

Nomura Asset Management UK Limited

**NOMURA**

# **Capturing Alpha in Japan**

## **The Japan Strategic Value Strategy**

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# The Japan Strategic Value Strategy

- We currently manage \$2.3 bn in a strategy called “Japan Strategic Value” (“JSV”) which, in the past, has only been available to Japan based investors.
  - The strategy was launched in July 2000 (Bloomberg code – 01311007JP) and operates off our extensive buy side research platform in Tokyo.
  - This strategy is now available to international investors and offers exactly the same approach as that for domestic Japanese investors.
- The strategy is managed by Kentaro Takayanagi CMA, a Senior Fund Manager with 17 years experience, together with his three colleagues.
- It is a “bottom-up” stock picking approach with no sector constraints where the quality of company selection is paramount.
- We use proprietary quantitative management techniques, based on earnings yield, PBR & M&A ratio together with high quality in-house qualitative research to identify and assess company potential.
- **Impressive results have been achieved, our track record has delivered 7%\* annualised alpha since inception\***

Please note that unless stated, all data and statistics used in this presentation have been taken from our Japan based mutual fund, ‘Strategic Value Open’ on the basis that this fund is fully representative of the overall strategy and our recently launched Ireland based Japan Strategic Value Fund. The Strategic Value Open Fund is quoted on Bloomberg (code 01311007JP) and is managed by NAM Tokyo, as is the Nomura Funds Ireland Japan Strategic Value Fund.

\* In JPY terms. Source: NAM Tokyo as at 31 December 2010

# Our Philosophy and Approach

## Philosophy

- The Japanese market is not efficient and active management, based on fundamental research, can add value.
- We believe periods of economic uncertainty, or corporate restructuring, produce stock valuation anomalies which can be exploited for the benefit of investors.

## Approach

- To invest in undervalued stocks (undervalued relative to their intrinsic value) that have potential, based on our judgemental assessment.
- To use a combination of quantitative and qualitative assessments to help identify opportunities.

# Our JSV Strategy – in a nutshell

Essentially we follow a judgement approach:

- It's very much bottom-up with a strong value emphasis
  - Sector considerations are a residual of stock selection, although attention is paid to sector diversification
  - The market cap of the stock is a proxy of liquidity
  - The valuation factors are monitored with a sense of balance and flexibility
- As far as stocks are concerned:
  - We seek to leverage our considerable internal research resources
  - We don't set price targets
  - We use the benchmark as a reference point however:
    - We are much more focused on the absolute weight in the portfolio than the benchmark weight
    - If we don't like a stock we don't hold it!

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