

# Japan Equity Fund

## Performance Review

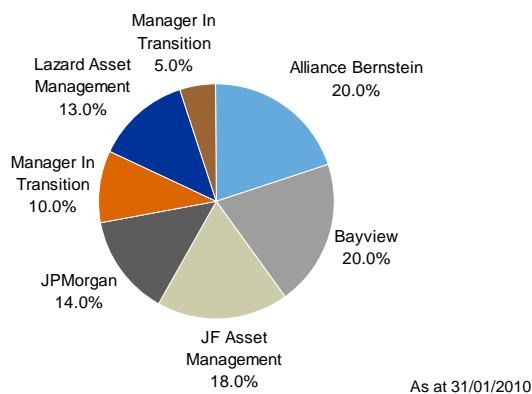
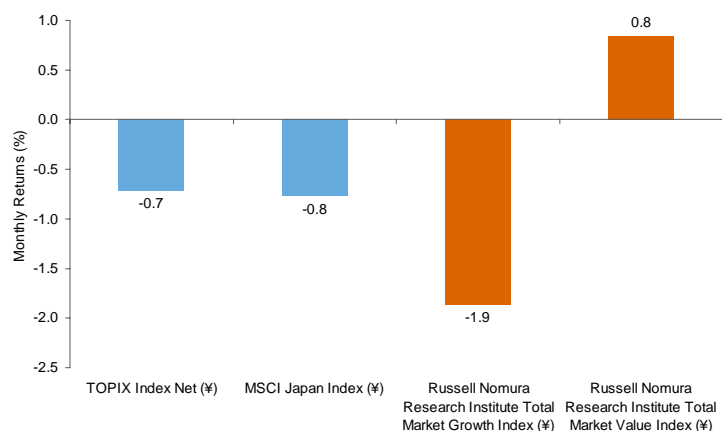
	One Month %	Three Months %	Year to Date %	One <sup>1</sup> Year %	Three Years	Five Years %	Ten Years %	Since <sup>2</sup> Inception %
Japan Equity Fund (USD) Gross of fees	2.2	0.5	2.2	23.4	-9.4	-0.2	-1.6	2.5
Fund Benchmark (USD) <sup>3</sup>	2.0	0.6	2.0	14.0	-9.9	-0.8	-3.5	-1.3
Japan Equity Fund (RAND) Gross of fees	4.7	-3.1	4.7	-8.8	-8.2	4.6	0.2	7.7
Fund Benchmark (RAND)	4.5	-3.1	4.5	-15.7	-8.7	4.0	-1.8	3.7

<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 Japanese equities hitting a 15-month high – aided by resource-related shares – at the beginning of the year, the Topix Index declined 0.7%. Shares were boosted during the first half of the month as the dollar traded near a four-month high against the yen and growing confidence about the global economy drew investors to riskier assets. In addition, exports increased in December for the first time in 15-months as the strength of Asian demand, particularly from China, bolstered a more positive outlook for electronics-makers. However, the latter half of the month was less upbeat as the central bank kept key interest rates unchanged – to fight deflation – and the S&P threatened to cut Japan’s rating unless the economy controls its national debt. At a sector level, air transportation stocks were the worst performers after Japan Airlines (JAL) filed for one of the country’s largest bankruptcies, entering a restructuring plan that will shrink Asia’s top carrier. JAL collapsed because the government was no longer willing to keep bailing it out.
- The portfolio modestly outperformed during the month as its value managers drove returns. Stock selection within financials was a notable positive, particularly within banks. Most of the managers have increased exposure to the sector on valuation grounds. In a reversal of last quarter’s negative performance, JPMorgan was the best-performing manager during January. Its continued avoidance of the autos sector – one of the worst performers this month – was a notable contributor. In contrast, Bayview was the worst-performing manager. The growth manager with high exposure to momentum stocks detracted as momentum was the largest negative factor for its portfolio.
- In January, GLG was removed from the Fund after being downgraded by research.

## Monthly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Alliance Bernstein	Value	+	Stock selection was the primary driver, notably within the cyclical and financial sectors. Its long standing position to integrated financial services group Orix Corporation was its largest contributor. The company share price soared as it confirmed plans to invest 300 billion yen in Chinese finance and infrastructure companies over the next three years.
Bayview	Above average earnings growth	--	Growth manager Bayview underperformed in an environment that strongly favoured value stocks. Stock selection was the primary detractor, particularly within technology and industrials.
JF Asset Management	Growth	-	Stock selection, particularly within consumer durable and apparel stocks, was the primary hindrance. In contrast, its positions in domestic banks were positive, however, insufficiently so to offset losses elsewhere.

## Monthly Manager Performance (continued)

Manager	Approach / Process	*Manager Performance	Russell Analysis
JPMorgan	Market - Oriented	++	A nil exposure to autos was the primary driver. The sector detracted on news Toyota was recalling millions of cars as a result of a global safety issue as it addressed concerns that could potentially result in civil actions by US authorities. Elsewhere, an overweight to banks proved to be beneficial. The manager has invested heavily in the sector, believing it had been oversold.
Lazard	Neutral to slightly below average valuation, low momentum.	Flat	The manager ended the month flat as its long standing zero exposure to autos proved to be beneficial. In contrast, stock selection within consumer-related and materials sectors detracted from performance. However, the manager believes its portfolio is well positioned and will prosper going forwards as the global cyclical recovery continues.
Manager in transition.	--		Manager in transition.

*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%	JF Asset Management	Topix (including dividends) Index
-	-1.5% to -0.25%	JPMorgan	Topix (including dividends) Index
--	<-1.5%	Lazard	Topix (including dividends) Index
		Manager In Transition	Topix (including dividends) Index

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