Lindsell Train Japanese Equity Fund

All data at 31 March 2020

Fund Assets

¥64,015m / £478m

Share Price

A Yen	**¥464.59**
B Yen	**¥204.77**
B Yen Dist	**¥170.40**
B £ Hedged—Dist	**£2.5685**
B £ Quoted—Dist	**£2.7717**
C US Dollar	**$1.7485**

Source: Lindsell Train Limited and Link Financial Administrators (Ireland) Limited.

Portfolio Manager

Michael Lindsell

NOTE: Lindsell Train was appointed as portfolio manager to the Close Investments Japanese Equity Fund in January 2004 and then became Investment Manager and promoter on 2nd November 2009.

Fund Objective & Policy

To increase the value of Shareholders' capital over the longer term from a focused 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.

Fund Profile

The portfolio is concentrated, with the number of stocks ranging from 20-35, and has low turnover.

Calendar Year Performance (%)	***2015***	***2016***	***2017***	***2018***	***2019***
LT Japanese Equity Fund (A Yen)	+24.2	+2.9	+33.3	-6.4	+20.1
TOPIX Index	+12.1	+0.3	+22.2	-16.0	+18.1

Cumulative Performance (%) 31 March 2020	***Since Appt.***	***5yr***	***3yr***	***1yr***	***YTD***	***3m***	***1m***
LT Japanese Equity Fund (A Yen)	+199.7	+44.3	+25.8	-2.2	-10.3	-10.3	+5.9
TOPIX Index	+68.1	+1.8	-0.4	-9.5	-17.5	-17.5	-6.0

Source: Morningstar Direct. Fund performance is based on total return of A Class shares and is net of fees. The TOPIX performance has been changed to total return with effect from 2/11/2009 as disclosed in the Prospectus. Prior to that it was based on capital return. Past performance is not a guide to future performance.

Top 10 Holdings (% NAV)	
Nintendo	9.73
Kao Corp	9.46
Shiseido	6.96
Astellas Pharma	6.87
OBIC Business Consultants	6.67
Square Enix Holdings	4.86
Milbon Co	4.84
Hogy Medical	4.84
Takeda Pharmaceutical	4.83
Japan Exchange Group	4.76

Sector Allocation (% NAV)	
Consumer Franchises	47.1
Finance & Exchanges	4.8
Media incl. Software	24.6
Pharmaceuticals incl. Healthcare	20.8
Cash & Equivalent	2.8
Total	**100.0**

Lindsell Train sector definitions

Fund Information

Type of Scheme: **Dublin OEIC (UCITS)**

Launch Date: **30 October 1998 (Lindsell Train appointed January 2004)**

Classes: **A Yen, B Yen & B Yen Dist., B £ Hedged—Dist., B £ Quoted—Dist, C US Dollar**

Base Currency: **Yen (¥)**

Benchmark: **TOPIX**

Dealing & Valuation: **12 noon each Dublin & UK Business Day**

Year End: **31 December**

Dividend XD dates: **1 Jan, 1 Jul** **Pay Dates:** **31 Jan, 31 Jul**

Minimum Investment:

A: ¥200,000
B: ¥10,000,000 / £100,000
C: $250,000

Management Fees:

A: 1.10% p.a.
B & C: 0.60% p.a.

Ongoing Charges Figure (OCF)*:

A: 1.22% p.a.
B & C: 0.72% p.a.

ISIN :

A Yen: IE0004384180
B Yen: IE00B11DWM09
B Yen Dist: IE00B11DWS60
B £ Hedged—Dist: IE00B3MSSB95
B £ Quoted—Dist: IE00B7FGDC41
C US Dollar: IE00BK4Z4T73

SEDOL :

A Yen: 438318
B Yen: B11DWM0
B Yen Dist: B11DWS6
B £ Hedged—Dist: B3MSSB9
B £ Quoted—Dist: B7FGDC4
C US Dollar: 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 incorporates a reduction in the investment management fee, effective July 2019 ,and is indicative, based on expenses and average assets for the year ending 31st December 2019. It is calculated by the Fund Administrator and published in the KIID dated 14/02/20. 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 2, Ireland**
Investment Manager & Promoter: **Lindsell Train Ltd, 66 Buckingham Gate, London, SW1E 6AU, Phone: +44 20 7808 1210 / info@lindselltrain.com**
Board of Directors: **Alex Hammond-Chambers, David Dillon, Gerald Moloney, Lesley Williams & Keith Wilson**

Fund Administrator, Dealing & Registration: **Link Fund Administrators (Ireland) Limited. Phone: +353 1 400 5300 / Fax: +353 1 400 5350**
Regulated by the Central Bank of Ireland

Depositary & Custodian: **The Bank of New York Mellon SA/NV** ***Regulated by the Central Bank of Ireland***

Portfolio Manager's Comments

Last month we were disappointed when our portfolio of steady businesses underperformed the market. This month, in contrast, we are flabbergasted that it has outperformed the market by nearly 12%, actually rising in value by 6%! It illustrates just how unpredictable prices are in these extraordinary times.

The curtailment of commercial activity and the disruption to the pattern of lives brought about by the measures to combat the coronavirus will have a significant impact on most of our companies for a good part of 2020 and perhaps extending into 2021. There is no end date to the disruption and no template to work from in recent history, which makes the ultimate effect difficult to predict. Suffice to say our investment approach steers us away from capital intensive manufacturing businesses, those reliant on commodity prices to sustain revenues and those dependent on high operational leverage and debt financing. In aggregate our companies boast net cash on their balance sheets which helps them survive falling cash flows and allows them to continue to invest for growth in the future.

There is one exception. **Takeda Pharmaceutical** is burdened with debt following its acquisition of Shire last year. The debt is temporary - it is due to decline and to fall within acceptable boundaries by 2023 but to do so cashflows need to increase, helped by lower costs from acquisition synergies and sales of peripheral businesses and products not deemed core to its future. There is risk here, as there has always been since the acquisition - a drug could be withdrawn or asset sales may be delayed; but at least it's unlikely that the present disruption from the coronavirus outbreak will have much effect.

The rest of the portfolio is invested in cash generative business franchises supported by net cash or, where debt financing is used, it is backed by strong ongoing cashflows.

Our other pharmaceutical company, **Astellas**, is in the process of acquiring Audentes Therapeutics, a gene therapy specialist. In doing so it has depleted its cash reserves but for the right reasons - as it is investing for growth. Even after the ¥300m acquisition it has no net debt and its current products, Xtandi for prostate cancer and Mirabegron for incontinence, are selling better than expected. We would expect little if any disruption to its sales and cashflows from the coronavirus outbreak.

Least affected are our holdings in **Kao, Mandom, Yakult, Ito en, Earth, Calbee** and **Taisho Pharmaceutical**. All sell everyday goods whether food and snacks, household and personal care products or drinks and consumer healthcare products such as tonic drinks and remedies. Consumers might change the pattern of their consumption but will generally keep wanting these products come what may, which should ensure demand for them is sustained.

Kirin's on premise beer business will succumb somewhat but should be offset by a rise in home consumption both in Japan and Australia. Kirin's pharmaceutical subsidiary - Kyowa Kirin Pharmaceutical - should be unaffected and the company's move into consumer healthcare will presumably move on apace. (Our last monthly Japanese Commentary gave more detail on our views on Kirin, outside of the coronavirus impact. See Reports section on our website www.lindselltrain.com.)

Shiseido sells cosmetics with 60% of its sales abroad and 35% to Chinese consumers. Chinese demand cratered first but is now recovering whilst elsewhere sales are now falling, especially in Europe and the USA. In Japan a good proportion of sales represent mainstream products that should hold up better. 40% of sales are premium or prestige cosmetics that will be hit harder and for longer until consumer confidence properly recovers.

Milbon sells hair care products to salons and beauty parlours many of which are temporarily closed. Falling sales are unavoidable in the short term as its sales are not direct to consumers but the need for hair care will certainly return.

Broadleaf and **Obic Business Consultants** provide accounting payroll and business management software to small and medium sized companies. Much of their revenue is subscription based and therefore dependable. The threat will be from business failures. Broadleaf is more exposed as it is serving predominantly the auto after-market where clients (mainly garages) are smaller and more vulnerable.

Falling asset prices and trading volumes threaten **Morningstar Japan ('MJ')** and the **Japan Securities Exchange ('JPX').** So far trading is up, which led to an upward revision to JPX's earnings to 3/2020 last week. Probably this will not last, making JPX future earnings vulnerable. MJ's asset management business will already be suffering and its related data businesses will also be hit in time.

Meiko Network runs extracurricular classes for school pupils and so has been affected by Japan's closure of schools. Sales and profits will be hit but the strength of the balance sheet, its capital light franchising model and its investment in technology all play to its favour compared to competitors over the longer term.

Tsutsumi sells jewellery. It does so through a network of 180 shops. Business is bound to be poor and we will be finding out in due course if the company is making losses currently. The company however has huge cash

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reserves. Indeed it has signalled its financial strength by instituting a share buyback. At current prices it is buying back its own shares for less than the net cash in its balance sheet. From here it seems a long way to the point where discretionary purchases necessary to drive a business recovery will start, but its ample financial resources at least give it the time to wait.

Hogy Medical provides kits for operations, with the timely delivery of sterilised products configured for specific operations under contract with hospitals. Most equipment is bought in but gowns, gloves and other personal protective equipment is manufactured internally. In the current environment these products may be in high demand. Less of a beneficiary of the current environment but nonetheless relatively immune from the effect of coronavirus is **Medikit** that produces safety needles for intravenous use, particularly for dialysis patients, and guidewires for venal intervention. Demand for these products should sustain.

Nintendo and **Square Enix** are uniquely positioned to take advantage of the necessity to remain at home given their focus on home entertainment. Nintendo particularly specialises in multi-player family based games. The recent release of its popular 'Animal Crossing: New Horizon' game has coincided with the confinement of families in much of the developed world. This would be a positive for the company if only they could supply enough of the Switch hardware but supply issues with components for the console while China was in lockdown last month has led to new Switch models remaining in short supply today.

Our portfolio has minimal cash (given our policy to remain fully invested as far as possible) so we have little opportunity to take advantage of current low prices unless we see new inflows, which could be less likely in the current environment. Given the huge volatility in recent prices, we will however be keeping a close eye on the relative values of our existing holdings compared to the 60 or so reserve list of companies we monitor, in case a switching opportunity presents itself. That said, we are committed and enthusiastic about all our portfolio companies. We believe that, even if the next two years prove challenging, if they continue to exhibit the ability to earn higher than average returns on capital over the long term, they will prove rewarding investments especially when viewed against the alternative of negative yields exhibited by cash and bonds today.

Michael Lindsell, 1 April 2020.

The top three contributors to the Fund's performance in March were Nintendo, Kao and Yakult and the top three detractors were Takeda Pharmaceutical , Mandom and Medikit.

Source of Data: Lindsell Train Ltd, Morningstar & Bloomberg