

# INVESCO PERPETUAL Japanese Smaller Companies (OEIC)

**OBSR Fund Rating**  
**A**



## Key Information

<b>Launch Date</b>	6 September 1983	
<b>Fund Size</b>	£39.9m	
<b>Type of Shares Available</b>	Accumulation	
<b>Distribution Date</b>	n/a	
<b>Yield</b>	Nil	
<b>ISA</b>	Yes	
<b>ISA Transfer</b>	Yes	
<b>Standard Fund Management Charges</b>	<b>Initial</b>	5.00%
	<b>Annual</b>	1.50%

## Classification

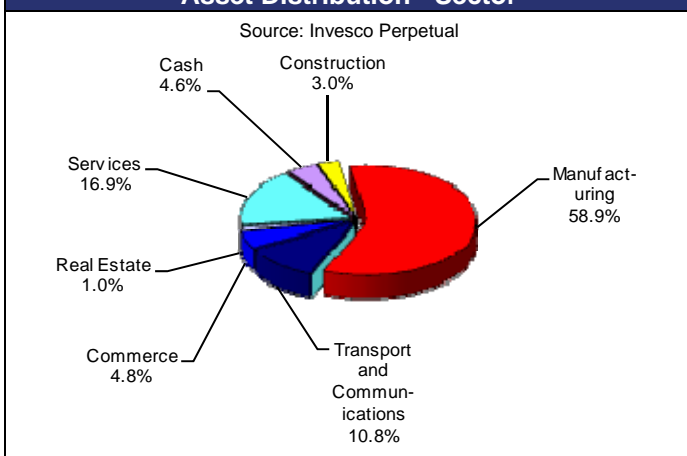
<b>Sector</b>	Japan Smaller Companies
<b>Market Cap / Style</b>	Small Cap / Growth Bias
<b>Benchmark/Index</b>	Russell Nomura Small Cap

## Management/Investment Style

<b>Fund Manager</b>	Osamu Tokuno (October 2003)
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The fund provides investors with access to small-cap companies in Japan, managed using a combination of strong stockpicking skills overlaid with macro inputs.

## Asset Distribution - Sector



## Investment Objective & Methodology

The fund aims to achieve long-term capital growth by investing in small to medium-sized Japanese companies. The fund will predominantly invest in equities listed on the stock exchanges of the TSE 2nd Section or on regional stock exchanges; equities registered on the over-the-counter market in Japan which have a market capitalisation of less than US\$1 billion and those which, by market capitalisation, are, at the time the investment is made, in the bottom quartile of the market. The manager has absolute discretion to decide in which of these stocks he invests.

The lead manager is Osamu Tokuno, who has considerable industry experience. He heads up the Small Cap Equity Team, which comprises of Mayumi Fujii, Orié Takeuchi and Tomoaki Takase. All have research and fund management responsibilities.

The emphasis is on stock selection driven by proprietary company fundamental analysis. The team conduct a heavy round of company visits per year and they believe this plays to their strength as broker coverage on this part of market is limited. The universe is reduced using various screens including profit growth, operating profit margin, and market cap (the focus is on companies valued between US\$ 100 million - 2 billion). They are generally looking for annual growth rates of 20% to 30%, operating margins of more than 10%, return on equity higher than 15% and shareholder stake of over 50%. This roughly acts as the first criteria before initiating a meeting (very few meet all the criteria at once so company visits are important). Business risk, financial leverage and management strategy is scrutinised. The preference is for companies with higher quality fundamentals – growing companies with competitive advantages capable of keeping above average sustainable earnings within their original product and business model for the medium to longer term. They believe a company's highest expected growth stage is from its OTC trading stage to inclusion within the TSE 1st Section Index. Cyclical earners may form part of the portfolio at times.

The resultant portfolio will have a range of 55 to 75 holdings. The make-up of the portfolio will be driven by bottom-up opportunities, rather than forming any strong views on sectors or the macro backdrop. The manager is conscious of the benchmark index, and the risk team keep track of the fund and its expected tracking error (8% to 12%). However, stock weightings are determined on absolute terms, based on the level of upside potential. Sales are triggered once stocks reach or exceed their fair value targets (after reviewing again), company fundamentals deteriorate, better opportunities are seen elsewhere or holdings exceed 7%.

## Top Ten Holdings

	%
Rakuten	6.0
Cyber Agent	5.2
Anritsu	5.2
Toda Kogyo	3.9
Nippon Ceramic	3.9
Obic Business Consultant	3.8
Sanken Electric	3.6
Eagle Industry	3.2
Tamron	3.2
Taikisha	3.0
Concentration (Top 10)	40.9
Total Number of Holdings	47

Source: Invesco Perpetual

www.obsrfundratings.co.uk

Data as at 30 June 2011  
Last Updated July 2011