

PROBUS INVESTMENT FUND UCITS

Saisei Japan Equity A - JPY



Fund fact sheet as of 30 December 2020

Quick facts

Fund category	Japan Equities
Reco. placement period	10 years
Last NAV (JPY)	5 208.31
NAV frequency	Daily
ISIN	LU1205057935
Distributed in	LU, CH, FR, UK
Risk and reward profile	<div> <div>1</div> <div>2</div> <div>3</div> <div>4</div> <div>5</div> <div>6</div> <div>7</div> </div> <div>Lower Risk Higher Risk</div>

Investment objective

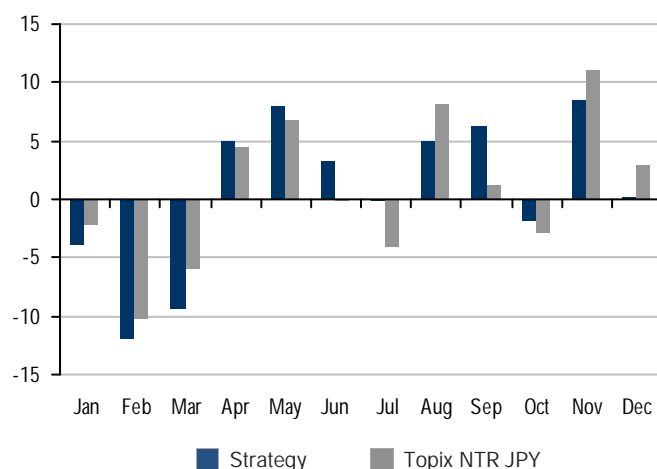
The Fund is a long-only open-ended fund incorporated in Luxembourg. Its objective is to carry out long-term investments and generate capital gains. The Fund seeks returns on an absolute basis in Japanese equities listed exclusively in Japan.

The approach is both thematic and bottom-up, with high conviction selection with between 35 and 40 names in the portfolio. It is benchmark and sector agnostic. The Fund offers great flexibility among market caps in which it has no limits, although it tries to keep a certain balance to capture market directions.

Cumulative performance



Monthly performances over 1 year (%)



Past performance (%) - Net returns

	Cumulative							Annualised	
	Month-to-date	Year-to-date	3 months	6 months	1 year	3 years	Origin	3 years	Origin
Fund	0.14%	6.69%	6.65%	18.78%	6.69%	-7.01%		-2.39%	
Benchmark	2.95%	6.99%	11.16%	16.76%	6.99%	5.43%	23.90%	1.78%	3.84%
Strategy	0.14%	6.69%	6.65%	18.78%	6.69%	-7.01%	15.36%	-2.39%	2.54%

Strategy: From 24/04/2015 to 30/11/2017, the Saisei Strategy (the "Strategy") has been applied to the sub-fund "IGNI Saisei Japan Opportunities Fund", existing under the laws of the Grand Duchy of Luxembourg, and registered under Part II of the law dated December 17, 2010 on Undertakings for Collective Investment (the "2010 Law"). From 01/12/2017, following the merger by way of absorption of the "IGNI Saisei Japan Opportunities Fund" to the new sub-fund "Probus Investment Fund UCITS - Saisei Japan Equity" (UCITS fund), existing under the laws of the Grand Duchy of Luxembourg and registered under Part I of the 2010 Law, the Saisei Strategy is continuously applied to this new sub-fund.

Fund information

Legal form	SICAV UCITS
Fund domicile	Luxembourg
Fund launch date	01/12/2017
Strategy launch date	24/04/2015
Total AUM (JPY)	3 208 680 550.00
Fiscal year end	December 31st
Fund currency	JPY
Reference index	Topix NTR JPY
Cut-off time	12pm Lux. Time
Investment manager	Probus Middle East Ltd
Investment advisor	Probus Compagnie SA
Custodian bank	Banque Degroof Petercam
Auditor	E&Y Luxembourg

Investment advisor

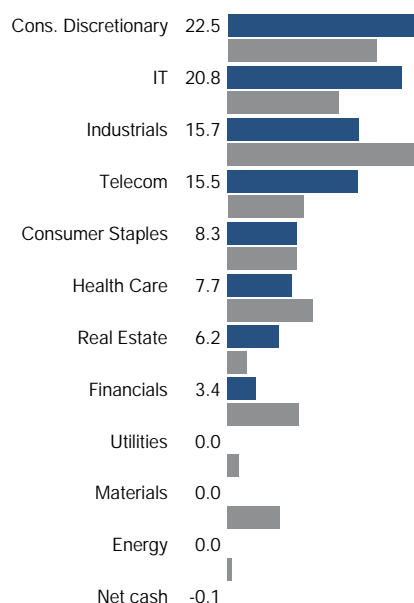
Frédéric Annoni

Frédéric joined Probus Group in 2016, bringing along his 32 years of experience in Japanese equities. Prior to Probus, Frédéric began his career at Nomura, spent 8 years at Nikko, where he helped set up the Japanese desk for Switzerland, and 9 years with Citigroup. He is currently in his 10th year managing the Saisei.

NAV analysis

3 years figures (ann.)	Strategy	Index	Value	Date
Annual volatility	19.90	17.18	52-week NAV high	5 267.61 01/12/2020
Beta	1.06		52-week NAV low	3 294.91 16/03/2020
Tracking error	8.16		Max drawdown (%)	-44.51 23/01/18-16/03/20
Sharpe	-0.02	0.19		
Information ratio	-0.56			

Sectorial allocation (%)



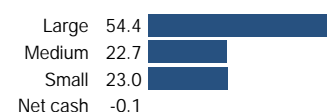
■ Fund ■ Topix

Note: Allocations and Breakdowns are not adjusted from derivatives positions.

Geographical allocation (%)



Market cap breakdown (%)



Top 10 holdings (%)

Sony	5.8	Kobe Bussan Co.,Ltd.	3.5
Z Holdings Corporation	3.7	SBI Holdings	3.4
giffie	3.7	Bridgestone	3.4
NEXON Co., Ltd.	3.6	Tokyo Electron	3.2
Katitas Co	3.5	ASKUL	3.0
Top 5 positions	20.2	Top 10 positions (%)	36.8

Other information

ROE (weighted av.)	14.15%
P/E Ratio	23.74x
Price-to-book ratio	2.19x
Dividend yield	1.35
Number of holdings	37

Available share classes

Class Name	ISIN	BLMG ticker	Curr.	Type	Launch date	Min. invest.	Mgt. fees	Perf. fees	OGC	Front / back load
A - JPY	LU1205057935	SAISEIA LX	JPY	A	01/12/2017	JPY 10 000 000	1.75%	10% with HWM*	2.39%	Up to 3%/Nil
AH - CHF	LU1941828300	PRSJAH LX	CHF	A	22/11/2019	CHF 100 000	1.75%	10% with HWM*	2.88%	Up to 3%/Nil
AH - EUR	LU1205058156	IGSAAH LX	EUR	A	01/12/2017	EUR 100 000	1.75%	10% with HWM*	2.49%	Up to 3%/Nil
AH - GBP	LU1941827914	PRSJAH LX	GBP	A	10/10/2019	GBP 100 000	1.75%	10% with HWM*	2.52%	Up to 3%/Nil
AH - USD	LU1205058313	SAISEAH LX	USD	A	01/12/2017	USD 100 000	1.75%	10% with HWM*	2.49%	Up to 3%/Nil
I2H - CHF	LU1941828565	PRSI2H LX	CHF	A	Not launched	CHF 2 000 000	1.10%	10% with HWM*		Up to 3%/Nil
I2H - EUR	LU1689249503	PRSI2E LX	EUR	A	15/01/2018	EUR 2 000 000	1.10%	10% with HWM*	1.84%	Up to 3%/Nil
I2H - GBP	LU1941828219	PRSI2H LX	GBP	A	Not launched	GBP 2 000 000	1.10%	10% with HWM*		Up to 3%/Nil
I2H - USD	LU1739245006	PRSI2H LX	USD	A	25/01/2018	USD 2 000 000	1.10%	10% with HWM*	1.81%	Up to 3%/Nil

*HWM = High Water Mark, for more information please refer to the fund prospectus.

Contact Probus Group

Geneva

Probus Funds S.A.
Place Saint Gervais 1
Case Postale 1988
CH-1211 Genève 1
+41 22 906 86 00

Dubai

Probus Middle East Limited
DIFC - Emirates Financial Towers
South Tower - Office 1101
P.O. Box 9519 - Dubai - UAE
+971 4 305 8000

Commentary

Although 2020 finished on a (slight) down note, Japanese indices were all green, except for the Topix Small Index (-2.18%). Yet, discrepancies were legion: the Nikkei 225 closed the year with a +16% gain, while the Topix ended up marginally +4.84% with heavyweight sectors such as Banks and Autos down by -21.7% and -0.47% respectively.

Similarly to other equity markets, concentration of performance among few stocks took place. In the Nikkei 225, 4 names were responsible for 75% of the positive return!! With Fast Retailing alone accounting for 26.55%. Meanwhile, within the Topix, 6 names were responsible for 88% of the positive return.

Sadly, in December Saisei was hit by two major holdings, i.e. Hino Motor (7205) and SBI Holdings (8473): on December 23rd, Hino North American production was halted until September 2021 (!). The stock lost -17% following the news. This is because issues arose in the US certification testing process with respect to engines for North America for the new model year. Unfortunately, nothing more was disclosed. The US is a growth market for Hino, even though only 8k trucks were sold last year (5% of total). Having said that, Saisei has bought Toyota's affiliate for two main reasons: its electrification plans (see project "Z") and the possibility that its mother company integrates it fully with a decent premium. Indeed, compared to Nikola (NKLA US) which has still to even build a plant, Hino looks as a much more promising bet.

SBI Holdings plunged by -11% on December 24th (X'Mas gift) following news of the US SEC lawsuit against Ripple coin XRP. According to latest SBI report, it is estimated the company's stake in Ripple is around 4% of shareholder's equity. So, although the risk that a financial settlement would have on Ripple's finances, the market's negative reaction seems largely overdone. Also, SBI and Nomura for example are convinced that the SEC allegations are wrong. Yet, in the meantime, XRP is at risk and the public image seems negative on a short-term outlook. Saisei will take a passive attitude on the subject as it seems the remaining activities at SBI continue to grow smoothly.

Early December, Saisei has added two small positions in two small capitalisation stocks. It first bought Autonomous Control Systems Lab (6232). The company has experienced steady government demand for drones for various prospects, such as checking requirements for nuclear and/or utilities companies. Moreover, more and more domestic agencies and companies are using sophisticated drones for work and controls deemed necessary. Besides, the Japanese government movement to restrict the purchase of China-made drones is a tailwind. The company stresses that they have a technical advantage over other domestic companies. Saisei also initiated a position in a company it has been watching for a few months now: Nippon Kodoshi Kogyo (3891). The company handles various separators with a world market share of 60% for aluminum electrolytic capacitors, 90% for capacitors and 100% for lithium-ion battery paper separators. All three components are necessary for various applications ranging from smart phones, to wind farms and to EVs. It seems that without Nippon Kodoshi's products, it is extremely difficult, or even impossible to have batteries running. Both purchases were made using some cash, and reducing other components in the Fund.

Finally, Saisei added NIKON (7731) in late December, as a contrarian idea. While the Nikkei 225 trades at a 30 years high, this well-known global name trades at a 30 years low. Of course the advent of smart phones, eclipsed most of the camera (reflex) business. Following the recent nomination of a new younger CEO and a new CFO, the company has just announced it will cut its workforce by 10% while moving their camera production offshore to Thailand to cut cost. Meanwhile, Nikon remains very well-funded with a huge cash reserve of 303 billion JPY (market cap is 246 billion JPY!). In March 2020 the company spent 30 billion JPY on a buyback of 6.9% of outstanding shares. The company is net cash and still pays a dividend of 3%. It trades at 0.45x PBR, while its cross-holding shares stand at 1.2 billion USD, which it can sell very easily. Yes, their SPE business has taken a toll with COVID (40% of sales with margins of 20% last year, dropping to -9% this year), but with the electronic world booming it will not take long for this to reverse. A potential and possible take-over candidate?

From the lows of March 2020, Saisei returned +58.07%, while the Topix gained +45.97 over the same period. For the year, the top three positive contributors were: Nexon (300 bp) Nihon M&A (268 bp) and Media Do (205 bp). While the top three negative return contributors were: Hitachi (-175 bp), Hitachi Construction (-149 bp) and Lixil (-140 bp).

For 2021, except for extraordinary events, Saisei plans to drastically reduce its turn-over. Meanwhile, should markets be less concentrated as they were in 2020, the Fund's stock selection shall outperform in a decisive manner. Also, Saisei finds little interest in the "growth-value" debate, as it finds it irrelevant. Indeed, Saisei strongly believes that should markets return to some form of normalised behaviour, its choices of stocks, be it thematic, or pure bottom-up will handsomely reward patient investors.

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Source: Probus Group & MorningStar for performance figures.

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