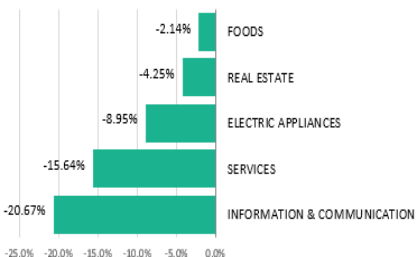
We are still cautious of the ongoing yen weakness that has been dampening overseas investor sentiment. The Bank of Japan's meeting at the end of July is a highly anticipated event that could reverse recent investment trends. We continue to expect some recovery in stocks, of which fundamentals are strong and post-earnings price movements weak. As the first quarter earnings announcements season approaches, we intend to invest in stocks that could move in anticipation of earnings revisions ahead.

The significance of avoiding substantial negative returns without significantly reducing risk levels in June, despite the anomaly where small-cap stocks tended to outperform, should not be underestimated. As we enter July, with a focus on April-June quarter earnings announcements, there is a possibility of a favorable market environment for short positions. While we remain cautious about sudden market shifts, as long as stable returns continue, we intend to maintain the current portfolio for a little longer

TOP LONG POSITIONS

HITACHI LTD	4.02%
DISCO CORP	3.72%
TDK CORP	3.21%
TOKYO ELECTRON LTD	3.19%
NIPPON YUSEN KK	3.09%

TOP SHORTS BY SECTOR



MARKET CAP SIZE

Size (yen)	Wgt.(Long)	Wgt.(Short)
1000 bil.~	45.96%	-3.30%
100~1000 bil.	37.89%	-10.95%
10~100 bil.	12.79%	-35.63%
~10 bil.	3.34%	-6.65%
Futures	-	-42.82%
Swaps	-	-

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	YTD
NAV/unit JPY	170,827.75	178,811.62	182,109.04	182,325.31	178,823.49	178,151.33							--
Net Return	1.89%	4.67%	1.84%	0.12%	-1.92%	-0.38%							6.26%
Gross Exposure	195.40%	177.91%	189.35%	178.36%	180.56%	199.33%							--
Net Exposure	1.07%	1.93%	-0.70%	-0.49%	-0.53%	0.63%							--
AUM (Mn USD)	6.45	6.54	6.64	6.44	6.34	6.12							--
No. of Long Positions	43	42	45	43	44	47							--
No. of Short Positions	12	28	45	50	50	56							--
Topix	7.81%	4.89%	2.81%	-0.28%	1.07%	1.34%							18.73%
Nikkei	8.43%	7.94%	2.56%	-4.39%	0.21%	2.85%							18.28%
Mothers	0.80%	8.48%	-4.87%	-11.89%	-4.47%	6.91%							-6.39%
Eurekahedge L/S Net*	1.16%	2.04%	1.96%	-1.36%	-0.33%	1.25%							4.76%
JPY/USD	146.90	149.99	151.38	157.81	157.32	160.86							--
2023 Net Return	Jan-23 -2.68%	Feb-23 7.68%	Mar-23 3.78%	Apr-23 1.27%	May-23 7.81%	Jun-23 4.49%	Jul-23 -2.00%	Aug-23 1.57%	Sep-23 -3.79%	Oct-23 -3.40%	Nov-23 9.37%	Dec-23 1.89%	2023 27.89%
2022 Net Return	Jan-22 -3.00%	Feb-22 -1.91%	Mar-22 2.28%	Apr-22 -0.44%	May-22 1.52%	Jun-22 -7.33%	Jul-22 -5.90%	Aug-22 0.39%	Sep-22 -0.14%	Oct-22 -5.46%	Nov-22 -3.67%	Dec-22 3.27%	2022 -19.13%
2021 Net Return	Jan-21 -0.30%	Feb-21 -4.71%	Mar-21 2.39%	Apr-21 2.50%	May-21 -1.93%	Jun-21 5.30%	Jul-21 2.73%	Aug-21 4.73%	Sep-21 -0.06%	Oct-21 2.81%	Nov-21 3.99%	Dec-21 0.25%	2021 18.64%
2020 Net Return	Jan-20 -0.52%	Feb-20 -1.65%	Mar-20 -2.90%	Apr-20 -7.76%	May-20 -6.07%	Jun-20 1.86%	Jul-20 9.09%	Aug-20 -12.23%	Sep-20 -3.06%	Oct-20 9.55%	Nov-20 3.27%	Dec-20 4.76%	2020 -7.77%
2019 Net Return	Jan-19 -3.08%	Feb-19 -3.75%	Mar-19 1.01%	Apr-19 -1.55%	May-19 -1.28%	Jun-19 0.16%	Jul-19 0.35%	Aug-19 1.05%	Sep-19 3.08%	Oct-19 3.46%	Nov-19 0.24%	Dec-19 3.19%	2019 2.61%
2018 Net Return	Jan-18 -1.04%	Feb-18 -3.67%	Mar-18 -3.53%	Apr-18 1.15%	May-18 -5.63%	Jun-18 0.88%	Jul-18 -0.63%	Aug-18 -2.88%	Sep-18 1.70%	Oct-18 5.81%	Nov-18 -9.18%	Dec-18 8.49%	2018 -9.36%
2017 Net Return	Jan-17 0.60%	Feb-17 -0.93%	Mar-17 2.23%	Apr-17 0.79%	May-17 -2.13%	Jun-17 -1.91%	Jul-17 -0.06%	Aug-17 1.08%	Sep-17 1.56%	Oct-17 2.61%	Nov-17 0.22%	Dec-17 3.55%	2017 7.70%
2016 Net Return	Jan-16 -0.46%	Feb-16 -1.22%	Mar-16 -1.58%	Apr-16 -5.06%	May-16 -0.05%	Jun-16 5.15%	Jul-16 1.33%	Aug-16 -0.14%	Sep-16 1.90%	Oct-16 -1.24%	Nov-16 -1.95%	Dec-16 0.58%	2016 -3.03%
2015 Net Return	Jan-15 -3.60%	Feb-15 -1.39%	Mar-15 2.37%	Apr-15 2.45%	May-15 -0.98%	Jun-15 2.56%	Jul-15 1.30%	Aug-15 7.31%	Sep-15 -2.44%	Oct-15 -0.97%	Nov-15 1.81%	Dec-15 5.84%	2015 14.57%
2014 Net Return	Jan-14 3.87%	Feb-14 -1.20%	Mar-14 -2.57%	Apr-14 -4.25%	May-14 -1.12%	Jun-14 -2.51%	Jul-14 2.38%	Aug-14 4.51%	Sep-14 2.86%	Oct-14 3.01%	Nov-14 -0.23%	Dec-14 0.55%	2014 4.95%
2013 Net Return	Jan-13 -8.80%	Feb-13 5.50%	Mar-13 -0.19%	Apr-13 -7.71%	May-13 -8.13%	Jun-13 2.07%	Jul-13 4.81%	Aug-13 -0.08%	Sep-13 6.34%	Oct-13 4.20%	Nov-13 8.33%	Dec-13 3.33%	2013 7.95%
2012 Net Return	Jan-12 --	Feb-12 --	Mar-12 3.25%	Apr-12 -0.23%	May-12 2.39%	Jun-12 -0.03%	Jul-12 4.41%	Aug-12 3.40%	Sep-12 0.63%	Oct-12 -3.44%	Nov-12 1.51%	Dec-12 4.65%	2012 17.50%

Note: Index returns in Yen. * Based on 82.35% of funds which have reported June 2024 returns as at 17 July 2024

PERFORMANCE SUMMARY

	Fund (net)	Fund (gross)^	TOPIX (JPY)	Mothers (JPY)
1 month	-0.38%	-0.21%	1.34%	6.91%
3 months	-2.17%	-1.97%	2.14%	-10.01%
1 year	9.54%	12.06%	22.77%	-18.96%
Since Inception	78.15%	160.27%	236.10%	69.05%

^ Gross performance is calculated after the deduction of trading expenses (e.g. broker commissions) and before investment management fees and other non-trading portfolio expenses.

RISK PARAMETERS (MONTHLY)

Total Return (annualized)	4.79%
Standard Deviation (annualized)	13.36%
Sharpe Ratio (RFR=0%)	0.36
Beta (vs. TOPIX)	-0.09
Beta (vs. Mothers)	-0.08

INVESTMENT OBJECTIVE

The principal investment objective of the Fund is to deliver superior risk-adjusted absolute returns by investing primarily in the equity securities of Japanese companies. The Manager will seek to implement a fundamental long short equity strategy and capitalize on mispriced securities in order to achieve those returns.

INVESTMENT UNIVERSE

The Manager may utilise futures, options, warrants, swaps and other derivative instruments, which may be exchange-traded or over-the-counter however is expected to primarily focus on all listed Japanese equities and Japanese futures. The Manager may, in respect of the Fund, engage in short sales, margin trading, hedging and other investment.

INVESTMENT STRATEGY

The Manager will invest employing a combination of fundamentals and bottom-up research utilising an Long/Short market neutral approach. As a result of the investment process the investment universe in which investment opportunities are typically found is the Japanese small and mid-cap market.

The Shin-Ka Fund can however invest in large caps if they meet the investment criteria. Stock specific research will be conducted from a bottom-up perspective, relying on comprehensive fundamental research and insights generated through direct contact with the top management personnel of target companies. In addition the Manager will look for patterns in catalyst events and will monitor macro data.

KEY TERMS – CLASS A

Manager	Gordian Capital Singapore Private Limited	Management Fee	1.5% per annum
Investment Advisor	DarWin Capital Partners Inc.	Performance Fee	20% per annum HWM
Trustee	Elian Trustee (Cayman) Limited	Subscription	Monthly
Administrator	Portcullis Trust (Singapore) Ltd	Redemption	Monthly, 45 days calendar notice
Prime Broker	Nomura International plc	Redemption Fee	N/A
Auditor	Ernst & Young Ltd.	Minimum Investment	US\$1,000,000/¥100,000,000
Cayman Legal Counsel	Ogier	Currency Hedging	USD Class – Hedged
US Legal Counsel	Shearman & Sterling	Share Class	USD class/JPY class
Singapore Legal Counsel	Rajah & Tann LLP	Fiscal Year End	December 31 st
Japanese Legal Counsel	Koma & Ono Glocal Law Office		

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