



ifund fundmanager interview

with Kenji Ueno, UBAM-SNAM Japan Equity Value



“Our investment style is designed to work well at any market environment!”

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ifund: *What is your fund all about and what differentiates it from your competitors?*

Kenji Ueno: The fund’s strategy is active-managed with bottom-up, aims to outperform the TOPIX® Total Return Index by identifying undervalued stocks in the mid- to long-term. The portfolio is focused, consisting of 40-80 stocks, aims to outperform the market in all conditions.

The stock-picking style identifies stocks that will likely appreciate in value as the market price approaches their intrinsic value. The valuation methodology is the dividend discount model.

The portfolio manager is vigilant in monitoring risks for portfolio construction such as tracking error, single stock limit, liquidity and credit risk requirement. The Buy/Sell discipline is primarily based on expected alpha ranking of the stocks in the universe. The trades should be done in compliance with the best execution practice.

The bullet points below differentiate SNAM’s investment from the competitors.

- All-native team of Japanese equity analysts provides profound, local fundamental analysis, and investment ideas that drive SNAM portfolios.
- Sector unbiased research is an important strength of SNAM’s unique research framework. This enables SNAM to invest without sector constraints, comparing investment opportunities across sectors.
- SNAM’s return analysis approach has proven to be successful. SNAM ranks the investable universe of 700 stocks by expected alpha (intrinsic value / market price = ratio) into quintiles. These quintile ran-

kings have demonstrated strong predictive power for two decades.

- Four senior analysts have on average 20 years of experience in Japanese equity, and have been together at SNAM for an average of 15 years.
- The team has successfully followed the same investment style for 20 years. This long-standing experience combined with SNAM’s in-house research has yielded invaluable resources to identify investment opportunities and to avoid value traps in the Japanese equity market.
- In contrast to our competitors who use DDM for their valuation, SNAM assigns a company specific dividend discount rate for each company in the universe. In SNAM’s valuation system, the dividend discount rate is composed of four elements, real interest rate, expected inflation rate, credit risk premium, and business risk premium. Business risk premium is further broken into 5 criteria being structural change, innovation, market fluctuation, management aggressiveness, and information accessibility. By using this very detailed dividend discount rate, SNAM can adjust and integrate company specific and sector specific risk factors in the discount rate. By using this company specific dividend discount rate, our valuation result can be well fine-tuned.
- Superior performance and peer ranking of the strategy over an extended period is a testament to the uniqueness and sustainability of SNAM’s intrinsic value/price philosophy, rational investment process, and its fundamental research advantage.

ifund: *How do you add value for your investors?*

Ueno: In addition to above, please see the bullet points below.

- UBP publishes regular reports and hosts quarterly conference call.
- Eleven members of analyst team has approximately 1500 face-to-face visits with companies every year, which enables the team to understand a company's financial statements, its business outlook, its corporate governance, etc., in more detail.

ifund: *How do you generate investment ideas?*

Ueno: The expected alpha rank is assigned to each of the stock in the investable universe. The expected alpha rank is determined by SNAM's equity valuation system based on analysts' fundamental research (combination of sector analysis and positioning analysis).

Japanese equity group, including portfolio managers and analysts, shares such basic information and holds regular meetings to discuss more detailed investment assumptions and ideas, stock by stock and sector by sector.

ifund: *How is your team structured and who is responsible for the investment decisions?*

Ueno: The investment team is SNAM's Japanese Equity Group ("JEG") based in Tokyo, Japan. The team is composed of 11 long-tenured professionals and experienced senior members, all located in close proximity. SNAM adopts a dual role system in which each portfolio manager also works as an analyst. Each member covers assigned sub-sectors and:

- performs fundamental analysis on companies (information gathering & analysis)
- determines company fundamentals (input to equity valuation system)
- prepares investment theses (feedback to portfolio manager)

Each strategy managed by JEG has a lead portfolio manager, ultimately responsible for the stock selection and portfolio construction.

ifund: *In which market environment does your investment style work best?*

Ueno: SNAM's investment style is designed to work well at any market environment. It works particularly well when the market stabilizes or normalizes after a certain period of extraordinary market (e.g. boom-and-bust market, theme-driven market) and also in the mid- to long-term.

ifund: *Where do you currently see the best potential and largest risks in the market?*

Ueno: Polarization of cyclical and defensive sectors is currently at historical high and I see the best potential in IT and Financial sectors in terms of valuation. On the flip side, continuous risk averse attitude and widening of valuation between cyclical and defensive is a risk.

ifund: *Which aspects of responsible investing do you consider in your investment process?*

Ueno: SNAM is a signatory of the UNPRI and incorporates ESG (Environmental, Social, Governance) factors in the investment process at different layers as SNAM thinks these factors impact the value of company. In a nutshell, SNAM incorporates ESG factors to determination of intrinsic value.

ifund: *How do you invest your own personal assets?*

Ueno: As there are restrictions for SNAM staff to invest directly in stocks, I invest in SNAM's mutual funds as an alternative for Japanese stock investment. Besides, the Concentrated Strategy which I manage is not offered to retail investors.

ifund: *What do you do in your leisure time? What is your preferred hobby and why?*

Ueno: I mainly enjoy Kyudo in my leisure time. Kyudo is one of the traditional martial arts of Japan like judo and kendo, and similar to archery of the West.

Kyudo requires deep mental concentration in addition to physical exercise. This deep-concentrating time brings me mental refreshment and relaxation. In addition, through Kyudo, I can contact with the Japanese traditional culture, such as traditional manners and kimono. That is another reason I am a fan of Kyudo.

About SNAM

Founded in 1986, Sampo Japan Nipponkoa Asset Management Co., Ltd. (SNAM) is an established value strategy manager. Headquartered in Tokyo, it has representative offices in London and New York. SNAM is dedicated to value-biased investment and specialises in Japanese equities. As at 31.12.2015, SNAM manages USD 22.2 billion of assets for clients (including the parent company), of which Japanese equity strategies account for approx. USD 5.5 billion. SNAM has over 140 employees, thereof approx. 60 investment professionals. SNAM's primary businesses are to provide investment advisory & discretionary asset management for both domestic and overseas institutions, as well as to provide varied investment trust products (mutual funds) for domestic investors. The following asset classes are managed in-house: Japanese Equity, Overseas Equity, Japanese Bonds, Overseas Fixed Income, Balanced/Multi-Asset and Alternative (Ex-Japan Value Equity). UBP and SNAM have well-established relations. SNAM has been known by the CEO of UBP's Tokyo office for a long period already before UBP has asked SNAM in early 2013, after a thorough due diligence, to team-up in a future and exclusive collaboration, outside of Japan, in Japanese equities. While SNAM brings its long-standing expertise and strength in managing Japanese equities with a unique approach, UBP will add its experience in meeting the requirements from top institutional European clients. The combination of both firm's strengths has already been implemented successfully, not only for the management of one of UBP's public funds and investments from institutional clients, but also for a segregated account for a large European pension fund.

About ifund

ifund provides fund research, manager selection and asset management based on liquid investment funds. Clients include banks, asset managers, family offices, pension funds and insurance companies in Europe. ifund has signed the UN Principles for Responsible Investment and integrates sustainability criteria in fund analysis. www.ifundservices.com, info@ifundservices.com, +41 44 286 8000

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