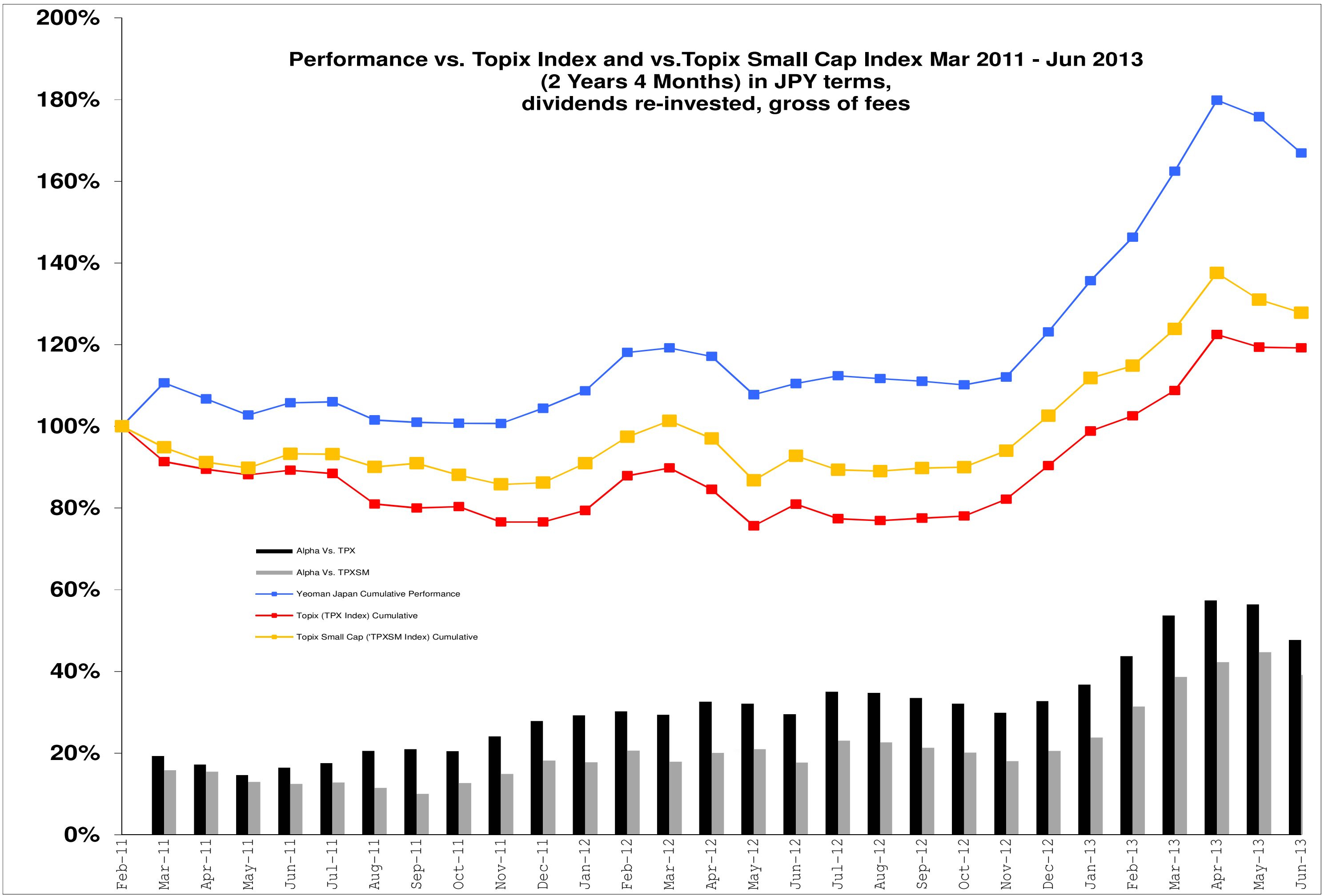
YEOMAN VALUE JAPAN FUND

At 28 Jun 2013
Total Value of Fund:
¥178,833,028

Performance: 2yr 4mo ending 28Jun13

Period	Fund	Index		Out/Under Performance	
		Topix (TPX)	Topix Small Cap (TPXSM)	Vs. TPX	Vs. TPXSM
CAGR (p.a.)	**24.56%** p.a.	**7.81%** p.a.	**11.09%** p.a.	**+16.74%** p.a.	**+13.47%** p.a.
Cumulative Performance From Mar11 to Jun13 (2Yr 4mo)	**66.93%**	**19.19%**	**27.81%**	**+47.73%**	**+39.11%**
Jun 2013	-5.04%	-0.17%	-2.47%	-4.87%	-2.57%
YTD 2013	35.58%	31.87%	24.59%	+3.71%	+10.99%
Historical Performance					
Jan12 to Dec12	17.93%	18.01%	19.03%	-0.08%	-1.10%
Mar11 to Dec11	4.40%	-23.41%	-13.81%	+27.81%	+18.21%

Note: In YEN terms, gross of fees, dividends re-invested.



Equities/Cash Allocations	Portfolio Valuations (trailing)
Equities 98.88% Cash 1.12%	PE 10.70x P/B 0.46x Dividend Yield 2.84% p.a. ROE 4.86% (1 yr) 6.31% (5 yrs average) Weighted Ave Mkt Cap ¥$10.48bn

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Japan, regional stocks may still rise

Japanese households holding trillions of dollars in banks could pump money into equities, reports TEH HOOI LING

Mr Tsujimura: Thinks the Japanese market is undervalued relative to historical levels. –

THE flow of cash from Japanese households into equities is far from over, and as such there is still room for stock prices in Japan and the region to go higher, said Hiroki Tsujimura, Nikko Asset Management's chief investment officer for Japan.

Japanese households had US$8.5 trillion of cash sitting in banks as at end of last year, noted Mr Tsujimura, who was promoted to his current position in January this year. Obviously, some of the cash has since moved into risk assets but there is still a large amount on the sidelines.

"Sixty per cent of that cash was held by people who are aged 60 years or older," said Mr Tsujimura in an interview with Executive Money recently. "These people know the bubble period of the '70s when the oil crisis hit, and the bubble of the '80s, and what it was like when inflation hit. So cash may move into equity more quickly than we expect."

Just to get an idea of how much US$8.5 trillion is: According to Bloomberg, the market cap of the **entire Japanese market is US$4.3 trillion**, the US market is worth US$19.5 trillion, and Singapore US$0.58 trillion, or US$580 billion.

There has been a continuous net inflow of funds into equity mutual funds in Japan in the last few months. In April, the inflow amounted to S$5.5 billion - the highest since 2000.

"Keeping cash was the right investment decision because of deflation of more than 15 years," said Mr Tsujimura. "But now, with Abenomics, we are seeing the strongest commitment from the government, from the Bank of Japan (BOJ), to raise inflation to 2 per cent in two years.

"So now, Japanese investors are starting to think that inflation may come soon. There's a change in inflation expectation," he noted.

This change in inflation expectation led to the 80 per cent surge in the Nikkei 225 in the six months to the third week of May. Then talks of the US tapering its bond-buying programme spooked the market, and the market corrected by 22 per cent in three weeks. It has since recovered 17 per cent from the recent low, but it is still 9 per cent off its recent peak.

Mr Tsujimura thinks the Japanese market, at current earnings multiple of 14 to 15 times, is undervalued relative to historical levels. The fair value should be around 16 to 17 times earnings.

But the direction of the Japanese equity market has a lot to do with the movement of the yen. A weakening yen will lead to a strengthening stock market, and vice versa.

At 100 yen to US$1, "we are looking at a 70 per cent increase in the big Japanese companies' earnings for fiscal year 2013", said Mr Tsujimura.

The yen, opined Mr Tsujimura, could sink to 120 against the US dollar in three years' time - as a function of both the strengthening US dollar and the weakening Japanese yen.

On the US side, the government is talking about exiting its quantitative easing programme. And with shale gas, its trade balance should improve. On the Japanese side, the government has just started talking about monetary easing. And its account balance is deteriorating given that it has to import oil following the meltdown of its nuclear plants.

Abenomics, said Mr Tsujimura, is already having a positive impact on the real economy. In a recent BOJ Tankan survey, 22 out of 28 industries said that business climate is improving. Government tax revenue collected for the year ended March 2013 was S$16 billion - or about 3 per cent - higher than expected.

My Tsujimura's biggest concern now is how, when and where all the cash will move to. "There is no history of how, after 15 years, will the Japanese investors move their cash," he said.

But he noted that home country bias among Japanese investors is not as strong as before. In other words, a significant chunk of that cash may flow into other parts of the world.