

# Japan Equity Fund

## Performance Review

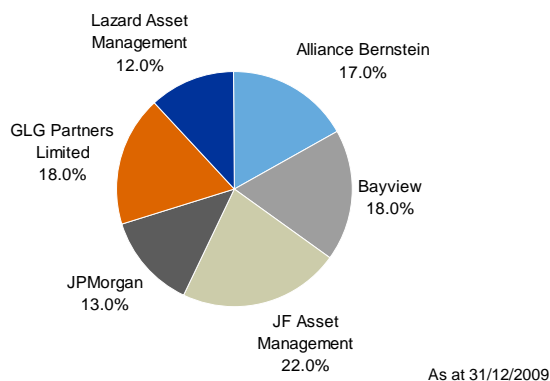
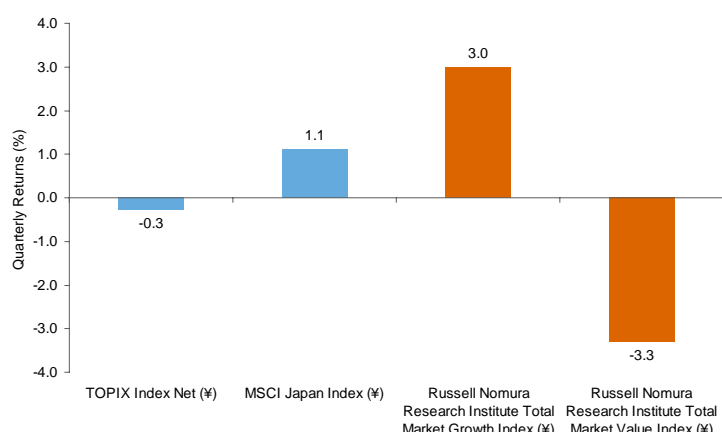
	One Month %	Three Months %	Year to Date %	One <sup>1</sup> Year %	Three Years	Five Years %	Ten Years %	Since <sup>2</sup> Inception %
Japan Equity Fund (USD) Gross of fees	0.5	-4.2	12.3	12.3	-9.9	-0.8	-2.3	2.3
Fund Benchmark (USD) <sup>3</sup>	-0.0	-4.1	4.3	4.3	-9.7	-1.4	-4.2	-1.5
Japan Equity Fund (RAND) Gross of fees	-0.5	-6.9	-10.6	-10.6	-8.6	4.7	-0.5	7.4
Fund Benchmark (RAND)	-1.0	-6.8	-16.9	-16.9	--	4.0	-2.5	3.5

<sup>1</sup> Returns greater than one year are annualised.

<sup>2</sup> Inception date 20/06/95. Performance is measured from 01/07/95. In order to enable accurate peer relative and total return benchmark relative performance comparisons, performance is calculated from the first full month following inception.

<sup>3</sup> Benchmark prior to 05/2003 was Topix Index. Benchmark currently Topix Dividends Included Index.

## Fund Highlights and Portfolio Management Activity



- Despite industrial output rising for the ninth consecutive month and policy makers unveiling a massive stimulus plan in December, Japan's Topix Index retreated 0.3% in yen terms during the fourth quarter. Global growth concerns and mixed economic data failed to convince investors the economy was improving. Gains were further hindered by short-lived panic selling after state-owned Dubai World proposed delaying bond repayments for its property unit, and by worries that domestic lenders may have to sell shares to meet stricter capital requirements. Despite the weak performance of the overall market, sector returns seemed to hint signals that investors are selectively coming back to earnings recovery stories. Autos performed strongly as companies released better-than-expected earnings results and Asian demand started to recover, helping offset declines in US and Europe. In contrast, defensive sectors - such as utilities and telecommunications - were also amongst the worst-performing as investors risk aversion diminished towards the end of the year.
- The Fund finished flat during the final quarter of 2009, in what was a mixed period for Japanese equities. Stock selection – notably within diversified financials and materials – was the main driver of performance. Stocks rewarded within diversified financials included Nomura Holdings and Orix, which was a direct reversal of Q3. In contrast, ineffective selection within consumer discretionary and technology – two of the best-performing sectors – hindered returns. However, most managers believe the Japanese market is indiscriminately sold off and that many opportunities still remain within the country.
- Low price-to-book stocks were punished during the quarter, affecting deep value manager GLG in particular. Stock selection within the auto and insurance industries was the primary detractor. Its preference for small-cap stocks also proved detrimental as individual investors have been liquidating stockholdings to raise funds to participate in equity offerings. In contrast, Alliance Bernstein's large-cap bias continued to be rewarded as they outperformed their smaller counterparts during the quarter. Its exposure to highly geared companies also proved favourable.

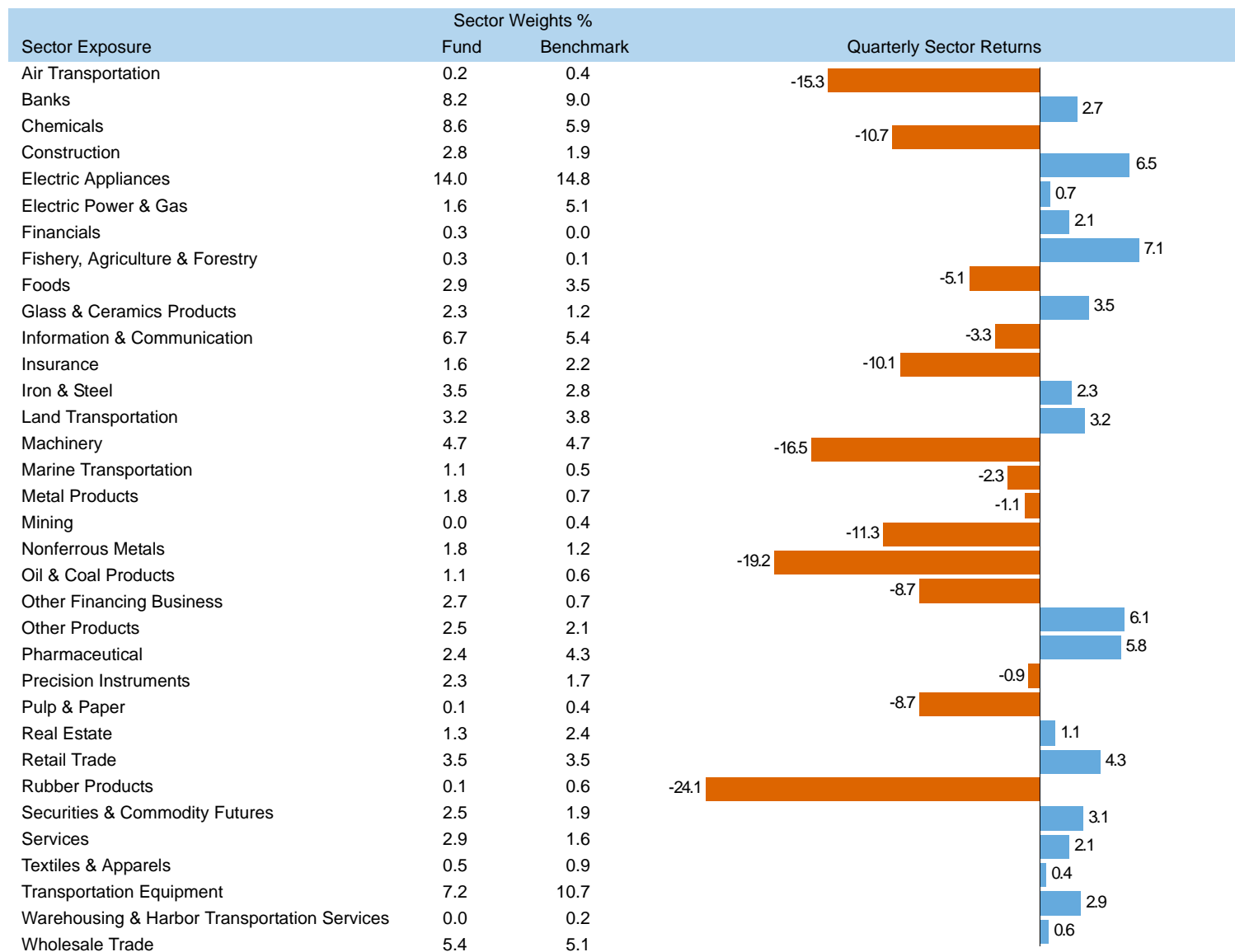
## Quarterly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Alliance Bernstein	Value	++	Stock selection was the main contributor, notably within the cyclical and financial sectors. An overweight to automobile company Nissan, Japan's third largest automaker, was its largest contributor. The company led a gain in production among the nation's carmakers in November as government incentives spurred demand.
Bayview	Above average earnings growth	+	Bayview outperformed as stock selection in, and an overweight to, the consumer discretionary sector was rewarded over the quarter. Exposure to electronics giant Sony contributed positively, largely on news it posted a smaller-than-expected net loss for its second quarter and predicted a smaller loss for the full fiscal year. However, these gains were somewhat offset by disappointing stock selection in industrials. The thematic manager remains bullish however about infrastructure and the environmental theme, such as hybrid cars and clean energy.

**Quarterly Manager Performance (continued)**

Manager	Approach / Process	*Manager Performance	Russell Analysis
GLG Partners International	Deep Value	- -	Stock selection was a laggard for deep value manager GLG, particularly within the consumer discretionary sector. GLG's portfolio beta has come down considerably over the past few months and the manager is now favouring undervalued cyclical stocks, particularly within the marine transportation space. It has also underweighted defensive sectors, with the exception of telecommunications, as it believes there are not enough opportunities in that space.
JF Asset Management	Growth	-	Stock selection within industrials – particularly capital goods stocks – was the primary hindrance. An overweight to building company Kajima detracted as analysts stated Japanese builders may lose tens of billions of yen if Dubai's investment fund succeeds in delaying debt payments. Stock selection with financials and telecommunications was a prominent positive, but was insufficient to offset losses elsewhere. JF was the only manager to post positive returns in the latter sector.
JPMorgan	Market - Oriented	-	An underweight to autos – the best-performing industry during the quarter – was the primary detractor. An overweight to, and negative stock selection in, the energy sector was also a notable hindrance. Energy stocks were battered as a result of the cyclical downturn in the domestic market. JP Morgan has cut its exposure to banks significantly yet still maintains its large overweight; the money is being reallocated to insurance stocks.
Lazard	Neutral to slightly below average valuation, low momentum.	-	Having completed its first full quarter in the Fund, Lazard struggled as its continual zero exposure to autos detracted. Stock selection in the technology sector particularly within gaming, was also a detractor. The overall gaming industry is down this year amid falling sales in the US and price cuts. However, the manager believes its portfolio is well positioned and will prosper going forwards as the global cyclical recovery continues.

**Sector Analysis**



## Top Ten Holdings

Company Name	Country	Sector	Fund %	Benchmark %
Mitsubishi UFJ Financial Group, Inc.	Japan	Banks	3.3	2.8
Nippon Telegraph & Telephone Corp.	Japan	Information & Communication	2.4	1.3
Mitsubishi Corp.	Japan	Wholesale Trade	2.1	1.5
ORIX Corp.	Japan	Other Financing Business	2.0	0.3
SUMITOMO MITSUI GR	Japan	Banks	1.9	1.2
Nomura Holdings, Inc.	Japan	Securities & Commodity Futures	1.9	1.1
Honda Motor Co., Ltd.	Japan	Transportation Equipment	1.8	2.2
Toyota Motor Corp.	Japan	Transportation Equipment	1.6	4.4
East Japan Railway Co.	Japan	Land Transportation	1.5	0.9
JFE Holdings, Inc.	Japan	Iron & Steel	1.5	0.7

## Portfolio Profile Characteristics

Profile Characteristics	Fund	Benchmark
Sector Deviation	4.16	0.00
Market Cap Weighted Nlog	-0.13	0.00
Valuation Characteristics:		
Price/Earnings (excl negative earnings)	19.39	19.95
Dividend Yield (%)	2.12	2.21
Price/Book	1.06	1.07
EPS Growth (1 Year Forecast)	23.10	22.17

	One Year		Three Years		Five Years	
	Fund	Average Manager	Fund	Average Manager	Fund	Average Manager
Tracking Error	5.6	6.8	4.3	7.0	3.7	6.1

* Manager Attribution Key	Relative Performance vs Fund Benchmark	Manager	Manager Specific Benchmark
++	>1.5%	Alliance Bernstein	Topix (including dividends) Index
+	0.25% to 1.5%	Bayview	Topix (including dividends) Index
Flat	-0.25% to 0.25%	GLG Partners International	Topix (including dividends) Index
-	-1.5% to -0.25%	JF Asset Management	Topix (including dividends) Index
--	<-1.5%	JPMorgan	Topix (including dividends) Index
		Lazard	Topix (including dividends) Index

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