



Japan Dynamic Equity Strategy

Why invest in Japan Equity

Japan remains a compelling equity market, driven by significant corporate transformation. Over the past decade, companies have optimized operations, enhanced profitability, and increased shareholders returns, yet valuations remain attractive versus global peers, creating a fertile ground for bottom-up investors.

The ongoing wave of corporate reform has been a key differentiator. Initiatives such as the Tokyo Stock Exchange's governance reforms have incentivized companies to unlock shareholder value through restructuring, cost-cutting, and unwinding cross-shareholdings. This has been particularly pronounced in value-oriented sectors, where potential for return-on-equity improvements and valuation re-ratings remain significant.

Key trends driving Japan's equity story:

- 1. Restructuring & Profitability:** Companies have systematically reduced debt and optimized operations, resulting in higher return-on-assets, profitability (Fig 1) and cash flows. This provides a strong foundation for further shareholder-friendly measures, including repaying debt, boosting dividends and instigating share buybacks.
- 2. Undervalued Opportunities:** Despite significant corporate improvements, the market continues to trade at very attractive valuations versus global peers (Fig 2), with valuation gaps persisting across sectors. This presents abundant opportunities for investors focused on uncovering mispriced assets.
- 3. Continued Corporate Governance:** Ongoing reforms are fostering greater accountability and efficiency among management teams, with increased focus on enhancing returns and addressing excess cash holdings.



While corporate fundamentals remain the centerpiece of Japan's investment story, the macroeconomic backdrop is also evolving. Inflation appears to be taking root, supported by wage growth and strengthening domestic consumption. These trends complement the corporate narrative by reinforcing demand and providing additional tailwinds for companies positioned to benefit from Japan's economic recovery.

We believe this backdrop offers us a unique advantage to exploit the opportunity using our differentiated, disciplined value approach. We identify stock buying opportunities by exploiting market volatility and periods of mispricing to accumulate attractively priced equities in our Japan portfolios.

Fig 1: Cyclical impact but rising trend¹

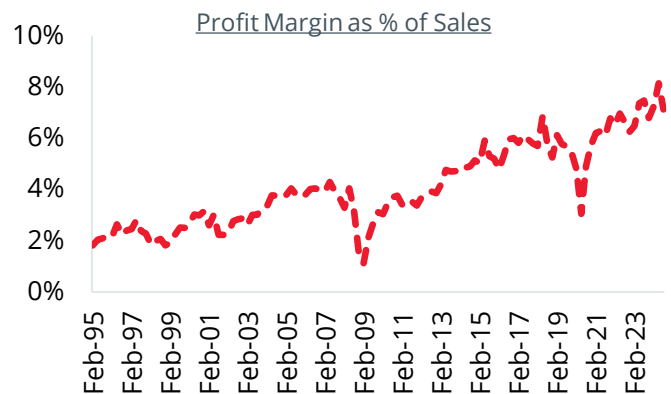
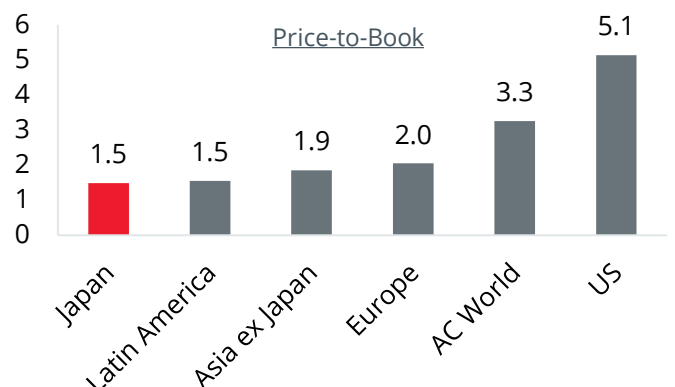


Fig 2: Japan valuations are attractive – cash earnings are not priced in by market²



Why Eastspring Investments for Japan equities

Eastspring Investments, a Prudential plc company, is one of the largest Asia-based global asset managers, with Asia at its core. Since 1994, we have built an unparalleled local investment presence across in 11 Asian markets and distribution offices in North America and Europe. Our headquarters in Singapore places us at the heart of Asia, close to many of the markets in which we invest.

Our Japan Equity team is very experienced with an excellent track record of navigating Japan's equity universe for over 18 years. Our significant scale of operations in Asia allows the team tier 1 access to management and an ability to leverage counterparty relationships in terms of analysis and effecting transactions. We are also one of the very few true-to-label-based managers of Japan equity.

Why our differentiated valuation approach is durable over time and market cycles

We target only high impact valuation outliers – stocks that have a significant difference between price and valuation. We screen a wide investment universe of over 2,000 companies, applying consistent anchors around valuation and are equipped to rapidly identify valuation outliers, which may become investment candidates. Our in-depth research efforts focus on the most mispriced opportunities that offer the greatest potential return.

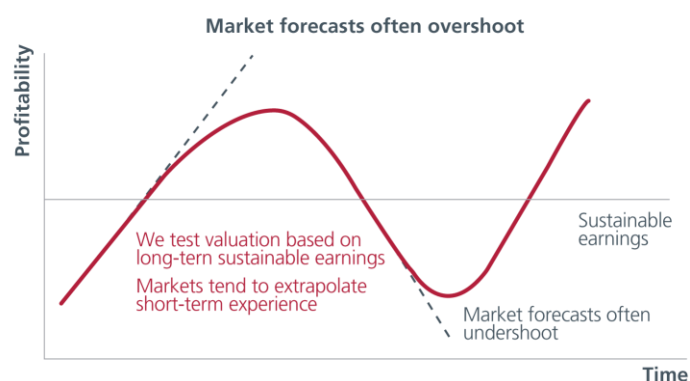
Our value differentiator lies in our detailed analysis and peer review that tests the longer drivers of a company's sustainable earnings using a consistent valuation framework. The focus on sustainable earnings differentiates us from a market that obsesses over recently term reported earnings and shorter-term forecast accuracy.

In a snapshot: Japan Dynamic Equity Strategy

- ▶ We aim to generate superior long-term capital growth for our clients by consistently applying our disciplined valuation approach to identify Japanese equities that will outperform.
- ▶ The strategy is a concentrated portfolio containing 30-50 of our best ideas across Japan's equity universe. We invest in stocks that are often at odds with market consensus. Also, we look for solid valuation signals across the market, choosing stocks that may have fallen out of favour or whose price reflects a significant overreaction by the market.
- ▶ Our Japan equity team is a small, experienced, and cohesive group of four investment professionals with deep financial industry experience.
- ▶ A robust and centralised team framework allows our managers to maximise challenge and debate. These factors are vital to executing our strategy and delivering repeatable performance to investors.
- ▶ We are patient. Rather than follow the herd and be influenced by behavioural biases, we adopt a longer-term mindset that allows us to focus on the best stock opportunities.

This approach delivers unique insights and a clear understanding of a company's valuation drivers. A high conviction around trend fundamentals allows us to remain patient amid market uncertainty as well as exploit shorter term price volatility in a contrarian manner.

Fig 3: Differentiated concept of valuation relative to sustainable earnings³



Eastspring Singapore is an ultimately wholly-owned subsidiary of Prudential plc of the United Kingdom. Eastspring Singapore and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

How we build the strategy



Investment philosophy

We believe that:

- Prices frequently move more than is justified due to shifts in investors' risk perceptions.
- Behavioural biases influence both investor expectations and risk appetites.
- As a result, the actual underlying value is not always reflected in stock prices.
- By detaching ourselves emotionally and with rigorous analysis and discipline over a longer time frame, we can exploit these opportunities.
- Our price-focused process, anchored by a consideration of relative valuation, aims to deliver superior long-term returns.



Our investment process

Our bottom-up, valuation-driven investment process has been designed to target mispriced equities in a disciplined and repeatable manner. It consists of four stages:

Idea generation: We systematically look for mispriced assets and identify opportunities that can impact portfolio returns the most.

Fundamental analysis: This is the most important part of the investment process - it allows us to confirm whether value exists, helps us deepen our understanding and tests the team's conviction in a particular holding.

Portfolio construction: We construct the portfolio with our highest conviction ideas while considering stock correlations and unintended risks. Stocks from this conviction list become the core positions in our Japan Dynamic strategy.

Risk control and review: Ongoing portfolio review helps instill process integrity and sell discipline. Our robust risk framework is conducted by the Japan Dynamic team, senior management, and our independent risk oversight team.

Strategy details

Style: Benchmark unconstrained – highest conviction

Inception Date: 5 July 2006

Strategy AUM: USD 2.6 billion (as at end November 2024)



An ethical mantle

We believe optimal investment decisions are made when environmental, social, and governance (ESG) factors are incorporated into our investment process.

- Eastspring Investments has an established responsible investing framework which includes stewardship and ESG policies that inform and govern our business and investment teams. Against this overarching framework, we have empowered each investment team to integrate these policies into their distinct investment approach and strategies. We don't believe there is a one size fits all approach to ESG application.
- ESG considerations are factored into company valuations by assessing the material risks to sustainable earnings and monitoring the progress of such risks and opportunities in our "ESG dashboard".
- Engaging with investee companies on ESG issues is essential to understanding and protecting the portfolio from financial and non-financial risks. As such, we vote on all resolutions (except when it is not in the best interests of our clients).
- Third-party ESG resources are utilized to complement our internal assessment of companies and assist with the due diligence and ongoing monitoring processes.

Investment team lead



Ivailo Dikov
Portfolio Manager

We adopt a team-based approach. As Team Leader and Portfolio Manager, Ivailo Dikov has the ultimate responsibility for the daily monitoring of the portfolio, overseeing trades and position sizing.

Strategy characteristics

Portfolio characteristics⁴

Reference index	MSCI Japan Index
Typical no. of holdings	30 – 50
Target alpha	1.5 – 4%
Target tracking error	3 – 8%
Country/sector range	Outcome of bottom-up stock selection
Market capitalisation	All-capitalisation
Base currency	JPY

Sources

¹Profit Margin % of sales from Refinitiv Datastream MOF. For illustration purposes only. Latest data available as at end November 2024. Current profits of all Japanese Incorporated Enterprises Industries (Except Finance and Insurance) / Sales, in Japanese Yen. ²Eastspring Investments, MSCI Indices, Refinitiv Datastream, as at end November 2024. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. Indices used: MSCI Japan Index, MSCI Europe Index, MSCI AC Asia Pacific ex-Japan, MSCI EM Latin America Index, MSCI AC World Index, MSCI USA Index. Projections, forecasts, opinions on the economy, securities markets or the economic trends of the markets are based upon information and sources believed to be reliable at time of publication and subject to change without notice. The use of indices as proxies for the past performance of any asset class/sector is limited and should not be construed as being indicative of the future or likely performance of the strategy. ³Eastspring Investments. For illustration purposes only. ⁴Eastspring Investments, as at end November 2024. Target alpha should not be construed as a guarantee for outperformance. Tracking error is an outcome and can vary from the typical range in a more extreme market environments. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice.

Important information

The **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market. With 237 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

This Strategy Overview is to complement Eastspring capabilities. This Supplemental information provides additional analysis and summarizes an Eastspring strategy and is not an offer or solicitation for any specific securities or vehicles.

Information herein is believed to be reliable at time of publication, but Eastspring Investments does not warrant its completeness or accuracy and is not responsible for error of facts or opinion. Any opinion or estimate contained in this document may subject to change without notice. This document is solely for information and does not have any regard to the specific investment objectives, financial or tax situation and the particular needs of any specific person who may receive this document. Supplemental information, benchmark illustrations and representative accounts were all selected on best available data.

The representative accounts chosen best represent guidelines, objectives and restrictions for this strategy and not based upon investment performance.

Past performance and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of Eastspring Investments or any of the funds managed by Eastspring Investments. It is not possible to invest directly in an index. Index returns do not represent the results of actual trading of investible assets/securities. The index providers maintain and calculates indexes but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index.

This information is not an offer or solicitation to deal in shares of any securities or financial instruments and it is not intended for distribution or use by anyone or entity located in any jurisdiction where such distribution would be unlawful or prohibited. The information does not constitute investment advice or an offer to provide investment advisory or investment management service or the solicitation of an offer to provide investment advisory or investment management services in any jurisdiction in which an offer or solicitation would be unlawful under the securities laws of that jurisdiction. Certain strategies may not be registered in the U.S. under the Investment Company Act of 1940, as amended, nor the Securities Act of 1933, as amended (1933 Act). Shares may not be offered or sold, directly or indirectly, in the U.S. or to any 'U.S. Person,' as defined by Regulation S of the 1933 Act. When applicable additional information is available upon request in the current Prospectus and the Key Investor Information Document (KIID) of the relevant sub-fund in applicable local language. Such documents, together with the articles of incorporation, the most recent annual and semi-annual reports of the SICAV, may be obtained free of charge from the Management Company.

Upside/downside capture ratio show you whether a given representative account strategy has outperformed-gained more or lost less than-a broad market benchmark during periods of market strength and weakness, and if so, by how much. Upside capture ratios are calculated by taking the representative account strategy monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the representative account strategy monthly return during the periods of negative benchmark performance and dividing it by the benchmark return.

Please note any securities mentioned are included for illustration purposes only. It should not be considered a recommendation to purchase or sell such securities. There is no assurance that any security discussed herein will remain in the portfolio at the time you receive this document or that security sold has not been repurchased.

All investments involve risks, including possible loss of principal. Security prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Investments in securities of issuers in Asian countries involve risks that are specific to Asia, including certain legal, regulatory, political and economic risks. Because the fund invests its assets primarily in companies in a specific country or region the strategy may also experience greater volatility than a fund that is more broadly diversified geographically.

Eastspring Investments Inc. ("Eastspring US") primary activity is to provide certain marketing, sales servicing, and client support in the US on behalf of Eastspring Investment (Singapore) Limited ("Eastspring Singapore"). Eastspring Singapore is an affiliated investment management entity that is domiciled and registered under, among other regulatory bodies, the Monetary Authority of Singapore (MAS). Eastspring Singapore is also registered with the US Securities Exchange Commission (SEC) as a registered investment adviser. Eastspring US seeks to identify and introduce to Eastspring Singapore potential institutional client prospects. Such prospects, once introduced, would contract directly with Eastspring Singapore for any investment management or advisory services. Additional information about Eastspring Investments is also available on the SEC's website at www.adviserinfo.sec.gov.

Eastspring Singapore is an ultimately wholly-owned subsidiary of Prudential plc of the United Kingdom. Eastspring Singapore and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom.



eastspring.us

Eastspring Investments, Inc.

24 East Washington Street, Suite #875
Chicago, IL 60602

Tel: +1 312 730 9540