

# TMAM-GO Japan Engagement Fund

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- TMAM-GO Japan Engagement Fund (JEF) is dedicated to adding significant value for clients long-term, applying Governance for Owners' (GO) proven global expertise in relational investment, by
  - acting as a catalyst for corporate change, and
  - generating alpha through good stewardship

...whilst employing a Japanese way of engaging investee companies
- The JEF will be managed by a dedicated, experienced team at Tokio Marine Asset Management (TMAM) based in Tokyo, with support from GO



# Why invest in Japan now?

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## In our view:

- Japan is now neglected by the international investment community, which presents a unique opportunity
- Small and mid-cap companies provide good investment opportunities
  - Despite overall poor stock performance, positive returns did and will exist in the area
  - The key structural issue is poor capital allocation
  - Right investee candidates tend to need financial engagements, but maintain operational competences
- Small and mid-cap companies are now attractively valued
  - P/E ratio has converged to international levels
  - P/B ratio remains depressed at a lower level than other developed markets
  - Value can be unlocked if structural issues are addressed
- There are signs of a readiness to change
  - Regulators have initiated corporate governance reforms relating to board structure, shareholder rights, and transparency/disclosure
  - Companies have become more willing to engage with shareholders they trust



## Why the JEF is a unique opportunity?

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- A proven strategy: The principles of relational investment to achieve corporate change have been successful over two decades in US and Europe
  - 1992-2001: *LENS Asset Management (US)* – Partnership at Hermes from 1998 involving GO founders Peter Butler and Steve Brown
  - 1998-2004/5: *Hermes Focus Asset Management (UK, Europe)* – GO team includes 11 professionals who built successful operations at Hermes
  - 2005-date: *Governance for Owners (Europe and, since 2007, Japan)* – Model transferred and successfully continued at GO
- Management support and mentoring to JEF by GO partners in London



## Why the JEF is a unique opportunity (continued)?

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- Embedding JEF within TMAM, an established investment institution
  - TMAM is the 2nd largest active discretionary investment advisory firm in Japan in terms of pension fund assets (after Nomura AM)
  - A wholly-owned subsidiary of Tokio Marine Group, one of the largest life and non-life insurance groups in Japan
  - 250+ people with offices in Tokyo, Singapore, Shanghai, London and New York
  - 20+ professionals dedicated to research and portfolio management, working closely with traders, economists and quant analysts
- Dedicated Tokyo-based professionals of Japanese nationals with deep corporate, investment management, engagement and governance experience
- Support from Japan Engagement Advisory Committee comprising leading Japanese industrialists, investors and business practitioners



# Selecting the right stocks

Approx. 900 stocks in mid-cap universe



## Selection criteria

- > 20% upside
- Open-minded management
- Corporate change agenda
- Means to achieve change

## Target core holdings: 10-30 stocks

• Single stock position	Max 20% portfolio
• Ownership limit	Max 15%
• Target shareholder ranking	Top 10
• Market Cap	JPY 30bn – JPY 1tn
• Typical holding period	3-4 years
• Target outperformance	5% per annum
• Target tracking error	High (7-13%)
• Target fund size	JPY100bn
• Benchmark	TOPIX Mid 400
• Investments	Long only, no leverage

