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ESG in Japan: Misunderstood & Underestimated

Richard Kaye
Analyst / Portfolio Manager, Japan

Richard Kaye joined Comgest in 2009 and is a Tokyo-based Analyst and Portfolio Manager specialising in Japanese equities. With a wealth of experience in Japanese equities, Richard became co-lead of Comgest's Japan equity strategy upon joining the Group. He started his career in 1994 as an Analyst with the Industrial Bank of Japan and then joined Merrill Lynch in the same role in 1996. In 2005 he moved to the Wellington Management Company in Boston as a Portfolio Manager of Japanese TMT stocks. Richard graduated from Oxford University where he majored in Oriental Studies.

Comgest's investment approach is grounded on thorough fundamental analysis carried out by experienced portfolio managers located in the markets where they invest. Seasoned investors who spend years researching and building relationships with local companies develop an understanding of cultural and regional nuances that are not obvious to outsiders. We believe this leads to perceptive investment insights that few other firms can match. This white paper, authored by Comgest PM Richard Kaye who has spent almost three decades living and investing in Japan, illustrates how experienced local investors can spot opportunities that others miss.

Japan is in the process of being rediscovered after a "lost generation" in which it was largely neglected by both domestic and international asset allocators. However, despite the renewed interest in this fascinating and broad market, international investors remain wary of corporate Japan's ESG credentials. Japanese companies have a reputation for being behind their global peers when it comes to ESG activities and transparency. We believe that this characterisation is misleading: many Japanese companies appear to be ahead of the rest of the world in terms of environmental technologies and have a deep commitment to their founding vision and social purpose. They are also becoming willing to disclose ESG data. ESG is increasingly the language of Japan, giving long-term investors such as Comgest a new route to deeper engagement, but short-term investors and standardised data providers can fail to capture the full picture of this complex market. Japan's ESG potential is part of an exciting story for Japanese equity and should not be underestimated.

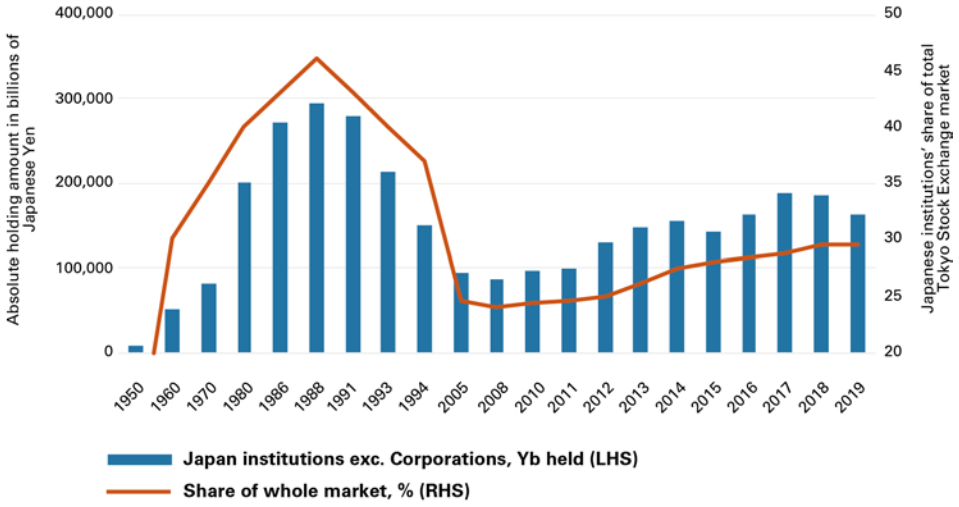
The rediscovery of Japan

In 1987, the Japanese equity market made up over 40% of the MSCI All-Country World Index. This has shrunk to approximately 7% today, although Japan remains the second biggest country weight after the US[1]. A generation of asset allocators have neglected Japan, despite its broad and deep stock market, large population and sizeable economy, the third largest in the world.

Much of the decline in the Japanese market was driven by Japanese investors themselves. Institutional investors such as pension funds and banks increased their fixed income holdings at the expense of equity and conglomerates unwound their crossholdings. However, over the past seven or eight years, domestic investors have been buying again, as shown in **Figure 1.**

1. Source: https://www.msci.com

Figure 1: Japan buying…Japan



Source: Tokyo Stock Exchange as of 31 December 2019

Western investors are also rediscovering Japan, helping to push the TOPIX to a 30-year high in February 2021. Berkshire Hathaway's decision to invest USD6 billion in five Japanese companies in 2020 was a strong signal to overseas investors to re-evaluate their longstanding underweight exposure to Japan. The country's stable political leadership, strong commercial ties to Asian countries[2] and its relative resilience to the Covid-19 pandemic further support our view that this is the beginning of a strong decade for Japanese equity.

A market of mystery & misconceptions – with direct access to global trends

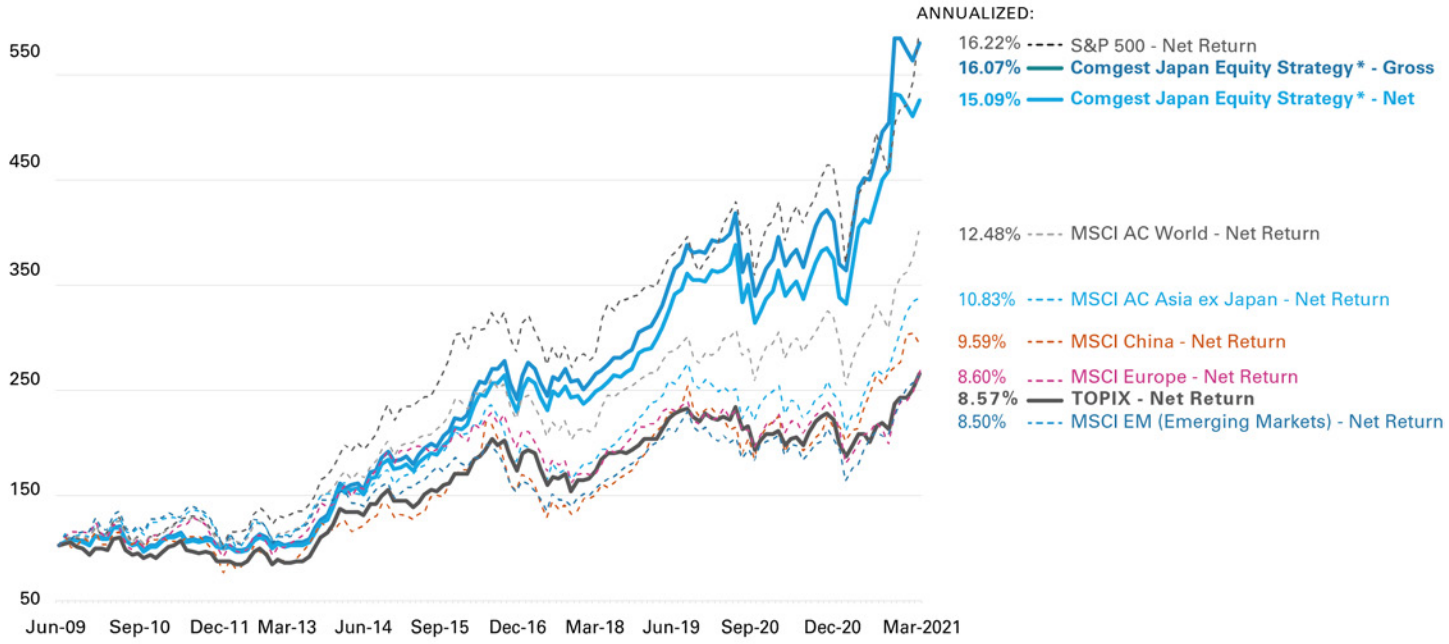
Despite the promising outlook for Japanese stocks, this remains a difficult market to navigate, especially for outsiders. Japanese companies can find it difficult to provide the type of information required by institutional investors and there is not enough quality research to offset this lack of visibility. On average, each of the 3,700 listed companies in Japan is followed by only seven analysts, compared to 40 analysts per index constituent in the US[3]. By way of example, one-third of the stocks included in the Comgest Japan Equity Strategy at the most extreme point were either not covered at all or were typically covered by only one analyst outside Comgest. Where stocks are covered by more than one analyst, it is rare for their views to diverge from consensus.

This means that Japan remains a misunderstood market. Western investors have not yet fully taken on board that the Japanese

2. The Regional Comprehensive Economic Partnership was signed in November 2020
3. Sources: datausa.io, TheGlobalEconomy.com, Nikkei, saa.org.jp as of 31 December 2019

market no longer represents just the Japanese economy. Japanese equity offers relatively cheap, liquid exposure to global trends through long-standing companies with strong balance sheets that are little known to the majority of investors. Indeed, the Comgest Japan Equity Strategy * of around 30–40 stocks has outperformed the MSCI ACWI, Europe and China indices since 2009 **(Figure 2)**. Examples of stocks that are exposed to global trends include Murata, a Kyoto-based components company that captures the largest share of value added in the manufacture of smartphones; Hamamatsu Photonics, which makes diagnostic machinery and the optical components for CT scanners; and another med-tech company, Sysmex, the global leader in haematology. Japan is also home to Nidec, the largest manufacturer of electric vehicle (EV) engines. Nidec trades at a much lower valuation to Tesla, despite having broader exposure to the global EV market.

Figure 2. Comgest Japan Equity Strategy vs Major Market Indices



Cummulative Performace Since July1, 2009 (%) As of March 31, 2021**

Past performance is not a reliable guide to future performance.

Source: Comgest/FactSet financial data and analytics, unless otherwise stated. Indices: all expressed in JPY Topix - Net Return; S&P 500 – Net Return, MSCI AC World – Net Return; MSCI AC Asia ex Japan – Net Return; MSCI China – Net Return; MSCI Europe – Net Return; MSCI Emerging Markets – Net Return. The indexes are used for comparative purposes only and the strategy does not seek to replicate the indexes.

* Performance data expressed in JPY for Comgest's Japan Equity Representative Account, a pooled investment vehicle which has been managed in accordance with the strategy discussed since inception of the strategy.

** Under current team: Current team commenced management of the strategy as of 01-Jul-2009. Gross performance is calculated gross of investment management fees, administrative fees and all other fees with the exception of transaction costs. If taken into account, these fees would have a negative impact on performance.

The calculation of net performance is based on the deduction of a fixed institutional management fee of 0.85% from gross performance, which would be the highest fee charged in practice to institutional investors in the strategy. The inclusion of sales charges, administrative fees (including custody fees) and any other applicable fees or costs would have the effect of decreasing the performance results. All performance calculations are unaudited and assume the reinvestment of all dividends, interest and capital gains on the date of payment. The index is used for comparative purposes only and the strategy does not seek to replicate the index. Calendar year performance is provided in the appendix of this presentation.

Annualised:	Comgest Japan Equity Strategy* - Gross	Comgest Japan Equity Strategy* Net	S&P 500 - Net Return	MSCI Emerging Markets - Net Return	MSCI AC World - Net Return	MSCI Europe - Net Return	MSCI AC Asia ex Japan - Net Return	MSCI China - Net Return	TOPIX - Net Return
1 Year	59.90%	58.55%	59.22%	62.12%	58.24%	48.37%	61.02%	47.00%	41.69%
3 Years	16.94%	16.61%	16.77%	17.48%	16.53%	14.05%	17.21%	13.70%	12.32%
5 Years	17.23%	16.24%	15.22%	11.69%	12.83%	7.82%	13.40%	15.70%	9.79%
7 Years	17.62%	16.63%	14.06%	7.65%	10.51%	4.75%	10.39%	12.47%	9.17%
10 Years	18.48%	17.48%	16.52%	6.68%	12.33%	8.15%	9.77%	10.39%	10.50%
****Entire Period since 01/07/2009)**	16.07%	15.09%	16.22%	8.50%	12.48%	8.60%	10.83%	9.59%	8.57%

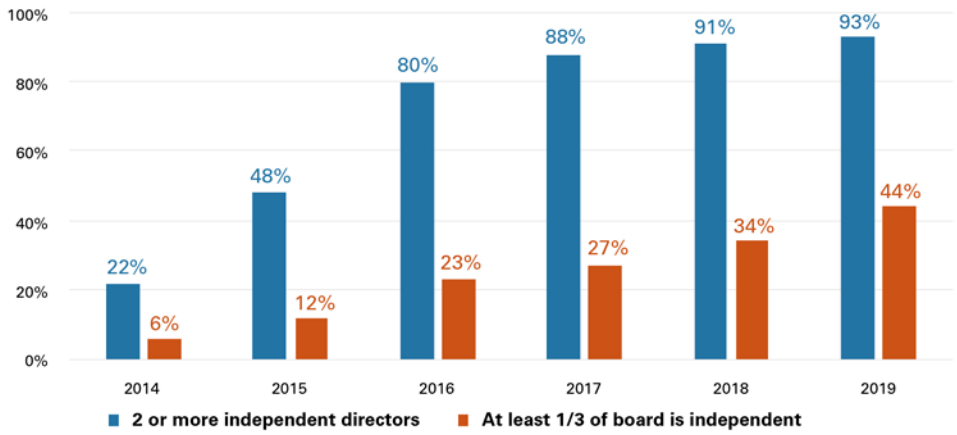
Please see performance disclaimer on page 3.

Prone to misperception, owing to limited analyst coverage, the nature of the Japanese market lends itself well to Comgest's research approach: we build relationships with the companies we invest in over several years and staying invested in some cases for over a decade. This patient approach is increasingly resulting in high-level access to the companies on our watchlist and a new willingness to engage on both financial and non-financial issues.

Uncovering Japan's ESG potential

If it is hard for investors to gain insight into the Japanese equity market, it is even more difficult for them to build a true picture of the ESG credentials of Japanese companies. Where investors do consider Japan's ESG potential, they tend to focus on improved governance: the number of independent directors has risen steadily since the introduction of the Corporate Governance Code in 2015. Although the code refers to outside directors, we can see that the number of independent directors has grown considerably since then **(Figure 3)** and Return on Invested Capital (ROIC) has improved by more than in any other major economy over the last decade (albeit from a low base). We would argue that while governance has improved, this is not necessarily the result of government reforms – many companies understand that good governance is in their own interest.

Figure 3: Share of companies with independent directors



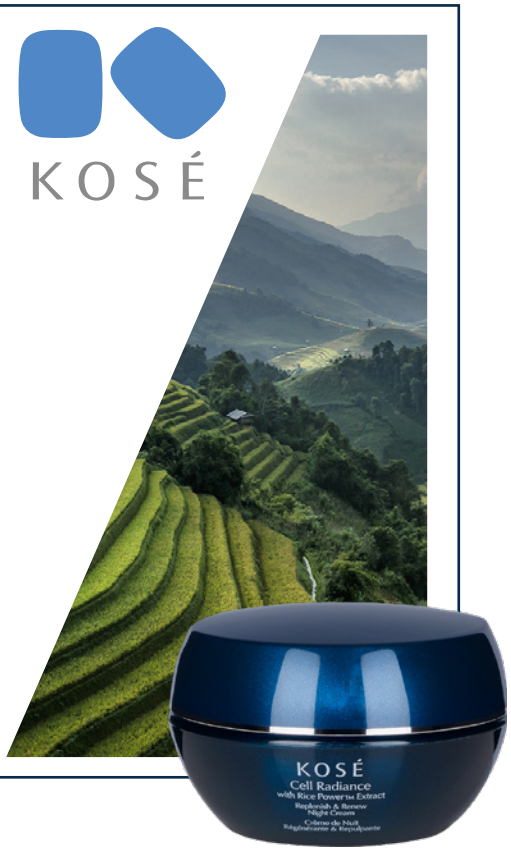
Source: Tokyo Stock Exchange as of February 2020

Moreover, focusing on governance can mask broader changes. Very few investors, either domestic or international, are aware of how well selected Japanese companies are addressing environmental and social issues. Resource constraints and historical industrial disasters have long motivated high environmental and social standards among some Japanese companies, often in excess of those of their western peers. Furthermore, a large number of listed companies are still strongly influenced by the vision of their founders, who have a deep commitment to the social purpose of their business, meaning that they care about the ecosystem to which they belong.

These elements can easily be missed by investors. The lack of analyst coverage means that companies have been under less pressure to disclose ESG information, especially as Japanese institutional investors tended not to prioritise this data. Japanese companies have historically been reluctant to reveal such information, partly for logistical reasons (preparing and translating high quality CSR reports is not a quick undertaking) and partly out of humility, as management measured itself against what it perceived to be happening in Europe. Japanese companies do tend to move more slowly than their western counterparts in introducing new policies, largely because they are very reluctant to reverse course afterwards. For their part, international investors tend to rely on standardised ESG scores from third-party providers that have generally not kept up with the ESG improvements being realised at many Japanese companies.

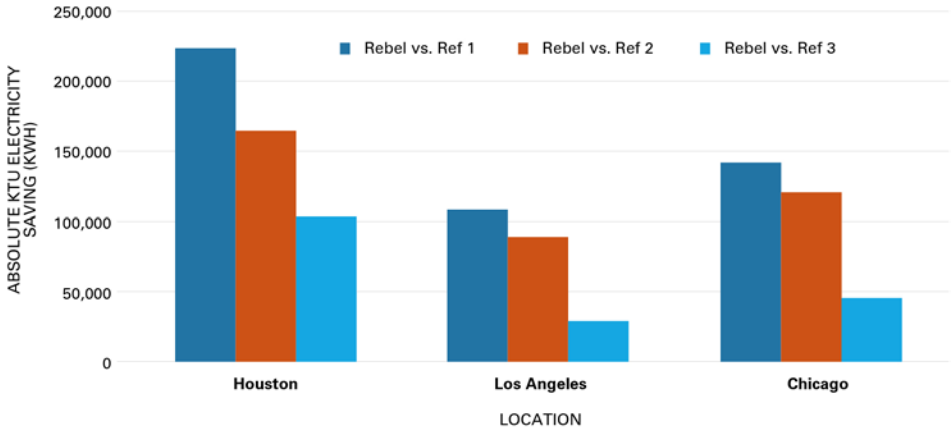
KOSÉ: Engagement Leads to Better Disclosure of Existing Good Practice

- KOSÉ Corporation, a cosmetics company, exemplifies both the strong commitment of many Japanese companies to sustainability and the unsung nature of this commitment. It also demonstrates how deeper engagement by western investors can help Japanese companies understand the value of disclosure
- KOSÉ's philosophy and corporate identity, "Wisdom and Beauty for People and the Earth", is fully reflected in its governance and operations. As a promise to all its stakeholders, KOSÉ values its connections to society and the natural environment
- The company established its Global Environment Committee as early as 1997 and has complemented this with other dedicated bodies such as a CSR Committee and Environmental Working Groups. However, until 2018, KOSÉ had not participated in the CDP disclosure platform
- Through collaboration with Comgest's local team, KOSÉ became aware of the benefits of being transparent, by gathering and presenting relevant data in a standardised reporting format for the consumption of investors and internally for management. The company amended its reporting and disclosure practices and completed three CDP questionnaires, on Water, Climate Change and Forests, in 2018



The ESG potential within the Japanese equity market therefore tends to be misunderstood while the strong environmental performance of some companies is overlooked or misrepresented by third-party data providers. One such example is Daikin, the world's biggest manufacturer of air conditioners and the most ecologically efficient. Daikin consistently outperforms its competitors in the use of electricity and refrigerants and achieves the highest score in US federal rankings. In **Figure 4** Daikin's air conditioning model 'Rebel', is compared to two other reference products by the US Department of Energy and demonstrates their relative competitiveness. This has helped it build its presence in China, especially in high-end apartments, and in the rest of Asia. Daikin has until recently been less successful in the US market, which has traditionally opted for duct style air conditioning systems, but it is now starting to see greater interest for its energy-saving units. Daikin therefore offers exposure to the global trend towards higher demand for air conditioning with lower exposure to environmental risk than its sector peers.

Figure 4: Daikin energy savings versus two peers



Source: US Department of Energy as of January 2021

The barriers to understanding ESG in Japan are slowly being removed. Over the past five years, the domestic institutional investor base has begun to emphasise ESG criteria in its portfolios and is asking relevant questions. Companies themselves are increasingly prepared to engage on ESG – although they may initially appear reticent – and we have seen almost universal willingness among our portfolio holdings to meet global reporting standards as well as widespread adoption of SDG mapping. Nonetheless, ESG information remains patchy and can result in misleading interpretations if it is not supplemented or confirmed by deeper insights into the company: companies may be penalised for "bad" practices, which are easier to spot, while their less well-publicised "good" practices are not sufficiently researched. Daikin, for example, may be excluded from watchlists because it has a small legacy exposure to armaments, while its environmental leadership is not acknowledged.

Our approach – ESG hardwired & softwired into our analysis

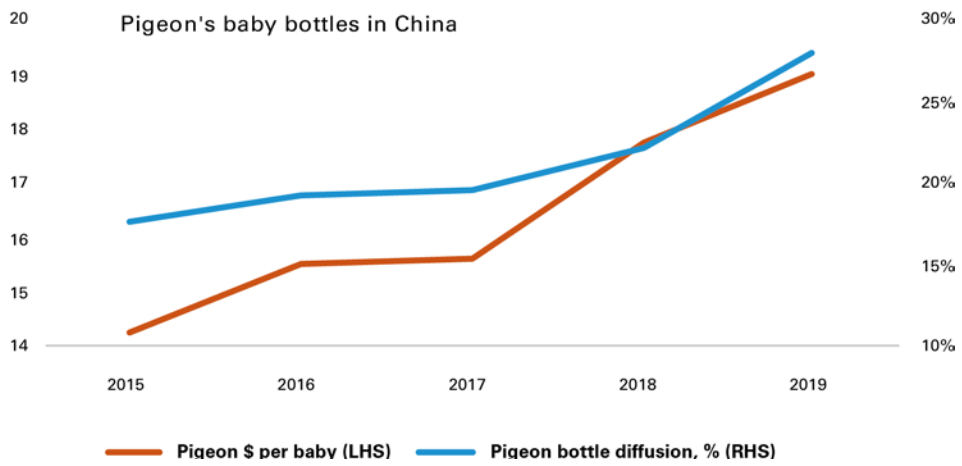
We believe that our research approach enables us to build a more complete and reliable understanding of the ESG potential of Japan. Comgest has been investing in Japan since the 1990s and our Tokyo office was established in 2007. Our bottom-up approach, here and elsewhere, is based on patient analysis of companies – we are prepared to wait many years to invest – and building relationships over time that permit us to engage directly and openly with them.

This investment approach seems to us to be particularly well-suited to the Japanese market, where long-term relationships are valued and can yield significant insights. For example, we waited for over five years to meet with Fanuc, a company with a market capitalisation of over USD 40 billion but is is very poorly covered by external analysts. Our persistence has resulted in our meeting Fanuc directors, which has enabled us to develop a much better understanding of Fanuc's sense of social purpose and ESG potential. During our exchanges we have also helped Fanuc to understand the type of information that western investors need.

Our research process helps us to go beyond published data and identify ESG strengths in companies that may be underestimated by third-party data providers. One such company, in our view, is Pigeon, which is the best-selling brand of baby bottles in China. Its high quality makes Pigeon an aspirational brand for Chinese parents and the company is steadily gaining market share **(Figure 5)**; sales in China have grown even as the number of babies has declined.

Figure 5: Pigeon: a trusted premium brand in China

Source: pigeon.com as of 31 December 2020



However, Pigeon is poorly rated by ESG data providers because of concerns about its exposure to regulatory risks associated with its use of chemicals and because of perceived lack of independent oversight. In our view, Pigeon has a clear awareness of ESG risks, as evidenced by its board members being given ESG-related performance objectives. The picture that we have built up through our engagement with the company is that Pigeon is committed to its mission of "supporting babies' earliest years through technology and trust", a commitment that is overlooked by standardised ESG metrics.

Orix is another stock that we consider to be misperceived in terms of its ESG potential. It has Japan's largest renewable energy assets, through its solar capacity within Japan itself and its stakes in global companies such as Ormat in Israel. Orix scores highly on governance criteria, with a 50% independent Board; two of its six external directors are women. In addition, the company plays an indispensable role among Japan's smaller companies, providing services that the banks have neglected: advisory, leasing, real estate introduction, financing and even private equity services. Interestingly, Orix was rated as 'high risk' by an external ESG rating agency until January 2021, which Orix believes reflects its failure to engage with ESG ratings agencies. Orix has a unique business and a strong growth story, as its small company clients undergo change.

ESG is increasingly a useful way for us to start conversations with Japanese companies, who are keen to lock in the benefits of their ESG progress, and this also resonates with Comgest's investment approach. We hardwire an assessment of how successfully different companies are addressing ESG risks into our company valuations and portfolio construction process. The team in Tokyo draws on the expertise of a dedicated team of Paris-based ESG analysts to ascribe an ESG Quality Level from 1 (Leader) to 4 (Improvement Expected) to each company considered for inclusion in the portfolio[4]. This ESG Quality Level directly impacts the discount rate applied in our proprietary models for company valuation, as shown in **Figure 6**.

Figure 6: Comgest's ESG Quality Levels hardwired into company valuations

ESG Quality Level	Discount Rate Impact: Developed Markets
1. ESG Leader	-50 bps
2. Good Quality	0 (no change)
3. Basic Quality	+100 bps
4. Improvement Expected*	+200 bps

Please refer to the Responsible Investment Policy available on the Comgest website for a full description of their ESG integration process.

Our ESG integration approach does not restrict us to investing only in what we consider to be "ESG Leaders". Our systematic research process and our relationships with investee companies help us to identify companies that we believe are capable of making improvements to their ESG Quality Level; we are prepared to invest in lower-rated companies where there is a demonstrated willingness to implement appropriate measures. For example, we are engaging with Pigeon (which we consider to be "Good Quality") on a regular basis.

Another example is Suzuki, which has a poor track record but where we see improvements. Suzuki is rated as close to uninvestable by many ESG data providers, reflecting its misstatement of emissions in Japan, labour issues in India, and legitimate questions over the transparency of its board. However, the company has appointed three non-executive directors with relevant ESG backgrounds and is engaging more with investors. In addition, Suzuki is one of the leaders in electric vehicle development for India – meaning that it could play an important role in containing emissions in the world's most rapidly growing car market. This positive side of the story is

4. ESG Quality Levels are assigned following the ESG analysts in-depth review which takes place when a security enters a portfolio. While ESG quality levels cover a large majority of Comgest's assets under management, a Quality Level may not be assigned for all investments, depending on the strategy. *We already start with a base of "quality growth" companies.

not often told. We are alert to the past failings at Suzuki, but – after 11 years of engagement with the company – we believe that there is potential for improvement and want to play a part in that progress.

In cases such as Suzuki, the heightened ESG risk of the company is reflected in a higher discount rate being applied to the terminal P/E multiple, which impacts the investment team's projected "upside" on the stock. This in turn means that the position size is likely to be smaller until the anticipated improvements become tangible.

Overall, the Comgest Japan Equity strategy is invested primarily in companies that we rate as "Basic Quality" or "Improvement Expected". We believe that we are able to identify companies with a genuine commitment to ESG improvements, not least because we recognise commonalities with Comgest's own business model and philosophy:

- The company articulates a wider social purpose, often linked to the vision of its founder (who may remain actively involved, or who has transmitted his/her ideals to the current generation of managers and staff)
- The company adheres to this vision through its business relationships, its dealings with customers and along its supply chain
- The company expresses its enthusiasm about generating a positive capital return for shareholders, who may include senior management

We believe that these companies all have strong ESG potential that will be revealed as investors rediscover Japan; they also offer exposure to the other exciting investment themes that will be part of this rediscovery.

Investing in change

Japanese society, regulation and industry are going through enormous changes, but their significance is difficult to follow from outside the country. These changes are affecting traditional industries and innovators alike, and we believe that they are investable.

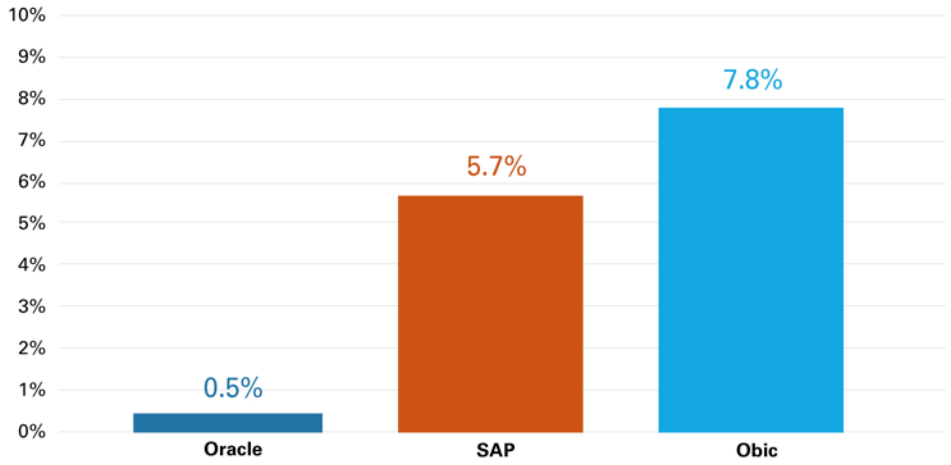
Recruit Holdings is a means to invest in demographic change and the empowerment of women. It is well known that the Japanese workforce population is declining (the government's baseline forecast is for a fall from 67.2 million in 2017 to 63.5 million in 2030 and 58.5 million in 2040), but it is probably less obvious to western investors how effectively Japan has responded to this problem. More foreign work visas are being issued (contrary to stereotypes) and the female participation ratio has increased considerably, so that women now represent a bigger percentage of the labour force in Japan than in the US. Recruit Holdings, which operates Indeed and Glassdoor online HR services, is one of the oldest and largest staffing companies in Japan and is helping to solve the societal problem of a labour supply shortage.

There are a number of ways to invest in innovation in Japan. Consolidators such as supermarket chain, Don Quijote (whose company name is Pan Pacific Holdings), are drivers of change. In an unprofitable sector, it has achieved consistent same-store sales and earnings growth since listing in 1998 and is gaining market share through innovating in its store layouts, supply chain and merchandising.

Obic is an innovator that is enabling change at other companies, providing Enterprise Resource Planning (ERP) software for small businesses. Obic is experiencing higher operating profit growth than ERP giants Oracle and SAP, driven by its OBIC7 Cloud solution which has generating operating margins exceeding 50% since 2018 **(Figure 7)**. The medical portal, M3, and the digital payments processor, GMO Gateway, are further examples of digital disruptors.

Figure 7: Operating profit growth, ERP providers

Source: Factset, average operating profit growth for the last 5 years as of 30 Sep 2020.



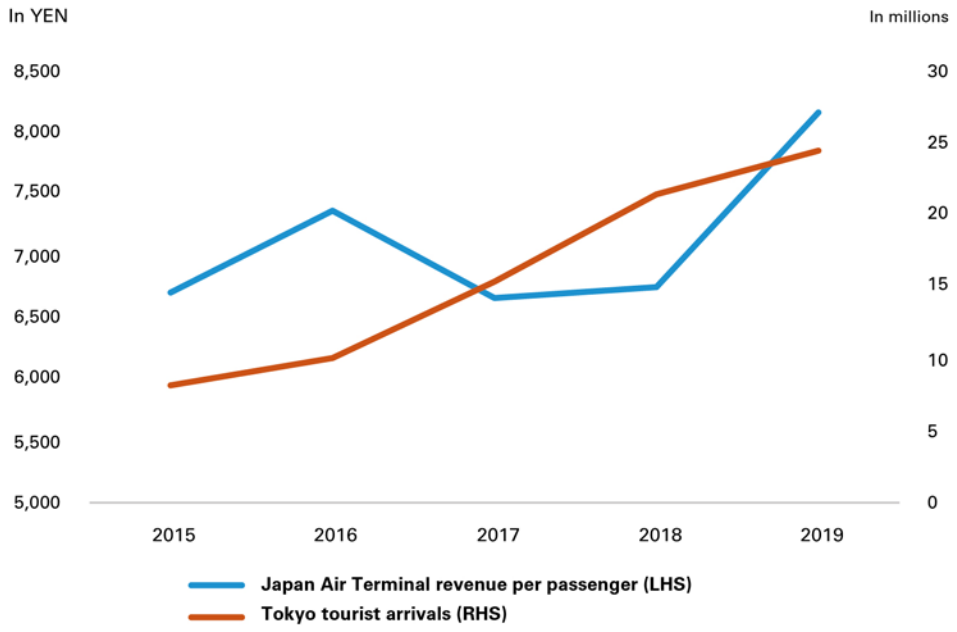
Japan in Asia

As well as offering exposure to domestic opportunities, the Japanese market is a platform for investment in Asia's growth and its emerging consumer class. Japan is selling goods, technology and aspirations to an Asian population that is growing in size, wealth and sophistication. Asia's consumer market is seven or eight times larger than Japan's, is younger and is getting wealthier.

The aforementioned baby product manufacturer Pigeon is one example of this opportunity – like many Japanese brands, it is considered to be both high quality and cool by Asian consumers. Japan's largest airport operator, Japan Air Terminal, is also benefiting from Asian growth. Japan is rapidly opening up to tourism, with arrivals trebling in the five years to the end of 2020 **(Figure 8)**, mainly from China, and likely to regain that trajectory after Covid. We consider Japan Air Terminal to be both a strong growth story and a strong value story, as central Tokyo real estate values are set to recover. Unlike in most other markets, in our view there is no stark dichotomy between "value" and "growth" stocks – Japan is such a broad, deep and undiscovered stock market that it is possible to identify crossover stories that meet both criteria.

Figure 8: Japan Air Terminal growth

Source: Japan Air Terminal as of 31 December 2020



Conclusion: Investing in what we believe to be a misunderstood market

We believe that this is Japan's decade. After a generation of being ignored by foreigners and its own investor base, the market is heading back to historic highs, and many of its companies which are global leaders in their fields, like Daikin, Pigeon and Fanuc, are starting to be revalued.

In our view, Japan is misperceived in ESG terms. We believe the progress that Japanese companies are making in ESG policies and disclosure is not well understood, and the data that is available can lead to misleading conclusions. We believe that many Japanese companies are committed to ESG improvements, disclosure and engagement.

However, in such a broad and under-researched market, it is important to be selective. The companies in our portfolio represent a tiny proportion – less than 1% – of listed Japanese stocks. We have built up our picture of these companies over several years and we believe that they have strong ESG potential and exposure to global growth themes – although we are invested in Japanese-domiciled companies, we are not necessarily investing in Japan.

About the Comgest Japan Equity Strategy Investment Team:

- Comgest has a long history of investing in Japan as part of its Global strategy since 1991
- Tokyo office established in 2007, local on-the-ground research team is essential to our fundamental approach
- Chantana and Richard have been co-managing the dedicated Japan strategy since July 2009
- All team members are first and foremost fundamental analysts
- Team-based approach

JAPAN GENERALISTS

Chantana Ward
Analyst / PM
Paris
(21/21)

Makoto Egami
Analyst / PM
Tokyo
(20/7)

Junzaburo Hyuga
Analyst
Tokyo
(10/2)

Richard Kaye
Analyst / PM
Tokyo
(27/11)

ESG SPECIALIST

Yann Gérain
ESG-Analyst / PM
Paris
(16/8)

AVERAGE INDUSTRY EXPERIENCE OF 19 YEARS

Updated as of 01-Jan-2021
Years of experience: (Industry / Comgest)

Main Risks

Investing involves risk including possible loss of principal.

The value of all investments and the income derived therefrom can decrease as well as increase.

Changes in exchange rates can negatively impact both the value of your investment and the level of income received.

A portfolio investing in a single country, its performance could be more volatile than the performance of more geographically diversified portfolios.

A portfolio invested in a limited number of securities may entail higher risks than portfolios which hold a very broad spread of investments.

Appendix

Comgest Japan Equity Strategy Performance vs Major Indices: Calendar Year Performance

	Comgest Japan Equity Strategy* - Gross	Comgest Japan Equity Strategy* Net	S&P 500 - Net Return	MSCI Emerging Markets - Net Return	MSCI AC World - Net Return	MSCI Europe - Net Return	MSCI AC Asia ex Japan - Net Return	MSCI China - Net Return	TOPIX - Net Return
2010	-0.15	-1.67	-0.36	3.57	-1.84	-9.50	4.21	-8.85	0.83
2011	-12.13	-13.84	-3.74	-22.61	-12.10	-15.62	-21.55	-22.60	-17.14
2012	20.70	18.87	29.48	32.86	30.51	33.87	37.51	37.94	20.65
2013	62.96	59.95	59.90	18.40	49.28	52.23	25.29	25.99	54.20
2014	15.92	13.93	28.89	11.58	18.82	7.02	19.55	23.15	9.93
2015	21.89	19.90	1.08	-14.63	-2.04	-2.52	-8.86	-7.52	11.73
2016	1.71	0.22	7.84	7.80	4.58	-3.43	2.23	-2.17	-0.02
2017	35.15	33.01	16.97	32.59	19.74	21.22	36.88	48.81	21.84
2018	-8.45	-9.85	-7.42	-16.79	-11.77	-17.08	-16.60	-20.99	-16.26
2019	23.86	21.84	29.46	17.30	25.40	22.60	17.05	22.29	17.67
2020	39.06	36.96	11.87	12.39	10.45	0.12	18.77	23.02	6.99

Past performance is not a reliable guide to future performance.
Source: Comgest/FactSet financial data and analytics, unless otherwise stated. Indices: all expressed in JPY Topix - Net Return; S&P 500 – Net Return, MSCI AC World – Net Return; MSCI AC Asia ex Japan – Net Return; MSCI China – Net Return; MSCI Europe – Net Return; MSCI Emerging Markets – Net Return. The indexes are used for comparative purposes only and the strategy does not seek to replicate the indexes. *Performance data expressed in JPY for Comgest's Japan Equity Representative Account, a pooled investment vehicle which has been managed in accordance with the strategy discussed since inception of the strategy. Gross performance is calculated gross of investment management fees, administrative fees and all other fees with the exception of transaction costs. If taken into account, these fees would have a negative impact on performance. The calculation of net performance is based on the deduction of a fixed institutional management fee of 0.85% from gross performance, which would be the highest fee charged in practice to institutional investors in the strategy. The inclusion of sales charges, administrative fees (including custody fees) and any other applicable fees or costs would have the effect of decreasing the performance results. All performance calculations are unaudited and assume the reinvestment of all dividends, interest and capital gains on the date of payment. The index is used for comparative purposes only and the strategy does not seek to replicate the index.

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