

# Goldman Sachs Japan Equity Partners Portfolio

## Opinion

- This Recommended fund is managed by a seasoned investment professional, supported by an experienced team based in Tokyo. Ichiro Kosuge has fostered an approach that embraces the thoughts and views of all team members.
- The team has access to GSAM's extensive global network, helping them to consider Japanese companies from both a local and global perspective.
- The investment process is very well honed and involves rigorous peer group review on an on-going basis.
- The style bias is unashamedly growth focused. However, the fund is not exposed to growth at any price and a degree of valuation sensitivity incorporated into the process.
- By dint of the success of the strategy, the book of assets managed by this team has grown to a significant size. While this fund is not soft-closed, the firm is not actively marketing the strategy to ensure its size does not compromise the investment strategy. If you are considering a new investment in this strategy, we recommend checking the fund's status with the firm/your platform provider.

## Characteristics and Utility

- The fund is managed with a long-term mindset and portfolio turnover is relatively low. As such, the fund performance will, to a degree, be dictated by its inherent growth credentials.
- Relatively little reference is paid to the benchmark and, given the concentrated nature of the fund, there will be a degree of variability of returns in relation to the peer group and the benchmark.
- The fund is suitable for investors seeking companies in Japan with growth prospects. Investors who are concerned about performance relative to the index should consider blending the fund with a benchmark-aware offering / a fund with greater sensitivity to value factors.

## Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund's historic volatility is between 15% and 25%.

The score of 6 is in keeping with other funds in the IA sector. The bias to larger-cap, established businesses means that this growth-biased fund does not typically display elevated relative risk characteristics, in spite of its focused nature. Different share classes could have different SRRI scores.



## Key Fund Facts

<b>Inception Date:</b>	27 May 2015
<b>Manager(s) Since:</b>	Ichiro Kosuge (May 15)
<b>Fund Domicile:</b>	Luxembourg
<b>Base Currency:</b>	Japanese Yen
<b>Fund Benchmark:</b>	Topix
<b>IA Sector:</b>	Japan

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at [theadvisercentre.co.uk](http://theadvisercentre.co.uk). An asset manager adviser factsheet is also provided there.

## Fund Snapshot

A focused, larger-cap, benchmark-agnostic Japanese equity portfolio which favours companies that demonstrate sustainable and growing business models. The highly experienced Tokyo-based team is led by Ichiro Kosuge, who has been investing in growth stocks for over three decades. Within its sector, the fund features in our 'Larger-Cap, Growth' category.

## Investment Team

The fund is managed from Tokyo by Ichiro Kosuge, leader of the Japan Fundamental Equity team. While he has ultimate responsibility for the portfolio, he works very closely with his colleagues, with each team-member having defined areas of expertise. Mr Kosuge joined Goldman Sachs Asset Management (GSAM) in 2004 and previously held senior roles at Dai-ichi Life and DLBJ.

## Investment Philosophy

The team believes that the Japanese equity market is inefficient at pricing individual stocks and that excess returns can be achieved by building larger positions in selected high-quality, long-term opportunities. The focus is firmly upon industry-leading businesses with strong fundamentals. By contrast, the team avoids companies that are heavily driven by global cyclical conditions and have unreliable earnings growth drivers.

## Investment Process

Ideas are generated primarily by the original bottom-up investment research process. Their investment universe consists of 80-90% of the First Section of the Tokyo Stock Exchange on a market cap basis, alongside a selected number of companies from the Second Section. Both qualitative and quantitative factors are applied to identify stocks that are of interest to them. Quantitative criteria include: above average return on equity, sustainable earnings growth and valuation upside. Qualitative factors include: strong business franchise, high quality corporate management and favourable industry dynamics. The preference is for companies that are in a re-growth phase and these are mainly established large and mid-cap companies that are expanding into new businesses or overseas.

Company visits are an integral part of the investment process, with an emphasis upon meetings with senior managers. The team undertakes more than 2,000 meetings per annum. Stock evaluation is based around cash flow, earnings metrics and valuation. There is a plethora of formal and informal team meetings, with on-going peer group reviews and a "Three Day Rule", which is a window for all analysts to give their views on any new stock suggestions, encouraging full participation in the stock selection process. Stocks are sold when the fundamental outlook deteriorates, the target price is achieved, company management changes or the holding grows beyond an appropriate size from a risk management point of view.

## Portfolio Construction and Risk Controls

The portfolio features 25-40 stocks. The fund is managed in a benchmark-agnostic manner, although there is a limit on sector exposures of +/- 20% relative to the TOPIX index. The lead fund manager decides upon position sizes based on their conviction in the idea, upside potential, contribution to portfolio risk, market cap and liquidity. The team invests with a long-term time horizon and turnover is relatively low. There are multiple levels of risk controls, starting with the lead manager and extending to the independent operational risk management team. There is a particular focus upon ensuring that their stock views are not overwhelmed by non-stock specific risk.

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