

Japanese equities

Why Japan?

Rich opportunities

We see fertile ground for investors with strong research capabilities to unlock hidden value in Japanese equities.

- Japan is home to one of the world's largest stock markets, yet 42% of Tokyo Stock Price Exchange, or Topix,¹ stocks are not covered by analysts, versus 6% on the Russell 3000 Index.²
- Several Japanese stocks have multiplied their share prices five or 10 times over the past 10 years.

Good companies, strong fundamentals

Japan is home to many high-quality firms with strong balance sheets, sustainable cash flows and defendable competitive advantages.

- The presence of companies with strong fundamentals creates opportunity for higher average returns on equity and dividend pay-out ratios than the market, as well as materially lower debt to equity ratios.
- Price discrepancies among high-quality companies may enable investors to extract long-term value.

Encouraging economic recovery

Even amid the economic fallout of the global coronavirus pandemic, Japanese companies remain in a healthy position.

- Conscientious adherence to rules governing personal protection and social distancing has helped Japan to contain Covid-19 infections relatively well. Partly as a consequence, recovery data is encouraging. The Bank of Japan, for example, has raised its economic outlook for most regions of the country.
- Japanese businesses are better placed for economic recovery than counterparts in many major economies worldwide.

Why Aberdeen Standard Investments Japanese equities?

- Our experienced Japanese equities team is part of one of the deepest pools of investment talents and the breadth of coverage in the Asia Pacific region. The team is on the ground, prioritizes first-hand research, knows management teams well and focuses on quality stocks.
- We engage company-management teams on environment, social and governance (ESG) issues to seek to manage risks, boost returns and ensure their strategies are sustainable. We emphasize ESG during our company due-diligence process, to seek to minimize exposure to governance failures.
- We focus on the best businesses in the Japanese equity market. We prioritize quality, including strong balance sheets, sustainable competitive advantages and good margins and return on capital. We believe that quality companies produce less volatile, more resilient, sustainable earnings streams.

¹ The Tokyo Stock Price Exchange, or Topix, is a capitalization-weighted index of large and mid-sized companies listed on the Tokyo Stock Exchange.

² The Russell 3000 Index is an unmanaged index considered representative of the US stock market. The Russell 3000 Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

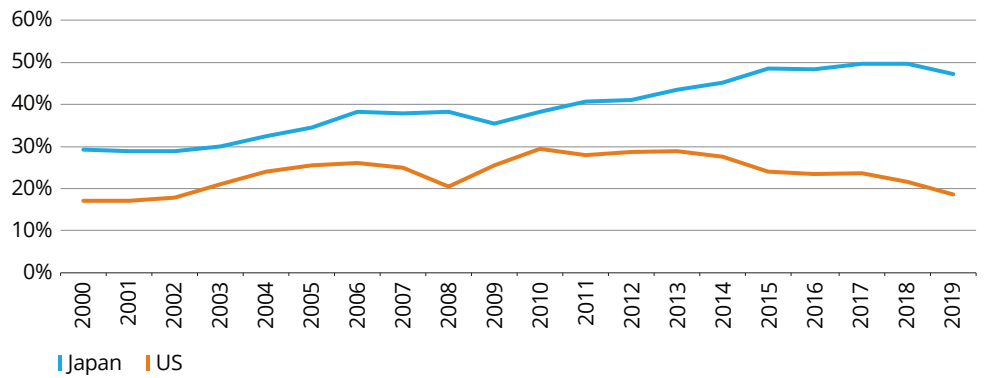
Why now?

Almost half of non-financial companies listed on MSCI Japan Index³ have net cash on their balance sheets, with the best-run firms well-placed to sustain profitability regardless of the macroeconomic environment. Companies with net cash can invest in their future growth and/or return money to shareholders.

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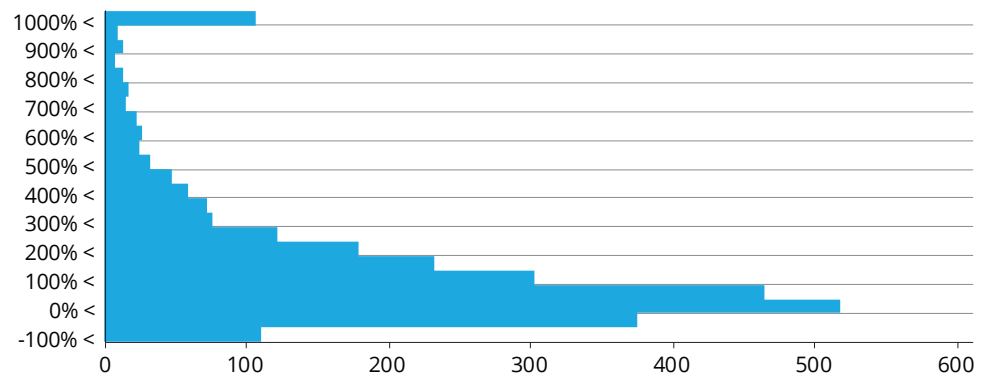
MSCI Japan vs US (ex-financials)

% of net cash companies



Source: Bloomberg, December 31, 2019. For illustrative purposes only. PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS.

10-year stocl return of Japanese stocks



Source: Bloomberg, November 13, 2020 (calculation period: September 2010 and September 2020). For illustrative purposes only. PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS.

³ The MSCI Japan Index is an unmanaged index considered representative of Japanese stocks.

IMPORTANT INFORMATION

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Company's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Company's portfolio. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments. There are also risks associated with investing in Japan, including the risk of investing in a single-country fund. Concentrating investments in the Japan region subjects the Fund to more volatility and greater risk of loss than geographically diverse funds. Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

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