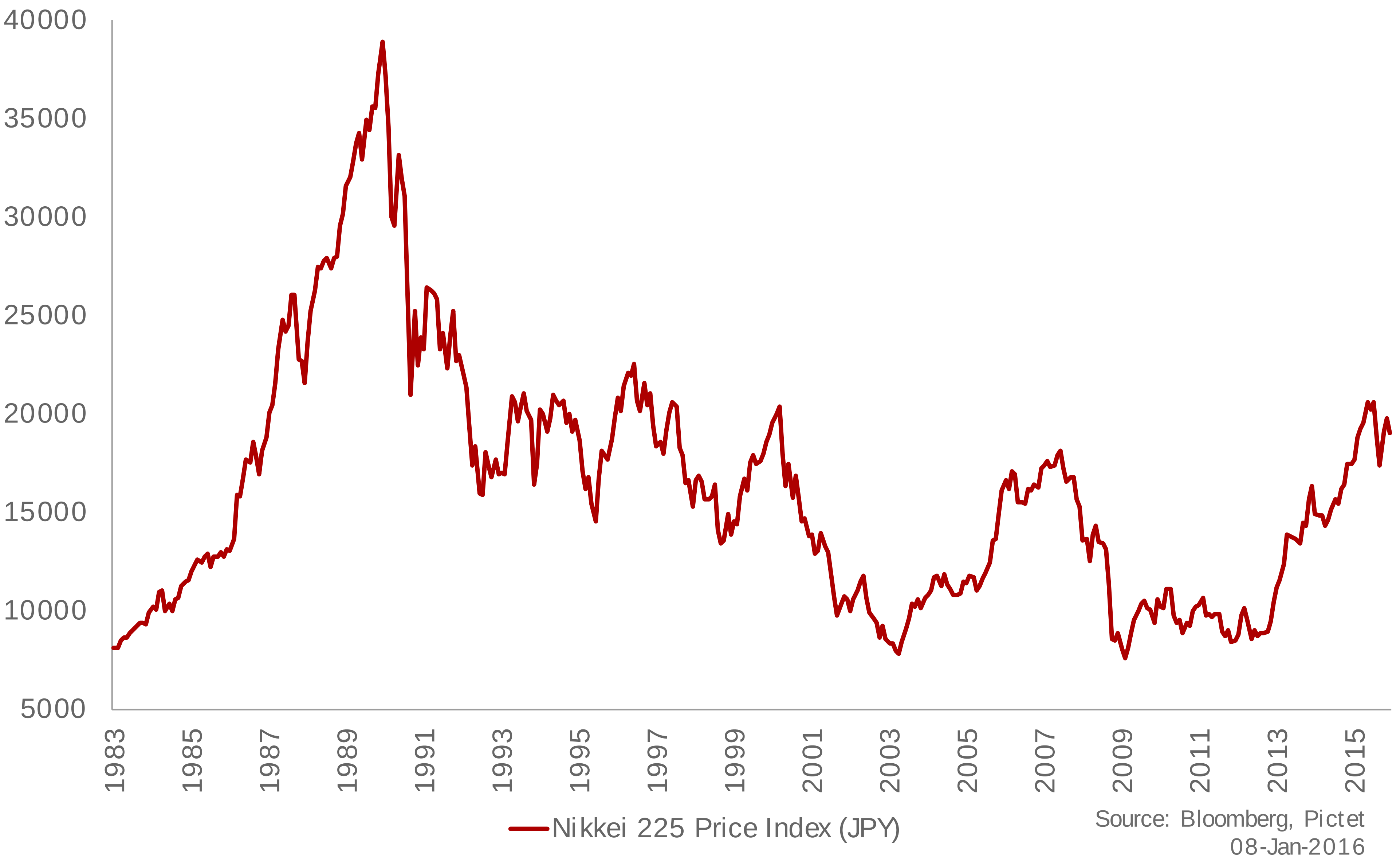
Japanese Equities

December 2015

Market Outlook

The Long View … Now what?



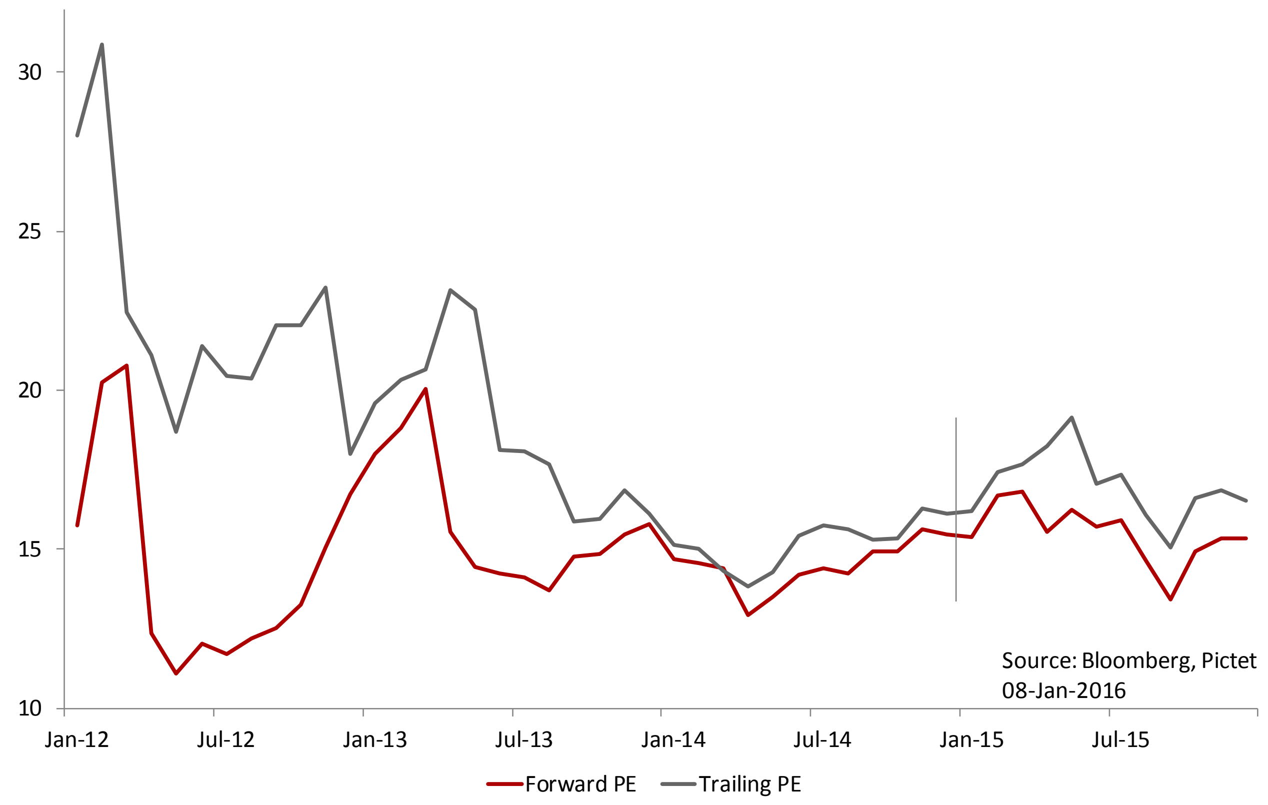
Source: Bloomberg, Pictet
08-Jan-2016

Change in price, no change in value

Despite the rise in the market and the outperformance of Japan versus other developed markets, there has been no rerating.

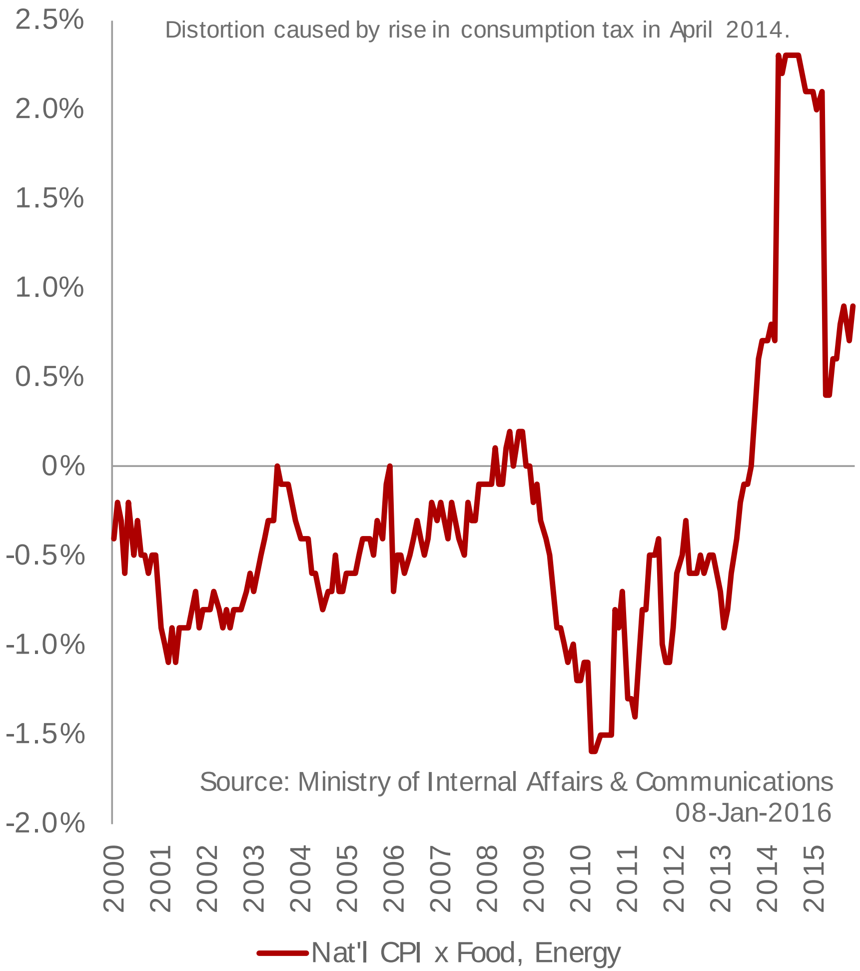
This is rather in contrast to other major markets.

TOPIX trailing and forward looking PE measures

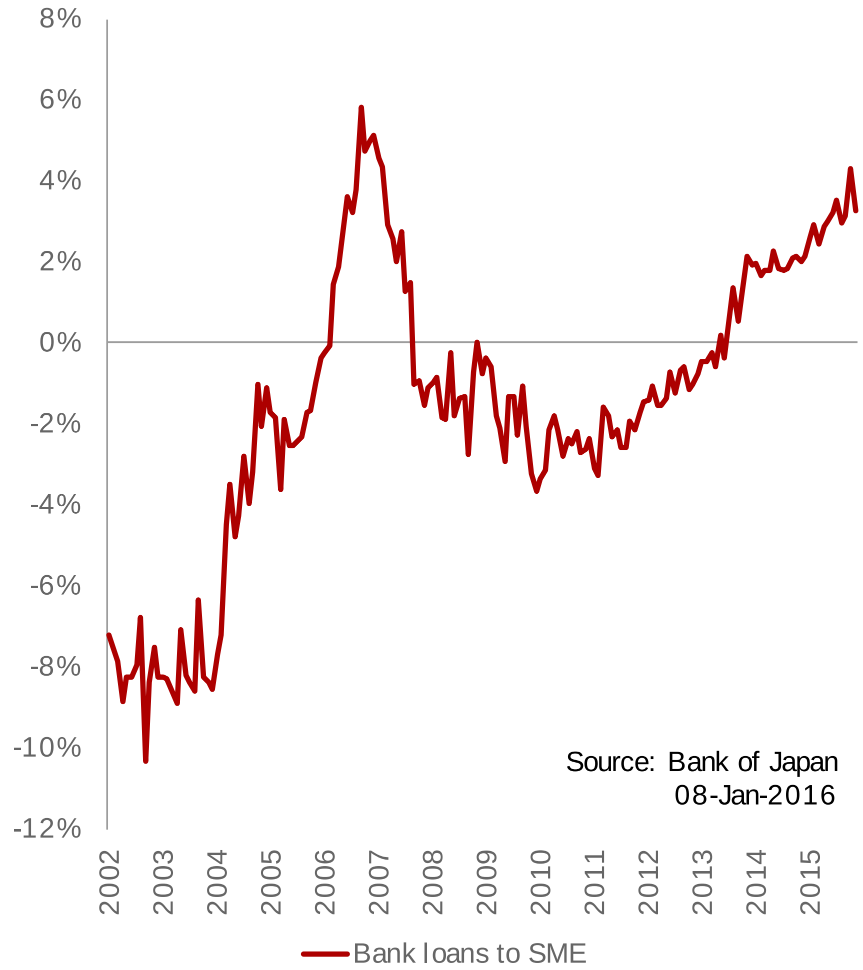


Deflationary pressures are easing and reversing…

Inflation (National core CPI, YoY%)



Bank Loans to Small-Medium Enterprises (YoY%)



… and wages are improving

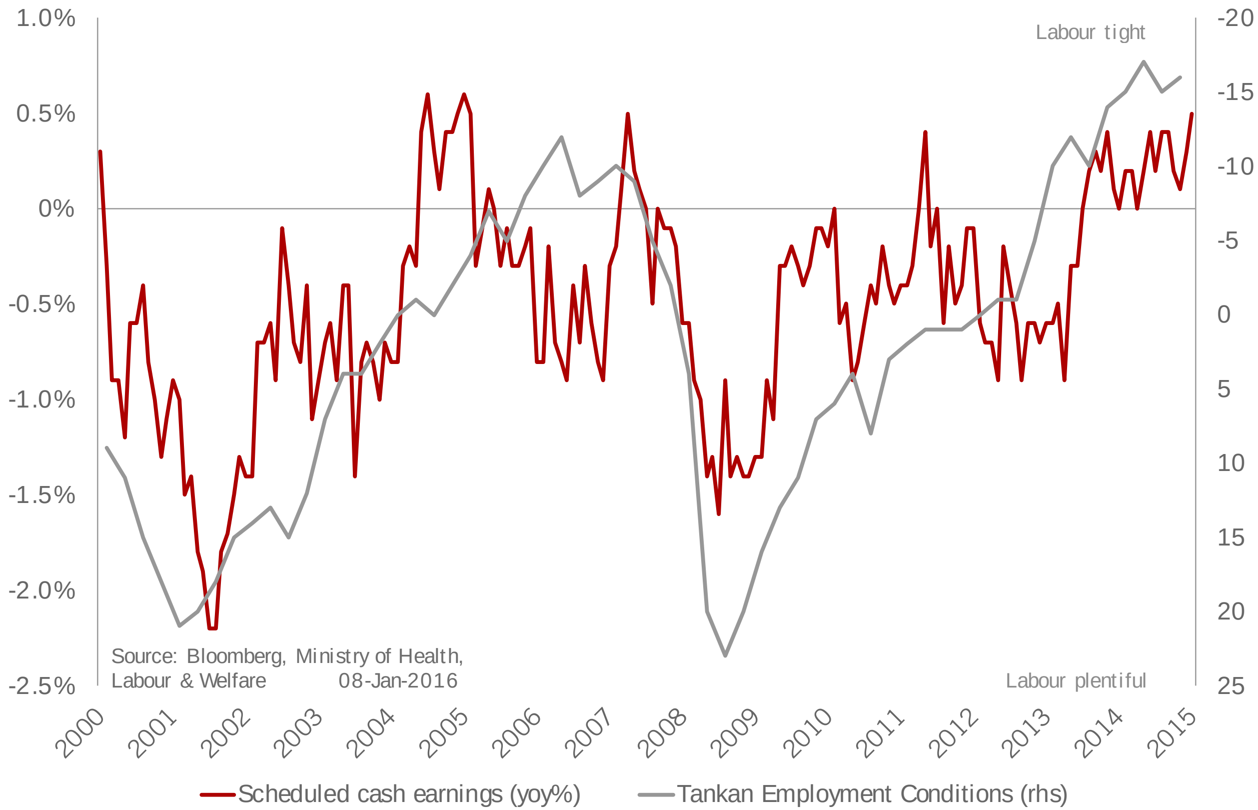
The labour market is tightening quickly.

This is most obvious in the temporary worker market where the rate of wage inflation is over 3.5% yoy.

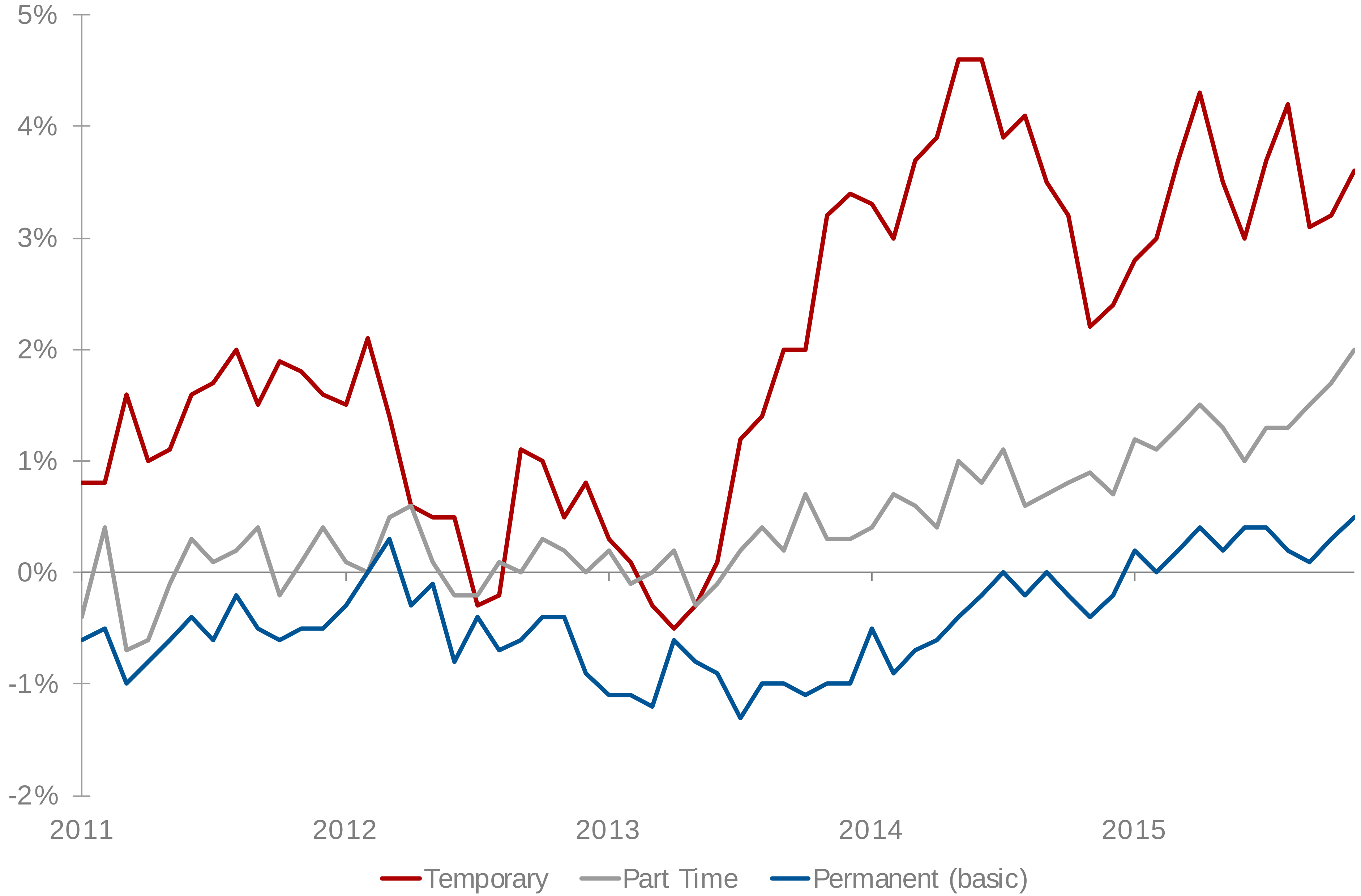
In last year's spring wage negotiations, the unions achieved 2.3% yoy increases, of which 1% was a rise in base pay with the balance from the usual seniority increases.

Wages continue to climb - as should the proportion of full time workers.

Basic Wages and Perception of Labour Supply



Wages responding to demand (yoy%) in order of liquidity



Have domestic institutions finally stopped selling?

The foreign investor responded enthusiastically to Shinzo Abe, with a surge of buying.

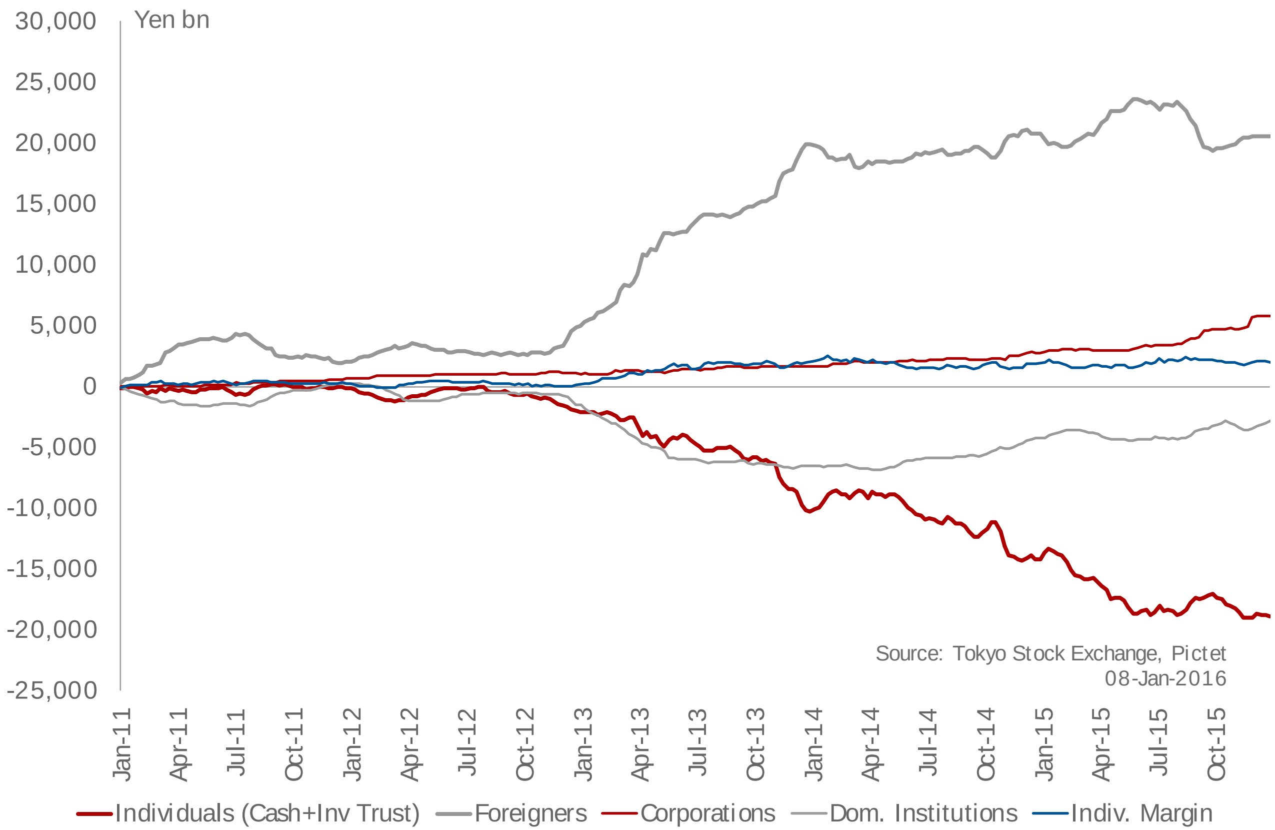
The supply came from domestic institutions and cash based retail investors who as usual “bought the dips and sold the surge”.

All this has now reversed.

Institutions have been buying, led by the Government Pension Investment Fund (GPIF), but now including the other public pension funds.

An increase in domestic investment as opposed to foreigners should help reduce market volatility.

Individual Participation in Japanese Equity Market (net flows, Yen bn)



Source: Tokyo Stock Exchange, Pictet
08-Jan-2016

The foreigner is still a momentum taker

Foreign investors tend to be extremely pro-cyclical.

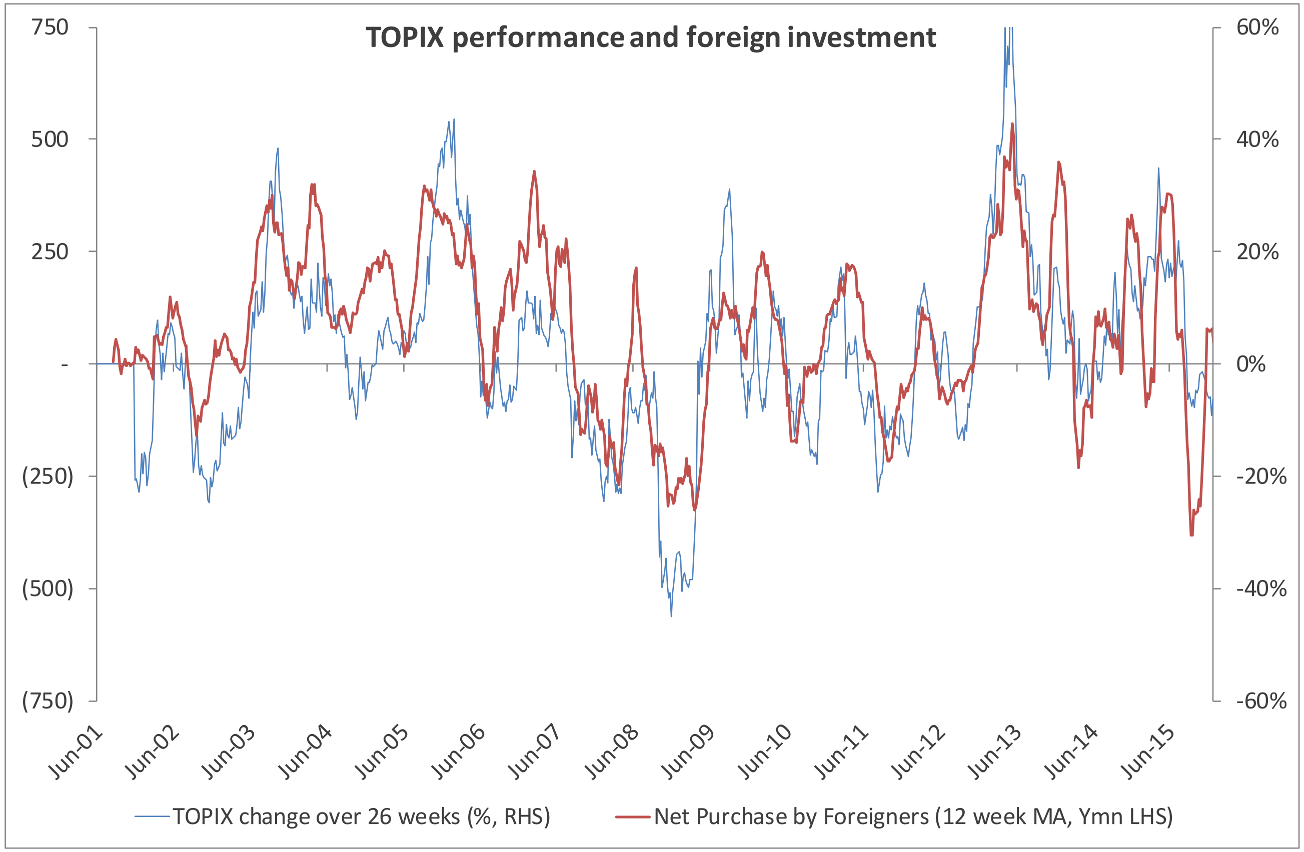
This is very much what you would expect to see if foreigners still treat Japan as an optional market.

For balanced mandate investors, Japan will only be a few per cent of their index … so is there any point in treating it as a separate asset class?

Instead, many foreign investors just seem to treat Japan as a global growth / China proxy.

This leads to momentum investing.

Foreign net purchases and TOPIX momentum



But what about Arrow #3?

The Third Arrow never went missing: Abe's government has already done and is continuing to do significant policy changes.

The TPP has been a significant highlight (though ratification is some way off), while female participation rate and wages have already grown – albeit largely thanks to market forces.

The most significant recent action has been the plan for substantial cuts to corporation tax, which will drop to 31% by 2016.

Trans-Pacific Partnership	Abe is very keen to join the TPP, despite reservations from the rest of the LDP. Cabinet Office estimates +0.7% GDP.
Special Economic Zones	Various proposals floated for SEZ and other means of encouraging FDI.
Corporate Governance	Public funds to adopt Nikkei 400 Index and adhere to Stewardship Code; Corporate Governance Code
Increase Participation Rate	Female employment participation rate 10% below G7 average.
Wage growth	Despite apparent desire for deregulation, Abe has not been shy about leaning on the keidenren
Increased investment	Targeting both excess corporate savings and also the "silver savings" – changes to inheritance tax
Corporate Tax	Substantial cuts to corporate taxation, encourage domestic investment and repatriation of profits

Pressure to improve governance

- Stewardship Code
  - Meaningful dialogue with domestic investors
- Governance Code
  - RoE targets and Independent Directors
- Nikkei 400
  - Incorporates governance factors such as RoE
- ISS
  - Vote against management if RoE hurdle not met
- Inflation
  - Holding excess cash even more difficult to justify

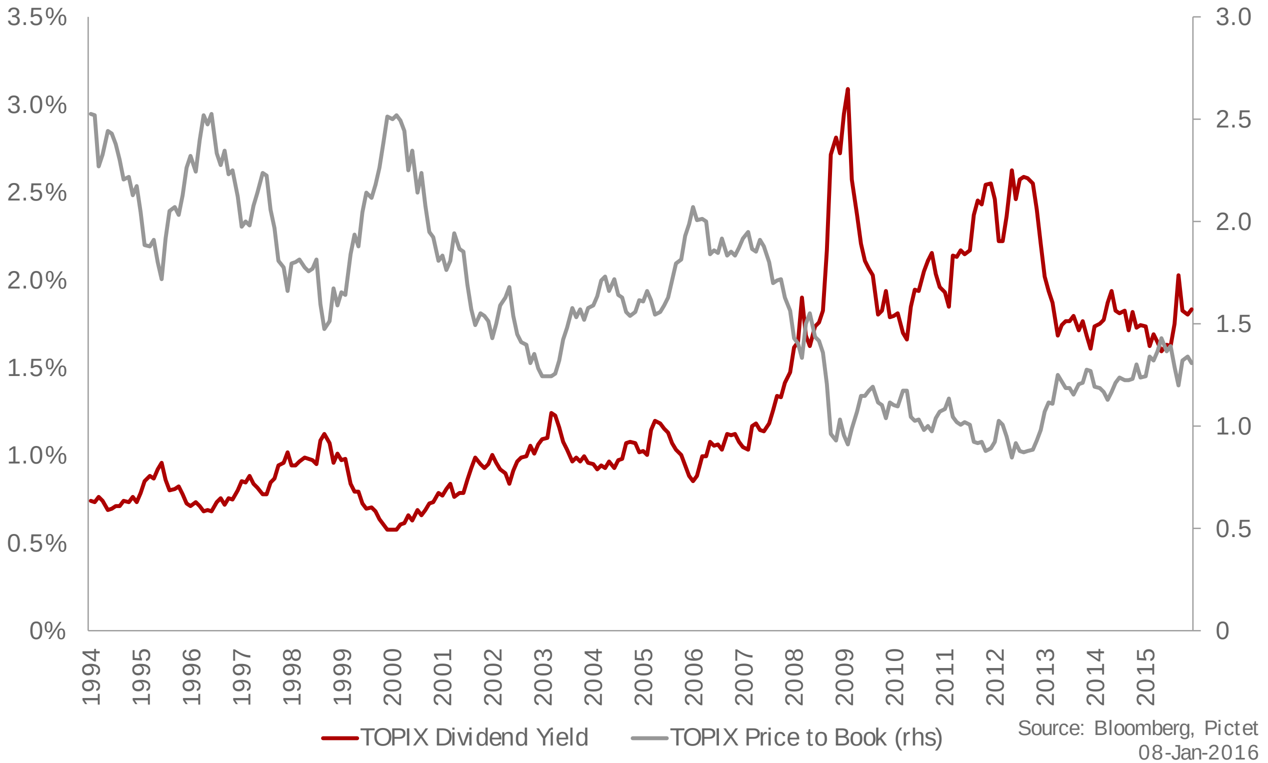
Implications for equity market

- Policy setting broadly positive for equities
  - Expect shift out of low risk assets
- Asset-backed equities particularly well placed
  - Land prices expected to rise
- Outlook for consumer stocks good
  - Cost push inflation and the drag on real income is easing
  - Also offset by wealth effect
  - Labour market is tight
- Yen remains weak
  - Exporters benefit from translation effect
  - Competitive position also improves
  - This is a boon to a restructured corporate sector

Japan is *still* cheap versus history…

The market remains cheap…

Dividend Yield / Price-to-Book



Source: Bloomberg, Pictet
08-Jan-2016

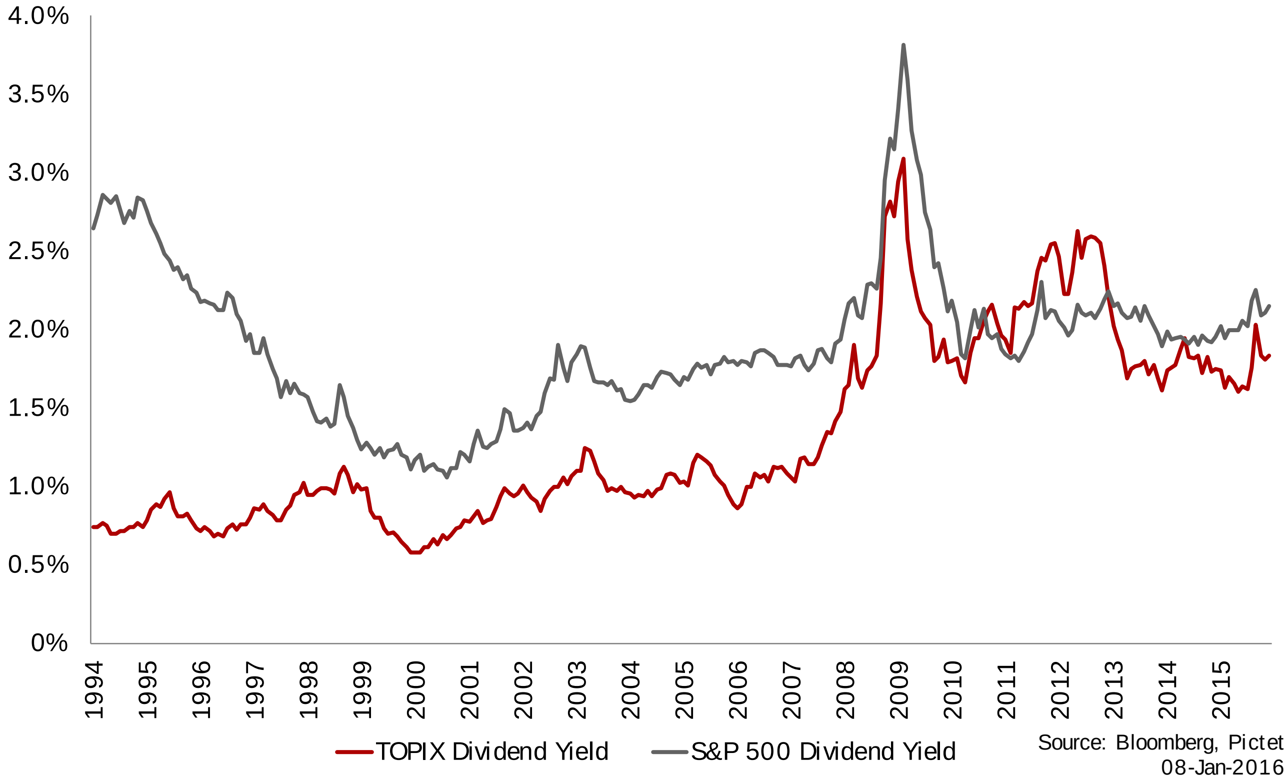
… and other markets

… with a yield comparable to the US.

Before 2010, the last time the TOPIX had yielded the same as the S&P was March 1972.

It is now a common occurrence.

Dividend Yield



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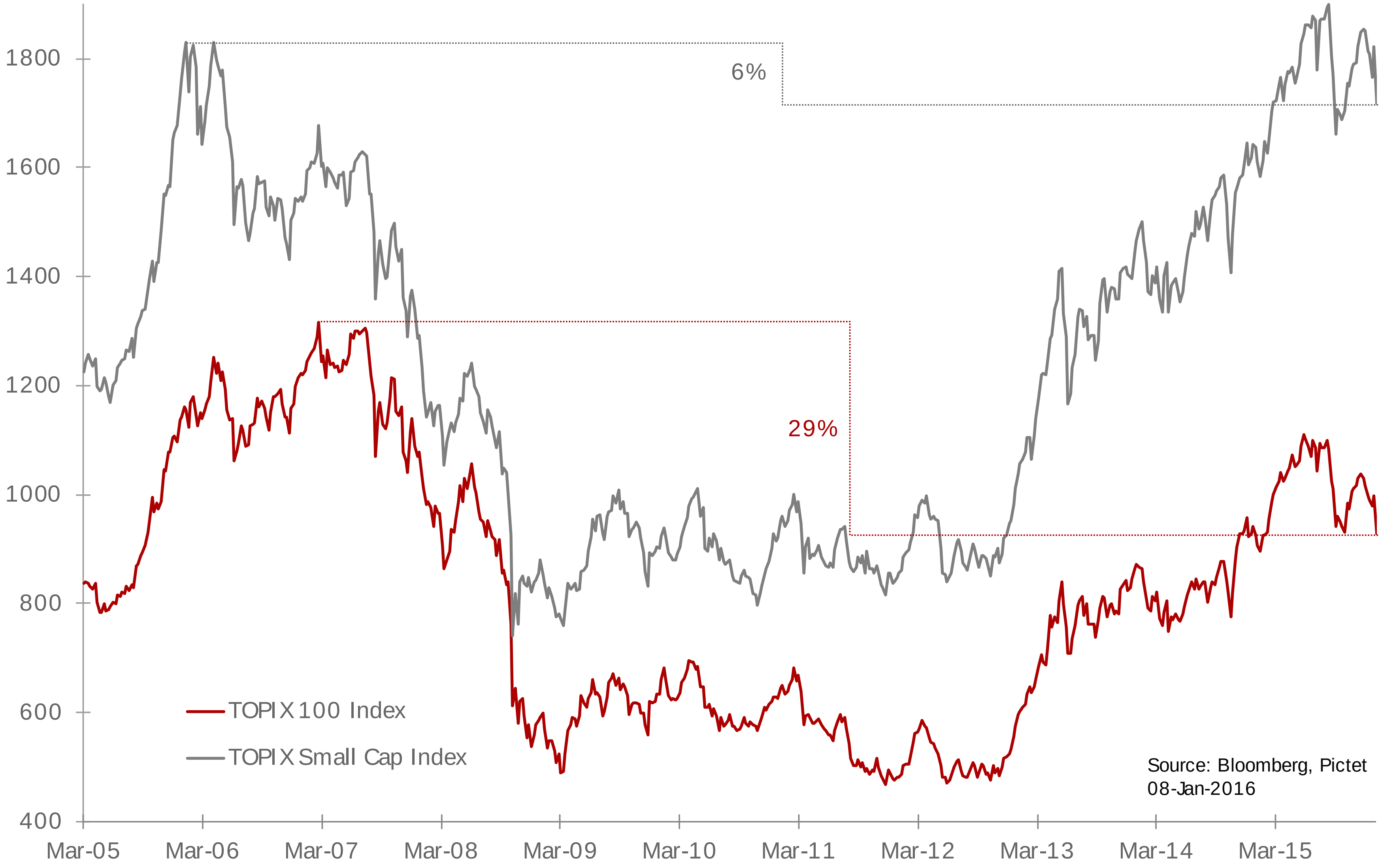
Large caps are significant laggards



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08-Jan-2016

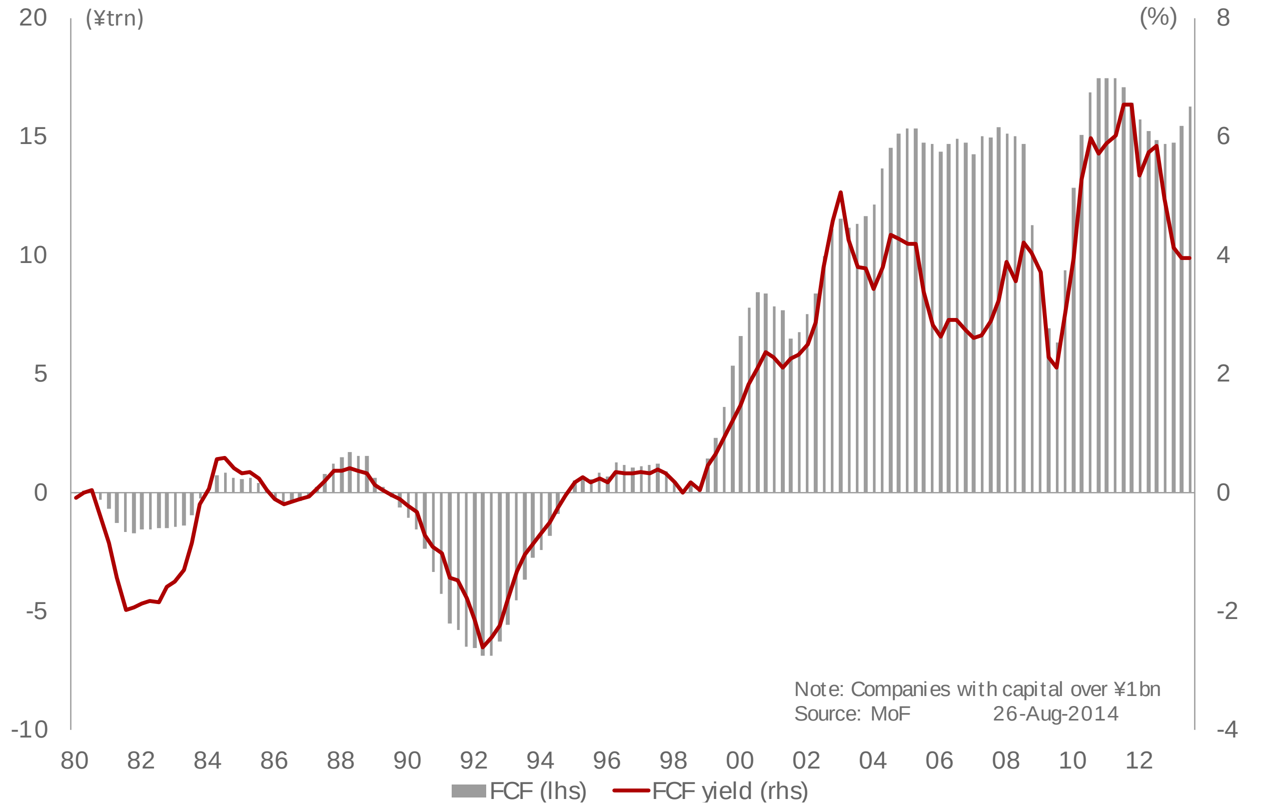
Free cash flow has improved dramatically

Sharp contrast between pre and post Millenium. The change comes with the Asian Crisis and the start of the collapse of the Japanese financial system.

This hoarding of cash was immensely deflationary, causing the velocity of transactions to collapse.

A reversal of this trend would see substantial investment. This would in turn produce a significant lift in RoE as leverage rises.

Free Cash Flow and FCF Yield (all industries, 4 quarters mav)



M&A boom in Japan

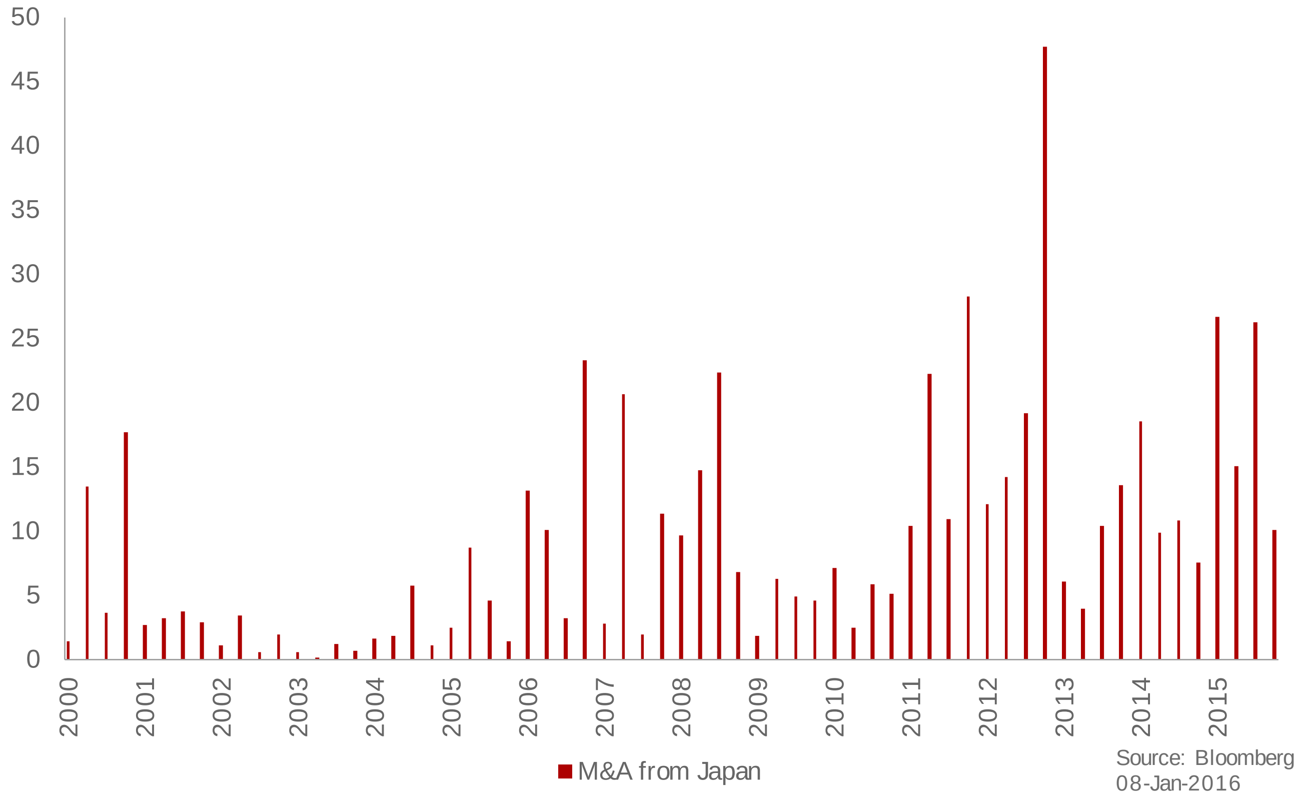
Japan's companies developed an appetite for acquisition in 2012.

There was a rise in M&A activity in 2007 but a bunker mentality took hold in 2009.

The strong Yen was a contributing factor in 2012 and 2013, but despite the drop in the Yen, the transactions have stayed robust.

There has been a strong rise in animal spirits.

Cross border transactions by Japanese companies ($bn, where disclosed)



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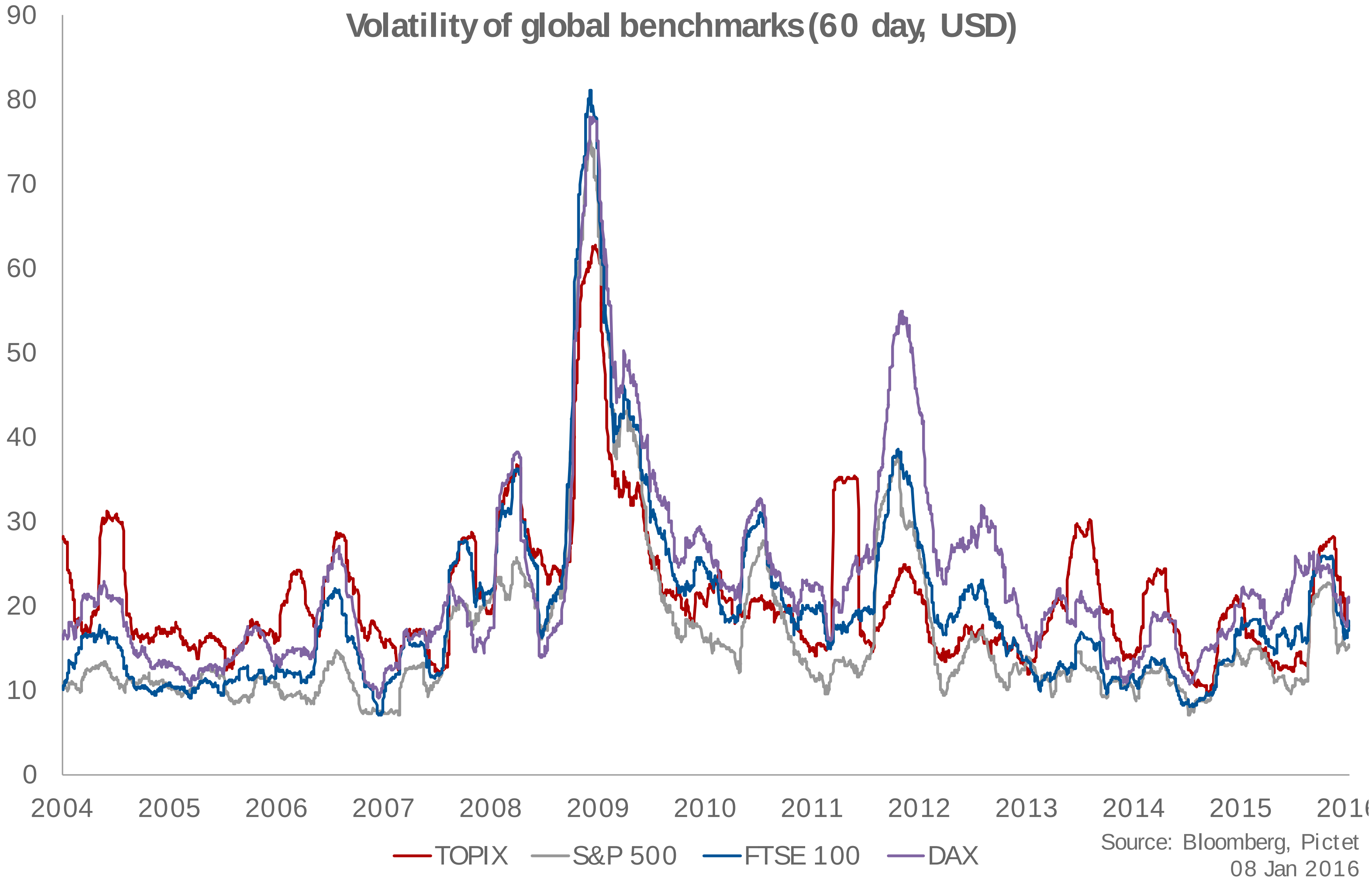
Volatility? What volatility?

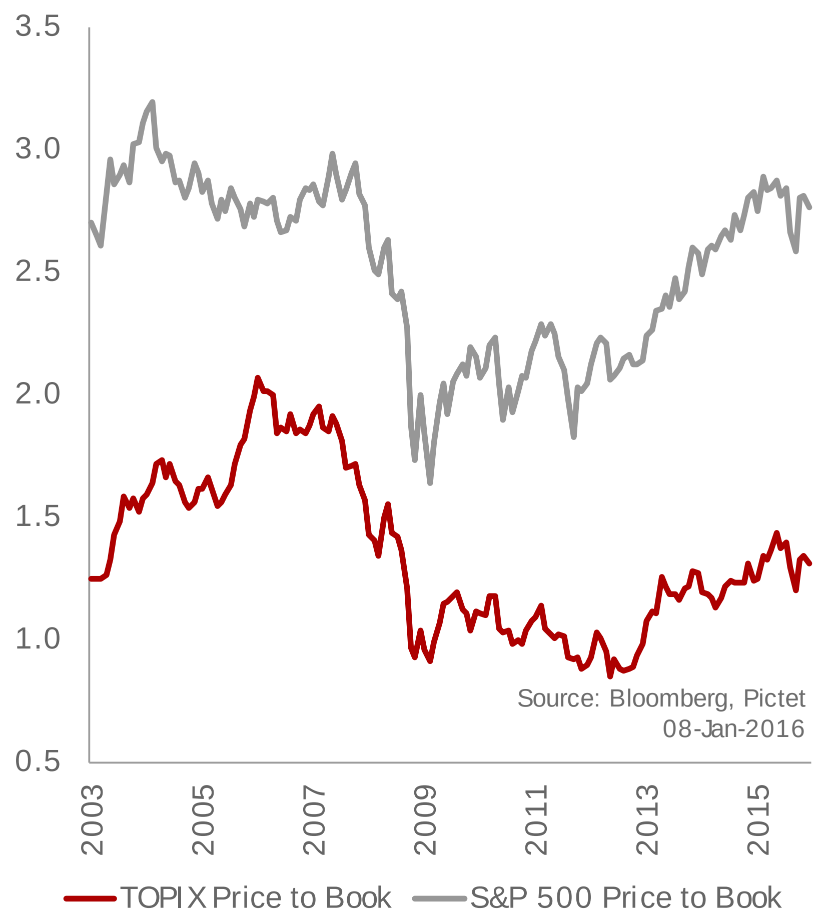


The Cabbage Chart

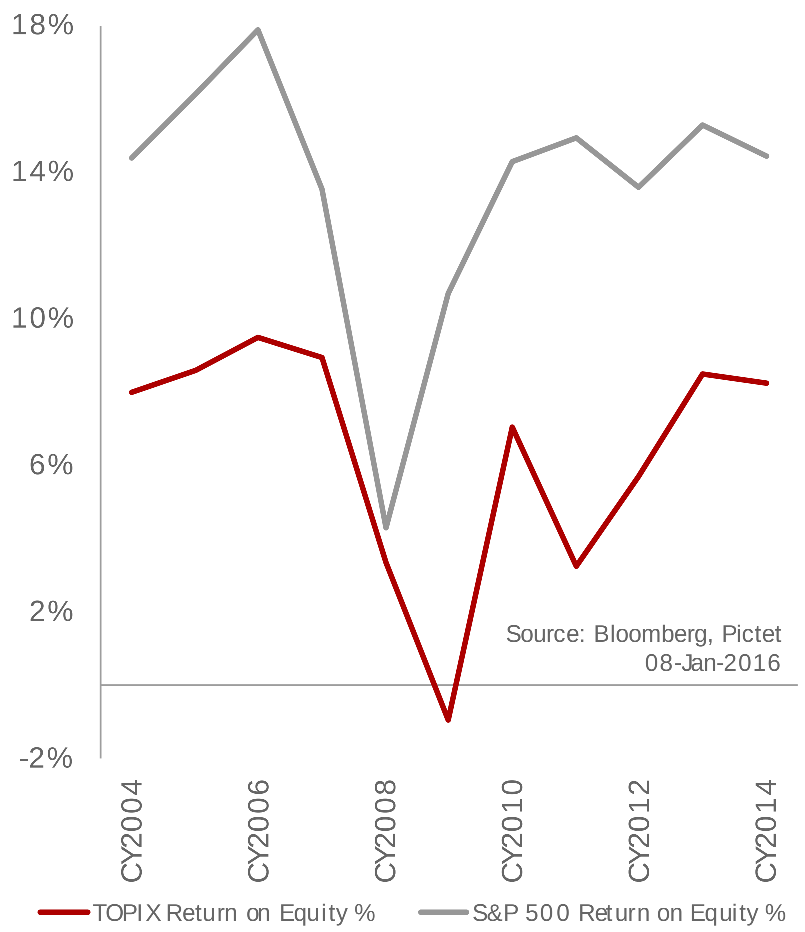
(aka The Problem with China)

So what? The Return on Equity is too low…

Price to Book – Japan looks cheap…



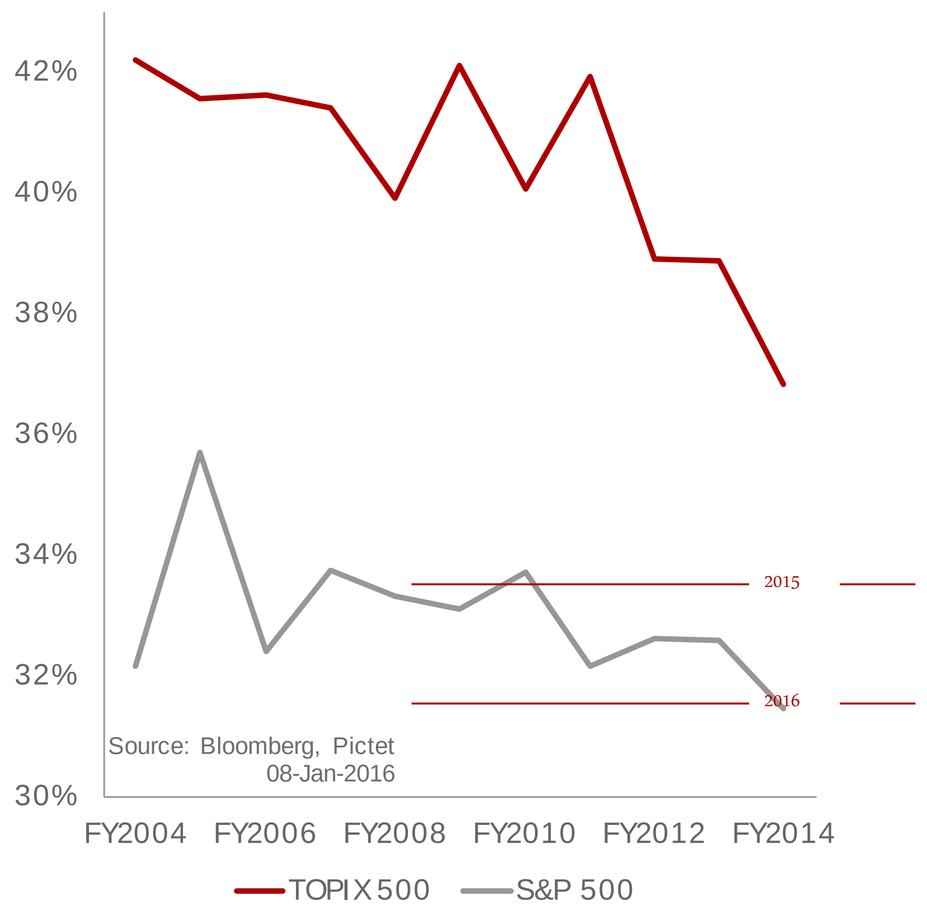
… but surely for a reason – isn't the Return on Equity low?



Look inside the RoE for the true picture

Asset Turnover – Lessons from deflation (Revenue / Avg Assets)

Effective Tax Rates – The gap will shrink



To allow comparisons, these calculations show the median results of the GICS sector medians ex financials

Operating Profit Margin

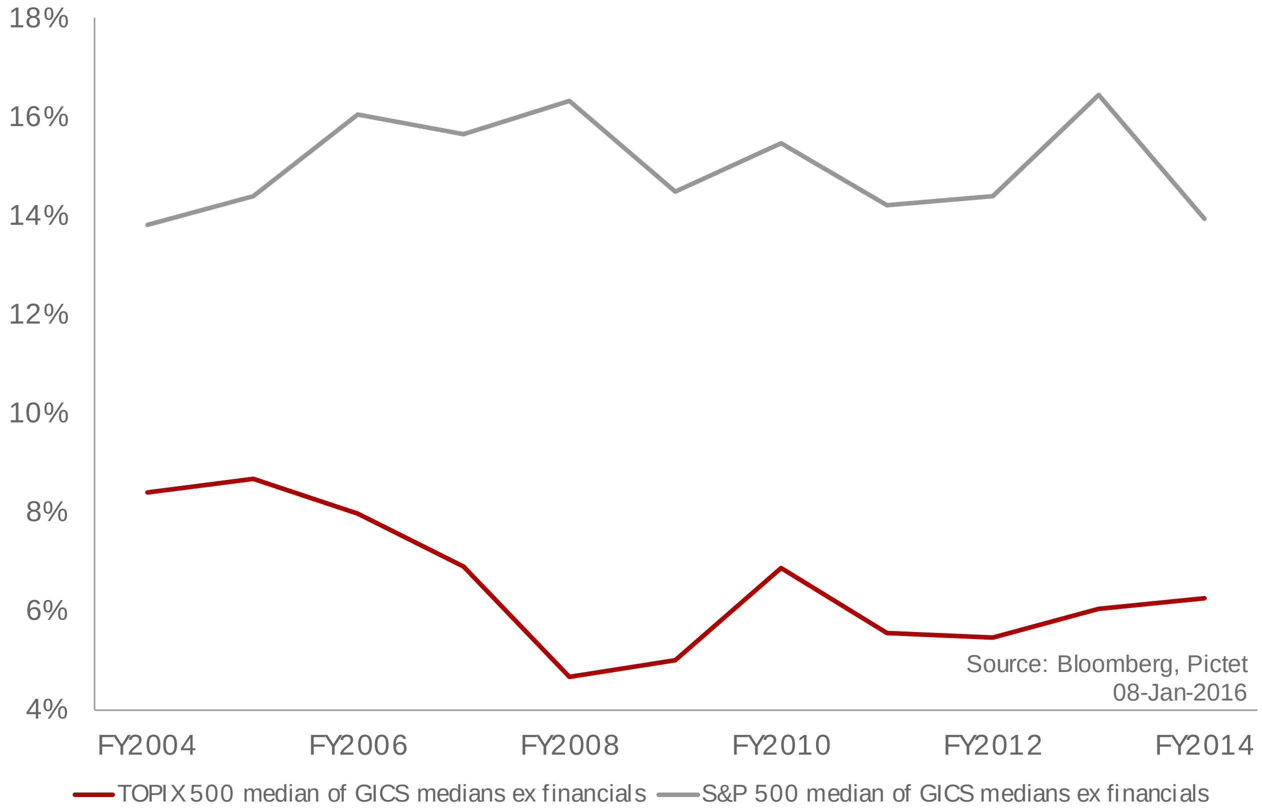
Whatever may be happening elsewhere in the report and accounts, it is surely incontrovertible that the margins for US are superior to Japan.

Nor will I try to argue this point.

There is an interesting hypothesis for this difference. The cost structures of the US and Japan are very different, with the fixed cost base much higher in the US, hence greater leverage.

However, as corporate Japan specialises more and divests itself of extraneous assets / divisions, it is not only improving margins in general but also seeing a drop in the variable cost ratio.

Operating Margin (EBIT / Revenue)



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Different approaches to the balance sheet

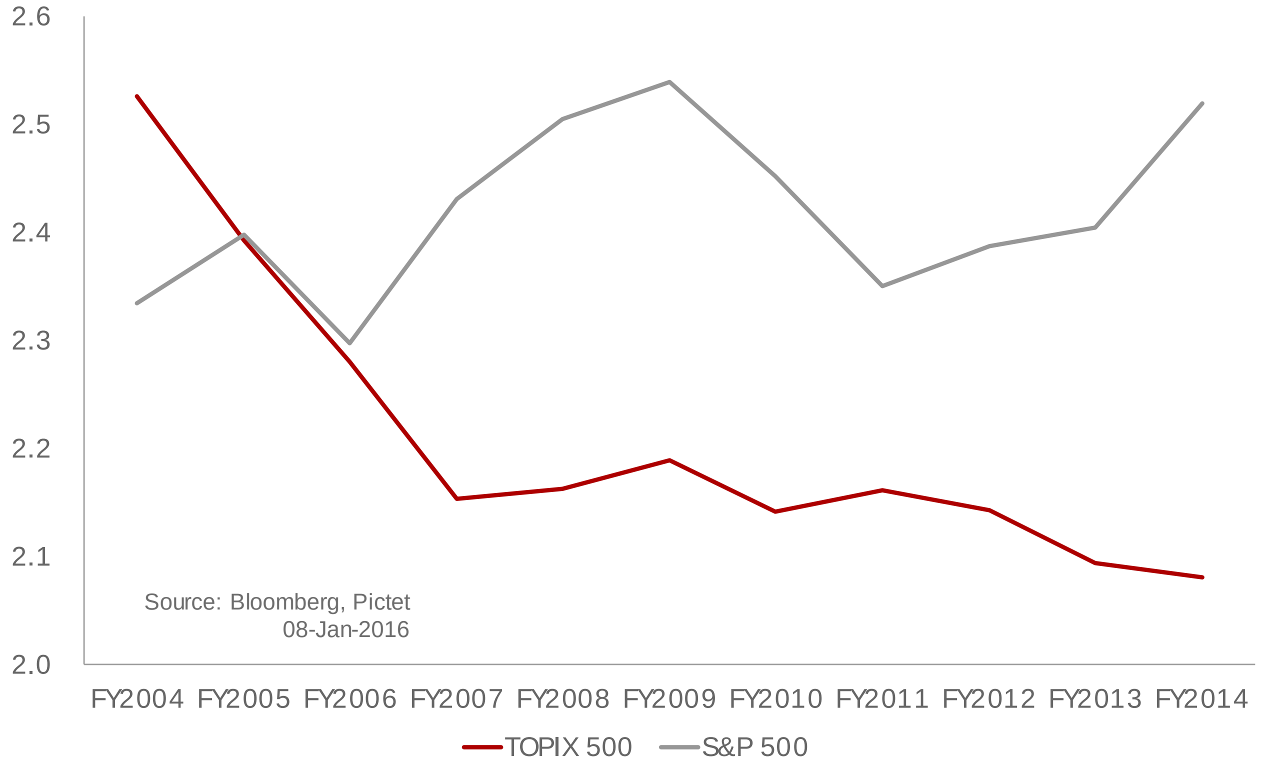
US companies have been aggressively using cash and debt to buy shares.

Given the poor outlook for earnings growth this is unsurprising.

In Japan, although capex intentions are high, buybacks are at record, dividends increasing and more and more companies announcing payout ratios / RoE targets, there is still an instinct to get rid of debt.

While sensible in deflation, it cannot continue in an inflationary regime.

Leverage – Will Japan deploy the cash? (Avg Assets / Avg Equity)



To allow comparisons, these calculations show the median results of the GICS sector medians ex financials

Returns converging, but valuations diverging

Returns do not justify the valuation differences. The RoE argument is propped up by lower tax rates and higher leverage in the US.

Corporate tax rates are falling. At the end of December, it was announced that headline central gov't tax rates would fall to 31.3% in FY 2016. There will likely be more – the eventual target is 26-28% in line with ASEAN average.

Which brings us back to cash.

Inflation, societal pressure to lift RoE, increasing returns to shareholders, time passed since 2000 … all these elements suggest that Japanese balance sheets are going to releverage.

Pre-Tax Profit Return on Assets

To allow comparisons, these calculations show the median results of the GICS sector medians ex financials

Japan's underperformance still remains profound…

Japan has been de-rated whilst going through a deleveraging process and dealing with a strong yen.

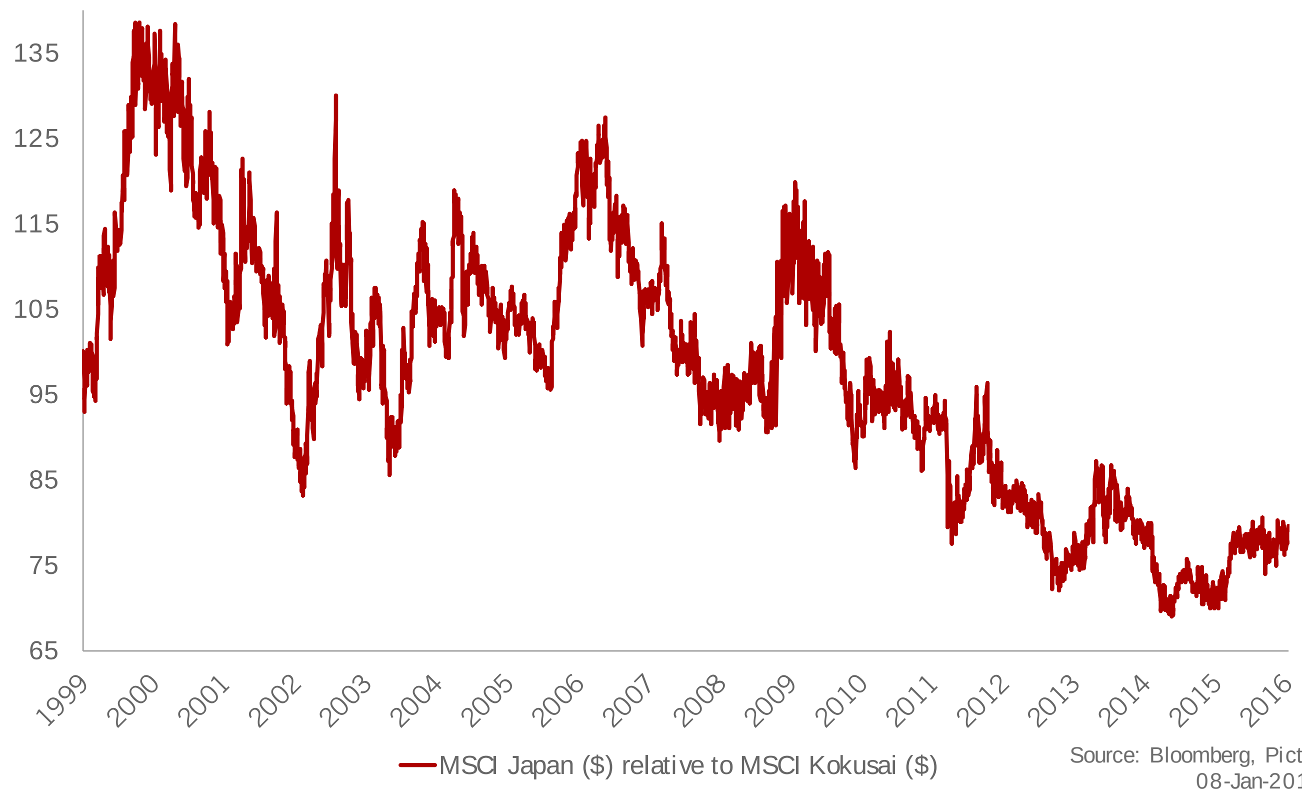
Since 2011, Japan has had to deal with the Tohoku earthquake, Thai floods and Chinese slowdown.

The effect of the rally since 2012 has been slightly muted for the international investor by the weakening of the Yen with the start of QQE and then QQE2.

Contrary to popular mythology, the recent moves in the equity market have had no relation with the Yen.

Relative to the Kokusai (DM ex Japan), Japan is still worse than in 2002.

Japan Relative Performance

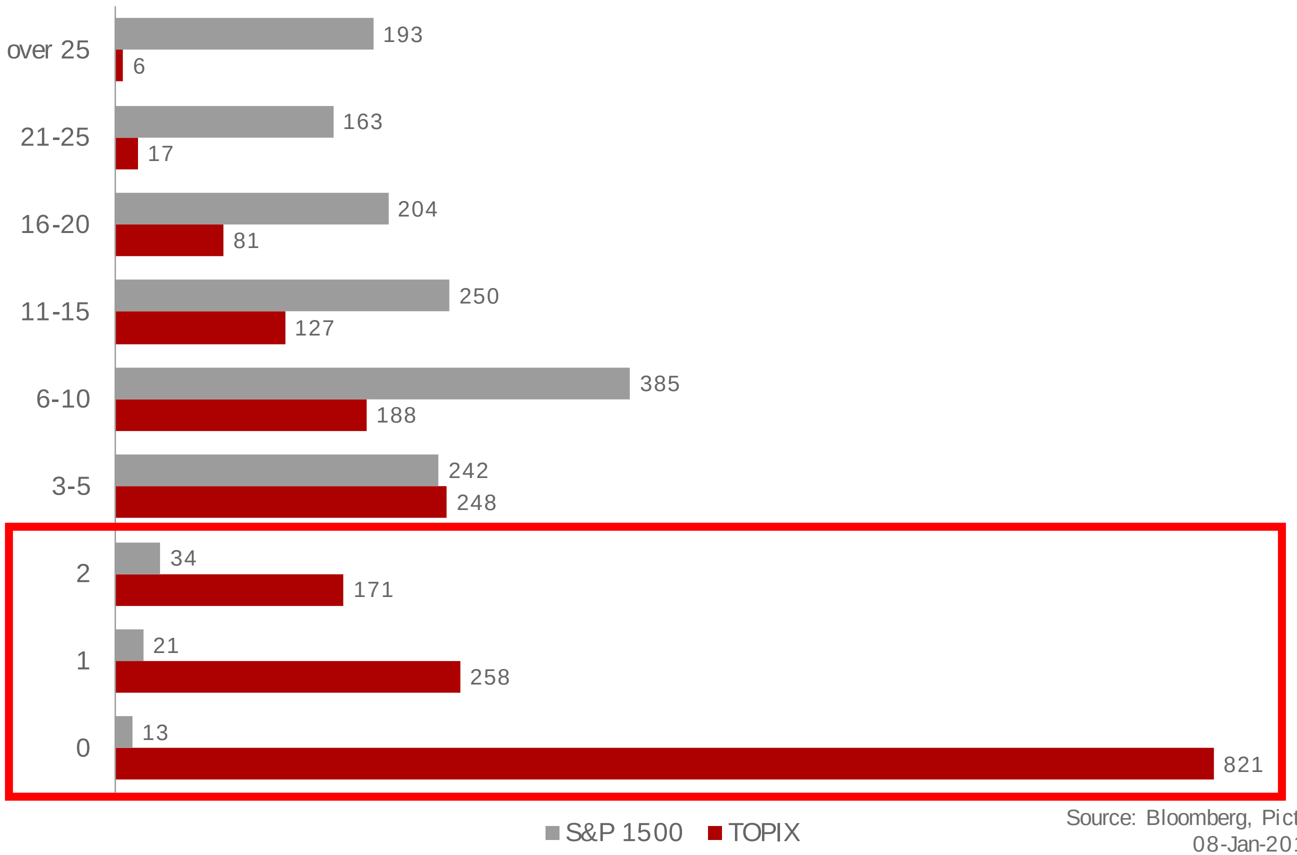


Source: Bloomberg, Pictet
08-Jan-2016

Large swathes of the market are overlooked

Percentage of companies with 2 or fewer analysts: US 5% versus Japan 65%

Stock coverage: Number of analysts S&P 1500 vs. Topix (1858 companies)



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Summary

- **Policy setting positive for equities**
  - Clear commitment to ending deflation
  - Means higher asset prices and weaker yen
  - Plenty of scope for allocation shift
- **Corporate sector is well positioned**
  - Following years of restructuring
  - Competitive edge retained in many areas
  - Extra boost from a weaker yen
- **Support from structural reforms**
  - Greater focus on governance
  - Lower corporate tax rate
- **Valuations still supportive**

Products, Team, Process

Pictet core Japanese equity funds

We manage our funds with a strong bottom-up approach within a sector framework

	Japanese Equity Selection	Japanese Equity Opportunities
Construction guidelines	Sectors: +10% active bet Stocks: +4%	Long: +4%, Short: -3%
Ex-ante tracking error	3 – 7%	3 – 8%
Alpha target	3% +	4% +
Benchmark	MSCI Japan	Topix
Focused portfolio	40 – 50 holdings	c.100 holdings: 80 long, 20 short
Cash	Remain close to 100% invested	Net exposure maintained close to 100%
Exposure	No “micro” caps	Full market cap spectrum

The performance target, risk figures and exposures given above provide an indication of the probable characteristics in normal market conditions and are not intended to be legally binding outside of the Investment Management Agreement

Our key strengths

- Combined investment experience of over 100 years
- Tokyo-based analysts provide local insight
  - especially for under-researched small caps
- Collegiate communication style of the Pictet Group
- Systematic use of in-house valuation screens
- Added value through short and pair trades

Japanese Equity investment team

SECTOR ANALYSTS

Co-ordinate stock research at a global sector level

Stefano Nora
Head of Sector Research

Deagal Tsang
Senior Investment Analyst
Technology

Marc Booty
Senior Investment Analyst
Global Healthcare

Jennifer Byron
Senior Investment Analyst
Consumer

Japanese Equity Investment Team

Adrian Hickey
Team Head
(23 years industry / 8 years Pictet)

Sam Perry
Senior Investment Manager
(17 years industry / 17 years Pictet)

Serena Robinson
Senior Investment Manager
(15 years industry / 14 years Pictet)

Takeshi Suzuki
Senior Investment Analyst
(27 years industry / 13 years Pictet)

Go Shiina
Senior Investment Analyst
(17 years industry / 5 years Pictet)

Charlie Price
Senior Client Portfolio Manager
(23 years industry / 6 years Pictet)

SPECIALIST UNITS

EAFE

Global

Emerging Markets

Small-Cap

Theme Funds

Ben Beneche
Investment Manager
EAFE Equities

Justin Hill
Senior Investment Manager
Small Cap Equities team

Pictet Strategy Unit

Macro research and asset allocation

Patrick Zweifel
Chief Economist

Luca Paolini
Chief Strategist

Screening process – a value driven market

c.3,300 companies

INVESTMENT UNIVERSE

c.900 companies

SCREENING

Liquidity screen
c. 900 companies
Liquidity > Y100m

GARP & CFROI* screens
Identify most undervalued or overvalued companies

GARP Screening

- Companies on a low rating relative to growth
- Based on recurring profit (RP) forecasts
- Adjusted for balance sheet quality

CFROI Screening

- Rating relative to the returns generated
- Greater focus on quality
- Common approach across Pictet group

* Cash Flow Return On Investment

Screening process – focusing the research effort

Judgemental overlay of screening process

- We use our knowledge of sectors and stocks to prioritise stock ideas
- Stock ideas also prioritised according to macro trends and current positioning
- We are looking for companies which can grow sustainably over the long run
- We rule out companies which are structurally weak
- We look for ideas across all sectors and across the market cap spectrum

Research process – our approach

- Ownership is key
  - Every position sponsored by a member of the team
- Investment case and valuation case continually challenged
- Maximise benefit from in-house expertise
  - Analysts based in Tokyo
  - Global sector analysts and PMs based in London
- Over 300 one-to-one company interviews annually

Research process – what we look for in companies

Growth drivers	Quality and sustainability of franchise	Financial analysis	Valuation
› EM exposure › Automation › Technology › Reconstruction › Domestic niches › Energy (supply / efficiency)	› Market position › Barriers to entry › Pricing power › Management track record › Coherent strategy	› Margin trends › Cash flow generation › Balance sheet strength › Efficient use of capital	› Range of metrics: PER, P/NAV, CFROI › Relative to the market and relative to peers › Target prices set, debated, and continually reviewed
Is the company favourably exposed to growth opportunities?	**What is the company's competitive advantage and will it deliver?**	**Are management pulling the right levers to create value for shareholders?**	**Does today's price represent good value, and is now the right time to buy?**

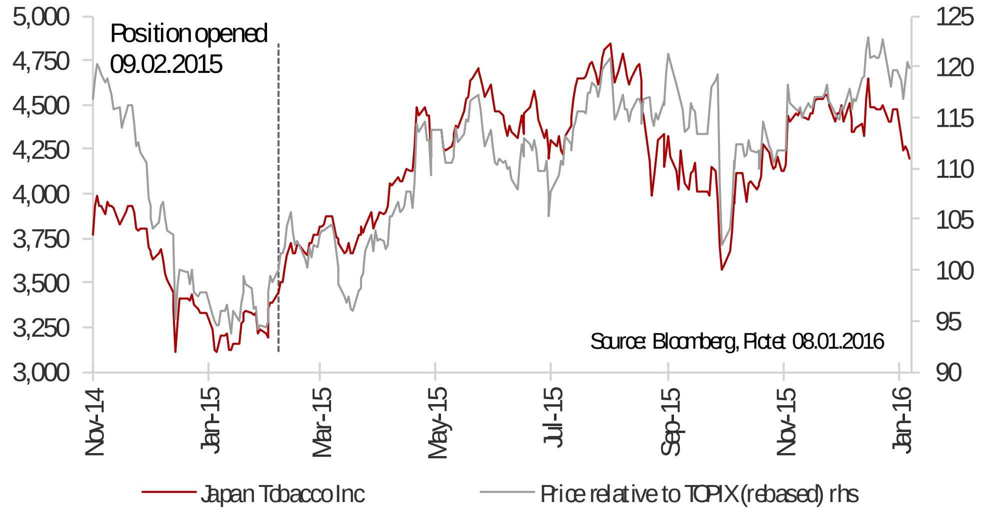
Long stock example – Japan Tobacco Inc

Company profile

Sector: Consumer Staples

Tobacco product company selling both domestically and overseas.

Japan Tobacco Inc – Stock price & price relative



Growth drivers

- Two thirds of sales are overseas with strong exposure to Russia, UK and emerging markets.
- Major beneficiary from TPP as proportion of domestic tobacco leaves would drop
- Tax hike plans in Russia and Japan indicate strong potential for price hikes.
- Russia rebounding. No US exposure. UK downtrading.

Franchise

- Strong market share in major markets: Japan 60.5%, UK 41.3%, Russia 34.9%
- Top share in Japan and Russia giving JT the best growth profile versus major international competitors.
- In UK, down trading has increased value market share from 16% to 52% over 5 years. JT has the top share of value cigarettes (43%) and rolling tobacco.

Financial analysis

- Strong balance sheet (net cash ¥180bn Dec-14), can generate FCF ¥300bn, has bought back shares regularly over the last 10 years.
- Gov't has 33% stake, may sell into the market. Last sale was 2013. JT bought ¼ of that sale.
- Any further sale requires the JT Law to be changed, and would probably lead to total privatisation, boosting JT's freedom for returns and growth.

Valuation

- Dividend yield forecast to rise to nearly 4% over next two years.
- fPE 16x around historical average and around peer average.
- However, OP expected to grow +10% over next 3 years, versus flat to low single digit growth at peers.

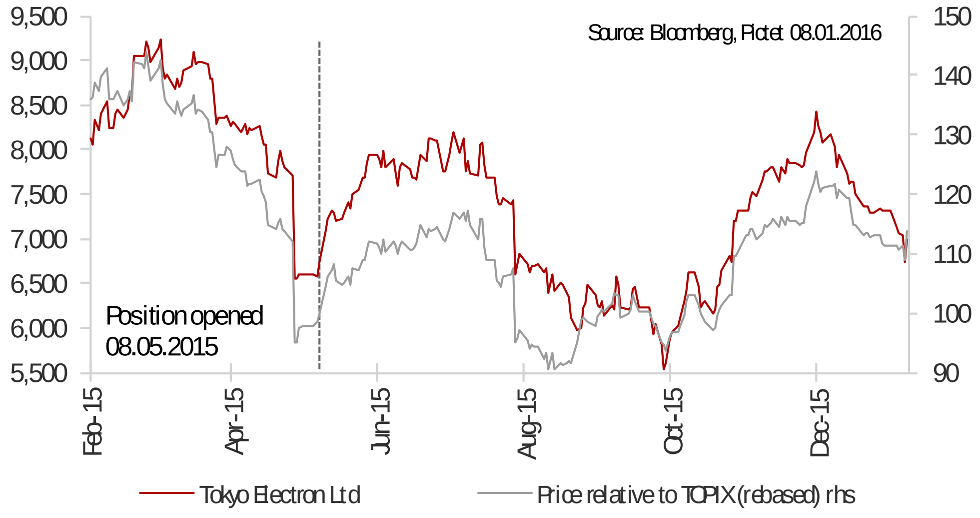
Long stock example – Tokyo Electron

Company profile

Sector: Technology

Global leader in semiconductor production equipment

Tokyo Electron – Stock price & price relative



Growth drivers

- Equipment upgrades as we move to next design node
- Increasing market share in several categories
- Benefitting from restructuring that was done prior to dissolution of merger with Applied Materials, including exit from PV and closing some manufacturing facilities

Franchise

- Top or second biggest market share of SPE in 5 different categories.
- Building share in 2 further categories
- As attempted merger with AMAT demonstrated, TEL is prepared to use M&A to expand the business.

Financial analysis

- Very strong balance sheet with net cash over 10% of market cap
- President has made it clear that cash on the balance sheet will be used
- Shareholder returns are a focus – payout ratios are currently around 40% and are expected to increase

Valuation

- Stock abruptly got cheaper after cancellation of merger with AMAT.
- TEL gross margin at a record high, just under 40%,
- Despite the operational and margin improvements, TEL has rarely traded cheaper
- Forward PE on 3/17 estimates at 14x, FCF 7%,

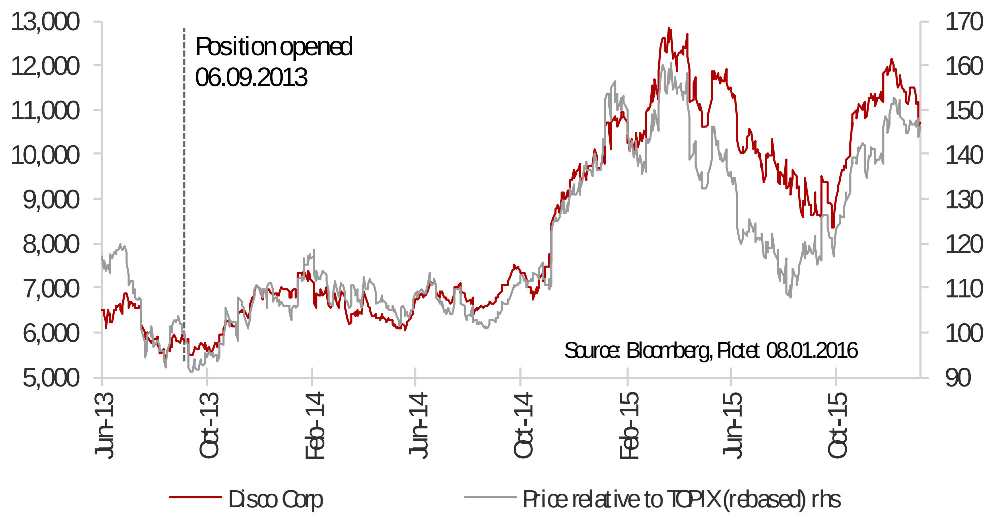
Long stock example – Disco

Company profile

Sector: Information Technology

Top manufacturer of Dicers, Grinder/Polishers, and consumable tools used in back-end process of semiconductor production.

Disco – Stock price & price relative



Growth drivers

- Benefits from increased overall semiconductor shipment volume, especially in mobile
- Technology innovation in back-end process (chip miniaturization, ultra-thin chips etc.)
- Increased demand in non-silicon devices such as LED, Power IC.

Franchise

- Global top share : Dicers(70-80%), Grinder/Polishers(60-70%), and consumable tools (70-80%).
- Maintain competitive position thanks to the advanced technology and close relationship with clients.
- Entry barrier very high.

Financial analysis

- OP margin improved to 21.3% in FY3/15 versus 16.5% in FY3/14 and 12.4% in FY3/13 thanks to volume increase , product mix and weaker yen.
- Net cash represents 28% of shareholder equity.

Valuation

- PER 13x March 2017 based on operating profit of ¥35 bn

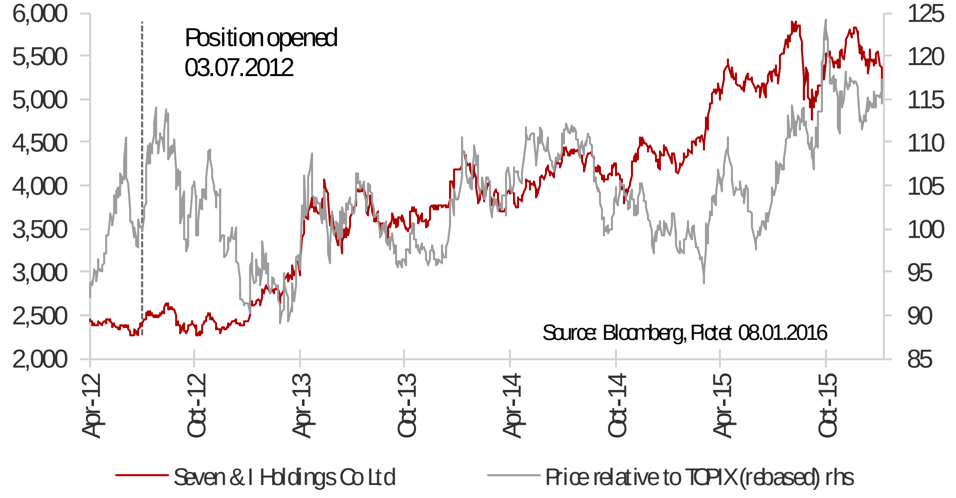
Long stock example – Seven & I Holdings

Company profile

Sector: Consumer Staples

Leading convenience store operator

Seven & I Holdings – Stock price & price relative



Growth drivers

- Growing demand for the convenience store format in Japan. The market is underpenetrated when compared to US.
- Expansionary phase of new store openings supports top line growth and market share gains.
- Innovative merchandising, Seven Premium private brand, ensuring leading same store sales growth.

Franchise

- Market leader with 40% + domestic market share. Targeting 50% in the longer term.
- Competitive advantage: business infrastructure that cannot be easily replicated by competitors i.e. merchandising & product development, distribution & ordering systems.

Financial analysis

- Highest operating profit margins amongst convenience store operators. Scope to expand margins once expansionary phase peaks out.
- 7-11 Inc: Introducing measures to raise operating profit margins from 3% to 5.
- Undergoing restructuring of low return group companies.
- Long term target of 10% ROE.

Valuation

- Target price based on FY3/17 PER 21x which equates to a 10% premium to the retail sector average. The premium is warranted on account of its increasingly dominant position.

Extending our conviction – Pairs and shorts

Adding value through shorts and pairs

- Ideas generated from screening process
- Two types of position:
  - Pair trades
  - No naked shorts
- Enables greater “negative” exposure to overvalued stocks and increased exposure to favoured stocks
- Size of exposure is conviction-led but has averaged around 115/15
- Net exposure maintained at around 100%

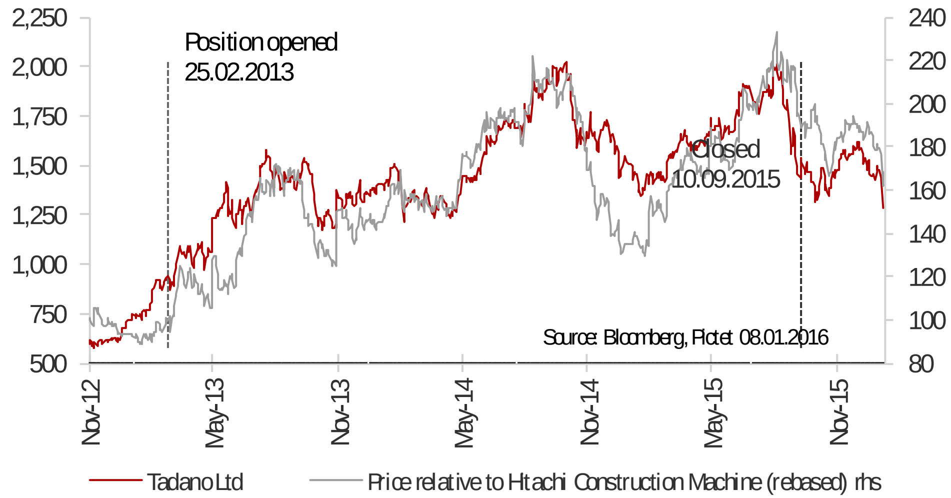
Pair trade example – Long Tadano, short Hitachi Construction Machine

Company profile

Sector: Industrial Machinery

Tadano is a manufacturer of hydraulic mobile cranes for construction and industrial use. HCM manufactures a variety of construction machinery.

Tadano Ltd vs Hitachi Construction Machine – stock price relative



Growth drivers

- Tadano seeing growth globally as it increases market share. Fears so far unfounded over its N. Am business, where construction has offset slowing resources demand.
- HCM has significant exposure to China and mining. Both these areas slowing, negatively affecting the product mix.

Franchise

- The biggest difference between the two companies is in their competitive landscape.
- Tadano's cranes are widely seen as the most reliable and having a very competitive total cost of ownership.
- HCM is suffering in China with strong local competition. Mining demand has shrunk.

Financial analysis

- Tadano has net cash and growing cash flow.
- HCM has grown its cash flow over the last few years but this is expected to reverse.
- HCM trailing net debt : equity 50%

Valuation

PER:	Tadano	9.0 x
	HCM	14.0 x
RoE:	Tadano	17.5%
	HCM	5.8%

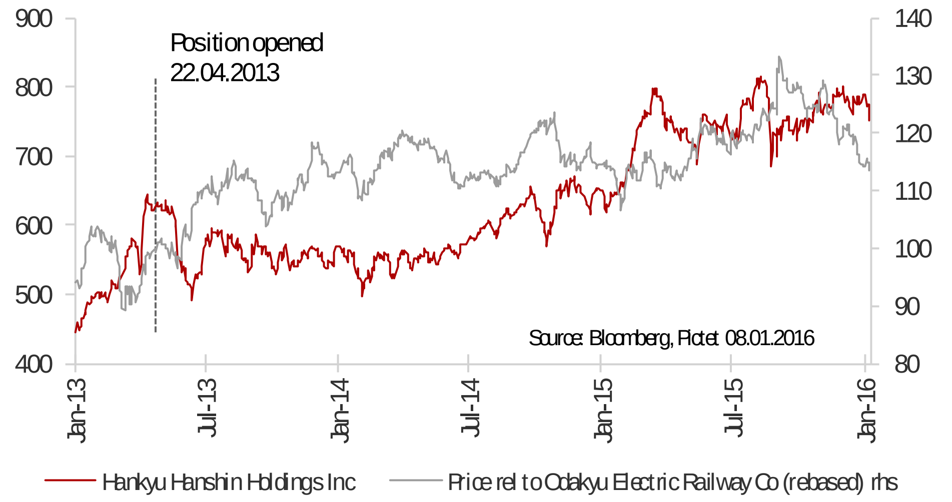
Pair trade example – Long Hankyu Hanshin, short Odakyu

Company profile

Sector: Land Transportation

Private Railway operators with real estate and other related operations in their respective regions

Hankyu Hanshin vs Odakyu Electric Rail – stock price relative



Growth drivers

- Railway operations growth is tied into growth of respective regions
- Redevelopment of Central Osaka to drive traffic from surrounding regions

Franchise

- Similar range of operations: from private railway through real estate
- Key difference is area of operation: Odakyu focused on Tokyo and Hanku Hanshin on Osaka

Financial analysis

- Balance sheet leverage significantly higher at Odakyu (net debt-to-equity 320% versus 170% at Hankyu Hanshin)
- Hankyu Hanshin has superior FCF generation as investment phase is peaking

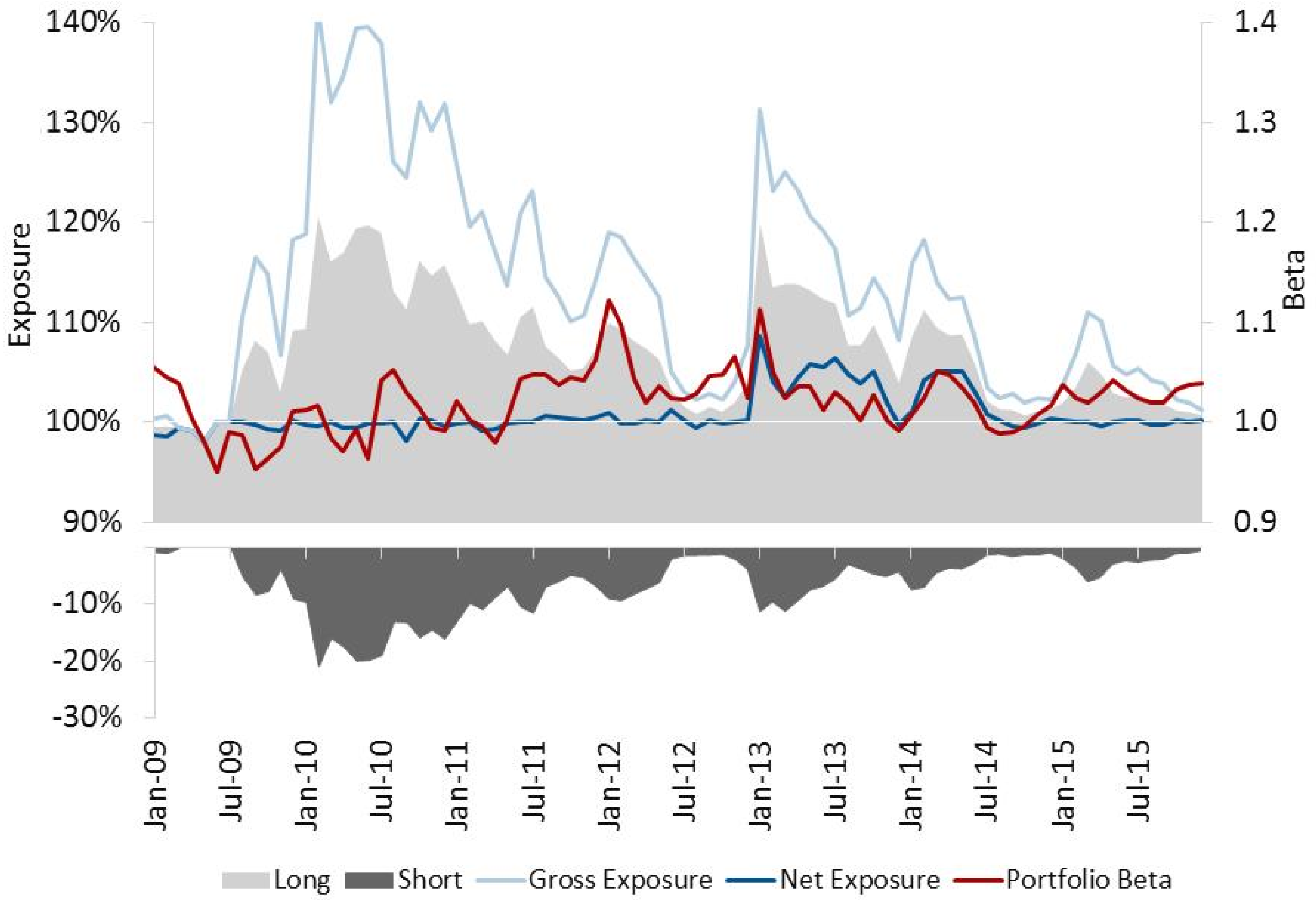
Valuation

- Valuations favour Hankyu Hanshin:
- PER 16.8 vs 28.3 at Odakyu
- FCF yield 4.8% vs 1.6% at Odakyu
- PBR 1.3 vs 3.5 at Odakyu

History of long – short exposure

- Number of pair trades reflects general valuations and the state of the market.
- The beta generally remains around 1.

Japanese Equity Opportunities : Evolution of Leverage and Beta



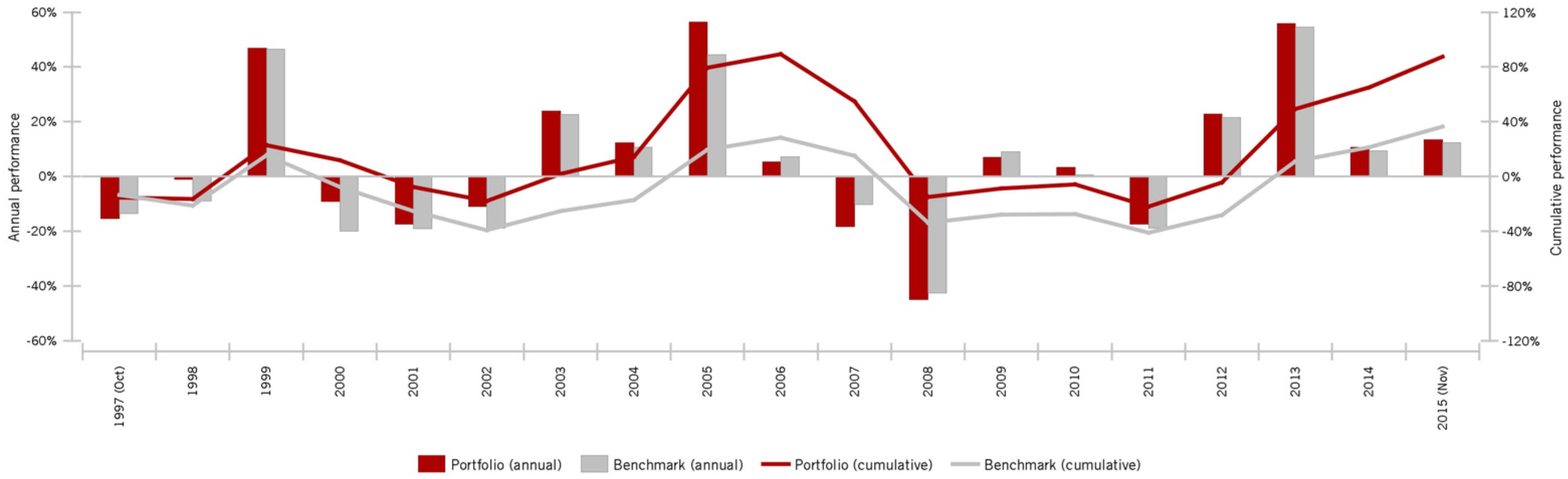
Portfolio construction and risk management

Align active risk with conviction

- Portfolios built from the bottom up
  - But informed by consideration of macro factors
- Size of active weight determined by…
  - Level of conviction
  - Upside to target price
- Target price as key control mechanism
- Shadow list maintained
  - Stocks with strong fundamentals but not currently held
  - Includes large index stocks not held as risk control

Performance & characteristics

Performance – Pictet-Japanese Equity Selection (JPY)



Performance (annualised beyond 1 year)	Portfolio	Benchmark	Excess Return
3 Months	4.92%	3.33%	1.59%
Year to Date	13.41%	12.30%	1.11%
1 Year	14.01%	11.82%	2.20%
2 Years	14.27%	12.80%	1.47%
3 Years	28.77%	28.02%	0.75%
5 Years	15.96%	14.37%	1.59%
10 Years	1.21%	2.02%	-0.81%
Since Inception (30.09.1997)	3.52%	1.73%	1.79%

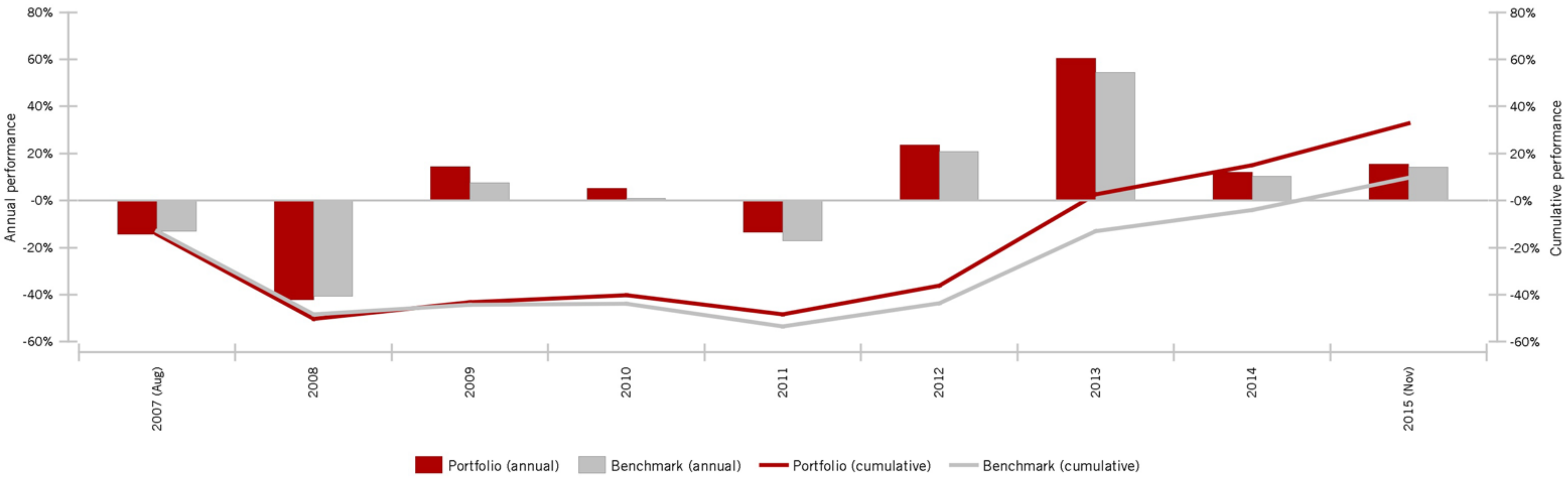
Risk measures (annualised)	1 Year	3 Years	Since inception
Portfolio Volatility	20.55%	17.76%	19.34%
Benchmark volatility	19.34%	17.18%	18.55%
Sharpe ratio	0.64	1.42	0.16
Tracking error	4.04%	3.13%	4.90%
Information ratio	0.48	0.19	0.36

Performance Gross of fees in JPY as of 30.11.2015

Benchmark Name : 100% MSCI JAPAN ($) (Net Return Index (Reinv.Div.))

Source: Pictet Asset Management

Performance – Pictet-Japanese Equity Opportunities (JPY)



Performance (annualised beyond 1 year)	Portfolio	Benchmark	Excess Return
3 Months	5.51%	3.57%	1.94%
Year to Date	15.50%	14.26%	1.24%
1 Year	15.97%	14.18%	1.79%
2 Years	16.12%	14.25%	1.87%
3 Years	31.21%	28.92%	2.29%
5 Years	18.85%	15.32%	3.54%
Since Inception (31.07.2007)	3.46%	1.10%	2.35%

Risk measures (annualised)	1 Year	3 Years	Since inception
Portfolio Volatility	19.93%	17.63%	21.53%
Benchmark volatility	18.34%	16.61%	20.30%
Sharpe ratio	0.74	1.54	0.14
Tracking error	3.41%	2.91%	3.47%
Information ratio	0.46	0.60	0.66

Performance Gross of fees in JPY as of 30.11.2015

Benchmark Name : 100% TOPIX (YEN) (Total Return Index)

Source: Pictet Asset Management

Sector allocation - Pictet-Japanese Equity Selection

- **Financials:** beneficiaries of Abenomics
- **Materials / IT / Industrials:** highlights the inadequacy of GICS sectors. Many holdings in Materials & IT are effectively industrial companies and have similar drivers, eg Sumco (silicon wafers for semiconductors)
- **Utilities:** almost impossible to value and still immense political risk
- **Consumer Discretionary:** retail should see benefits from increased consumer confidence, although currently many retail stocks seem very highly valued. Auto manufacturers seeing increase in production and enjoying weak Yen.
- **Health Care :** little appeal from fundamentals or valuations.

% weightings and active positions

	Portfolio	Benchmark	Active Position
IT	14.81%	10.56%	4.25%
Financials	22.32%	19.24%	3.08%
Cons. Disc.	24.59%	22.16%	2.43%
Materials	7.99%	5.56%	2.43%
Industrials	19.46%	18.72%	0.74%
Cons. Stap.	6.87%	7.47%	-0.60%
Energy	-	0.84%	-0.84%
Utilities	-	2.40%	-2.40%
Telecoms	1.93%	5.17%	-3.24%
Health Care	2.03%	7.88%	-5.85%

Portfolio: Pictet-Japanese Equity Selection, rebalanced to exclude cash
Benchmark: MSCI JAPAN ($) (Net Return Index (Reinv. Div.))
Source: Pictet, as at 30.11.2015

Sector allocation - Pictet-Japanese Equity Opportunities

- **Financials:** beneficiaries of Abenomics
- **Materials:** much of the overweight comes from holdings in high-tech materials, such as the chemical films used in the manufacture of LCD screens or high performance plastics that are stronger and lighter than steel.
- **IT:** while bigger cap positions now coming up to valuation targets, opportunities in small cap service names such as Otsuka and SCSK
- **Healthcare/Utilities:** little appeal from fundamentals or valuations
- **Consumer:** while some areas – such as autos – are attractive, other areas, particularly more defensive sub-sectors, are not that attractive on valuation. Also note that some consumption related themes are reflected in smaller stocks classified under Industrials.

% weightings and active positions

	Portfolio	Benchmark	Active Position
IT	14.83%	10.30%	4.52%
Financials	21.54%	17.41%	4.13%
Materials	10.53%	6.45%	4.07%
Industrials	22.40%	20.73%	1.67%
Energy	-	0.89%	-0.89%
Cons. Disc.	19.85%	21.07%	-1.22%
Telecoms	3.32%	5.15%	-1.83%
Utilities	-	2.06%	-2.06%
Cons. Stap.	5.25%	8.55%	-3.31%
Health Care	2.29%	7.38%	-5.09%

Portfolio: Pictet-Japanese Equity Opportunities
Benchmark: TOPIX (YEN) (Total Return Index)
Source: Pictet as at 30.11.2015

Portfolio profile – JES Characteristics

Key metrics point to better value and higher quality than benchmark

	Portfolio	Benchmark
Weighted Average Market Cap	30,887.72	34,743.25
Price/Book	1.53	1.38
P/E Using FY1 Est	15.65	15.11
P/E Using FY2 Est	14.40	14.07
EV/EBITDA FY1	8.68	8.23
EV/EBITDA FY2	7.64	7.48
Div Yield FY1	1.86	1.92
Div Yield FY2	2.03	2.10
Net Debt to Equity (%)	3.51	16.98

Source: Pictet Asset Management / FactSet

Portfolio: Pictet-Japanese Equity Selection
Benchmark: MSCI JAPAN ($) (Net Return Index (Reinv. Div.))
Source: Pictet / FactSet as at 30.11.2015

Portfolio profile – JEO Characteristics

Key metrics point to better value and higher quality than benchmark

	Portfolio	Benchmark
Weighted Average Market Cap	30,000.68	28,639.53
Price/Book	1.46	1.31
P/E Using FY1 Est	14.97	15.08
P/E Using FY2 Est	13.90	13.66
EV/EBITDA FY1	8.15	7.99
EV/EBITDA FY2	7.23	7.24
Div Yield FY1	1.84	1.85
Div Yield FY2	2.07	2.03
Net Debt to Equity (%)	0.49	10.07

Source: Pictet Asset Management / FactSet

Portfolio: Pictet-Japanese Equity Opportunities
Benchmark: TOPIX (YEN) (Total Return Index)
Source: Pictet / FactSet as at 30.11.2015

A robust and repeatable process

History of superior performance

- Experienced, well-balanced and stable team
  - Enables investment case and valuation case to be continually challenged
- Disciplined investment process blends rigorous screening process and judgemental overlay
  - Advantages of dual location
  - Local research input
  - Collaboration with global sector analysts and PMs
- Ownership is key
- Short and pair trades to extract greater value
- Look to add value across the market cap spectrum

Biographies

Biography

Adrian Hickey

Head of Japanese Equities

Developed Equities team

Adrian Hickey joined Pictet Asset Management in 2006 and is Head of the Japanese Equities Team.

Adrian has concentrated on Japanese equity fund management since joining Scottish Equitable in Edinburgh in 1991. After Scottish Equitable he spent four years working as a buy-side analyst in Tokyo with Commerz International Capital Management. On returning to the UK, Adrian worked for Edinburgh Fund Managers and Shell Pensions. Adrian's most recent position before joining Pictet was Director of Japanese Equities at Foreign & Colonial in London.

Adrian graduated with a BA (Hons) in Economics and Economic History from the University of Birmingham and holds an MA in Philosophy from Lancaster University.

Sam Perry

Senior Investment Manager

Developed Equities team

Sam Perry joined Pictet Asset Management in 1997 and is a Senior Investment Manager specialising in Japanese equities.

Sam graduated from the University of Oxford with a first class degree in Philosophy and Psychology. He later gained a Doctorate in Experimental Cognitive Psychology, also at Oxford University. He is also a Chartered Financial Analyst (CFA) charter holder.

Serena Robinson

Senior Investment Manager

Developed Equities team

Serena Robinson joined Pictet Asset Management in 2000. She is a Senior Investment Manager specialising in Japanese equities

She began her finance career at INVESCO in 1999.

Serena graduated from Trinity College Dublin with a BA in Economics & Business Studies and has a First Class Master's degree in Business Studies from University College Dublin. She is a Chartered Financial Analyst (CFA) charter holder.

Biography

Takeshi Suzuki
Senior Investment Analyst

Pictet Asset Management (Japan)

Takeshi Suzuki joined Pictet Asset Management (Japan) Ltd. as a Senior Investment Analyst in 2001 with a focus on technology sectors

He began his investment career in 1987, joining Okasan Securities as an institutional salesman, later becoming an analyst in the research department.

Takeshi graduated from Rikkyo University with a BA in Economics. He is a Chartered Financial Analyst (CFA) charter holder and a Chartered Member of the Security Analysts Association of Japan (CMA).

Go Shiina
Senior Investment Analyst

Pictet Asset Management (Japan)

Go Shiina joined Pictet Asset Management (Japan) Ltd. in 2009, as a Senior Investment Analyst with a focus on industrial sectors

Before joining Pictet, he spent ten years at Goldman Sachs Asset Management and began his career in 1997 as an analyst at Dai-Ichi Kangyo Bank.

Go graduated with a BA in Economics and Finance from the University of Tokyo. He is also a Chartered Member of the Security Analysts Association of Japan.

Charles Price
Product Specialist

Developed Equities

Charles Price joined Pictet Asset Management in November 2008 and is a Client Portfolio Manager in the Developed Equities team.

Before joining Pictet, his entire investment career had been spent with Schroder Investment Management in London where he started as a graduate in 1991. During his 17 years with the firm he worked as an equity analyst, a UK equity fund manager, and also held client-facing roles. For the last seven years he worked as a product manager, initially for the Japanese Equity product, and more recently the Global and EAFE Equity products.

Charles graduated from Oxford University with a BA (Hons) in Zoology.

For more information, please contact

Pictet Asset Management Ltd
Moor House, 120 London Wall
London EC2Y 5ET
www.pictet.com
www.pictetfunds.com

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