

CAPITAL AT RISK

AUGUST 2025

# Nippon Growth (UCITS) Fund

—  
Update on the NGUF in recent months  
and outlook for the rest of the year



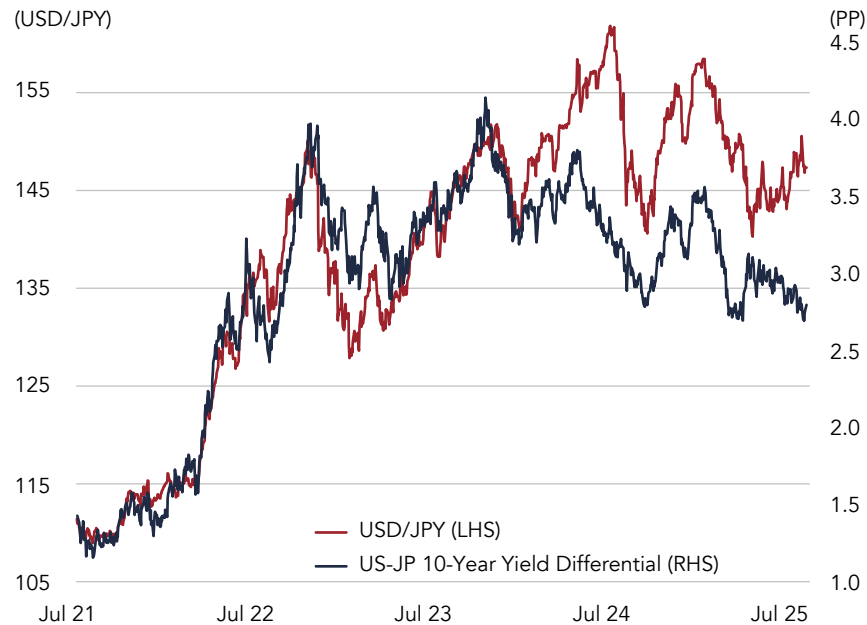
**ERIC STURDZA**  
**INVESTMENTS**

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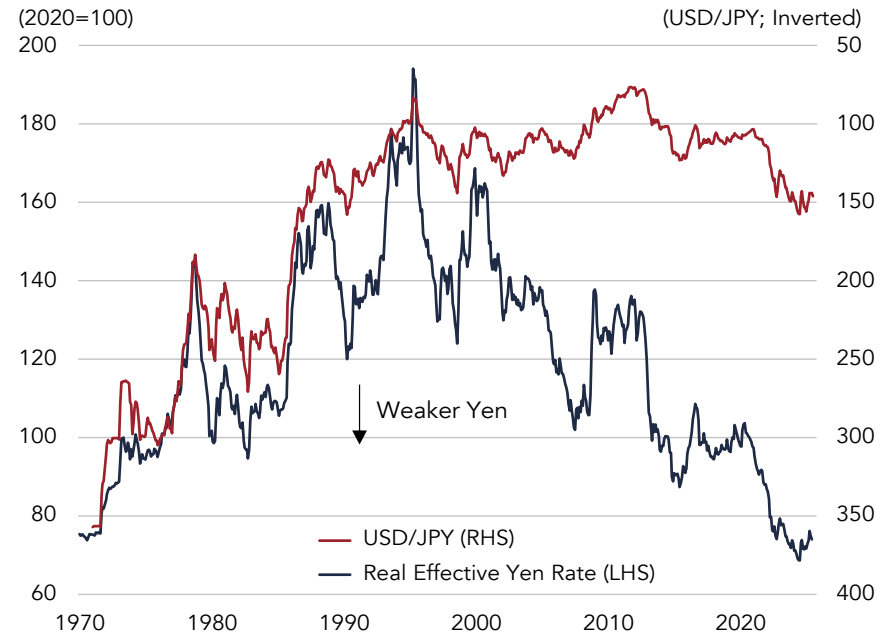


# Japanese Yen at extremely discounted level providing an exceptional investment opportunity

## US-Japan 10 Yr yield differential and USD/JPY



## Real effective Yen rate and USD/JPY



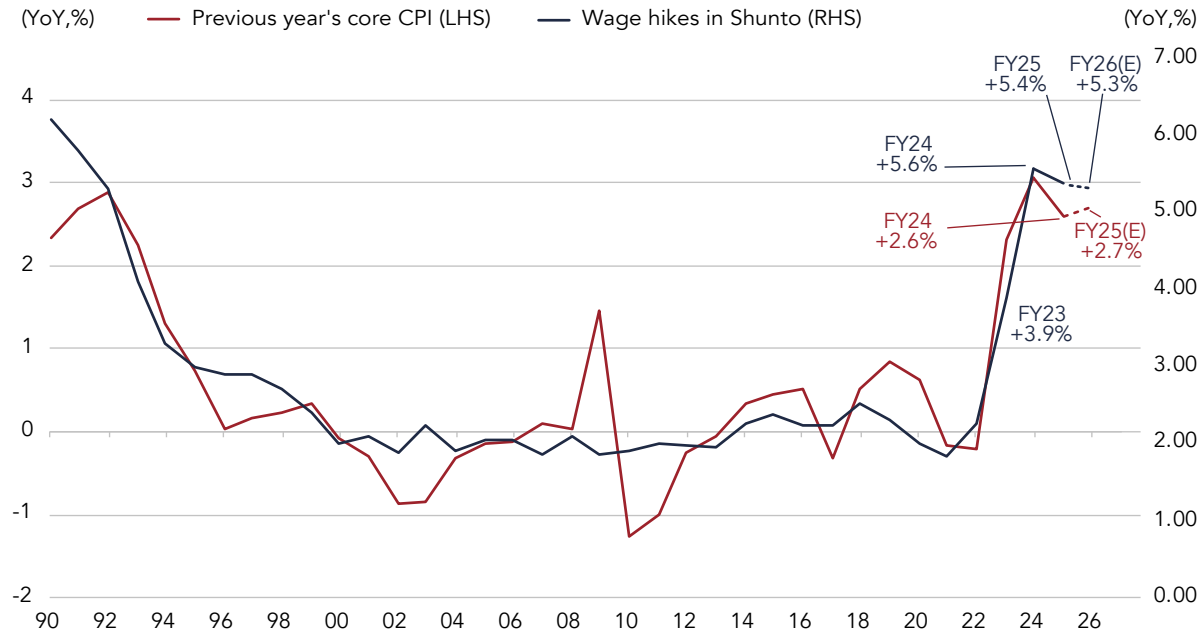
Sources: BoJ, Datastream, compiled by Goldman Sachs

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# Wage hikes to be a key factor for economic growth

## Wage increase in Shunto and core CPI

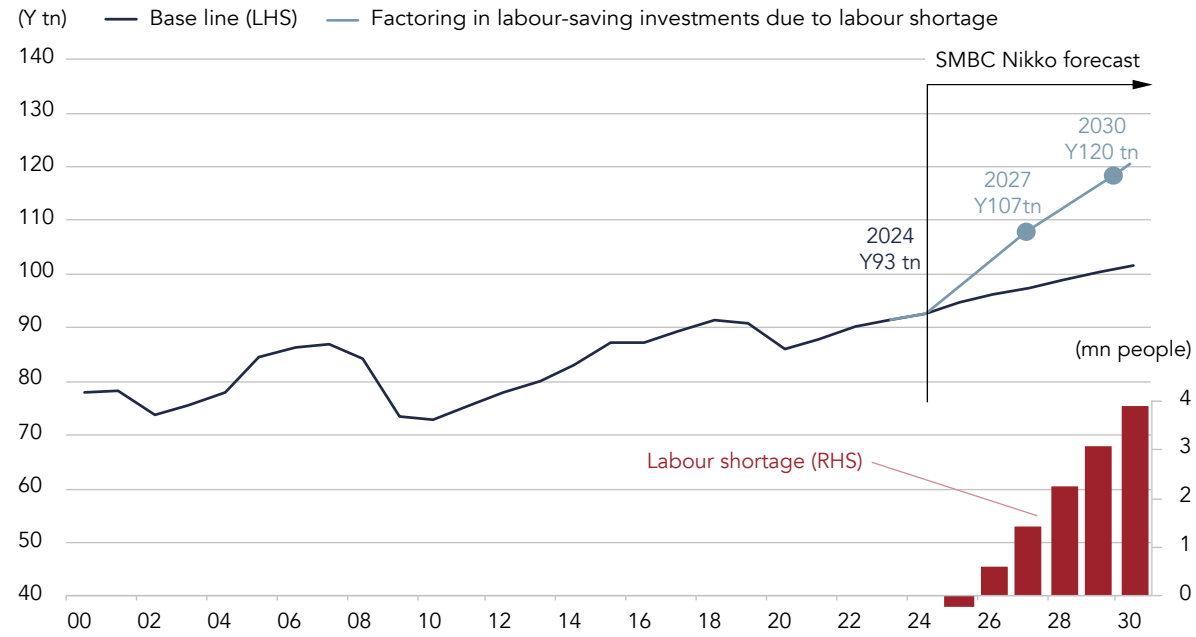


Sources: Keidanren, NDB, SMBC NIKKO



# Capex to expand sharply with labour shortage worsening

## Long-term outlook for capex

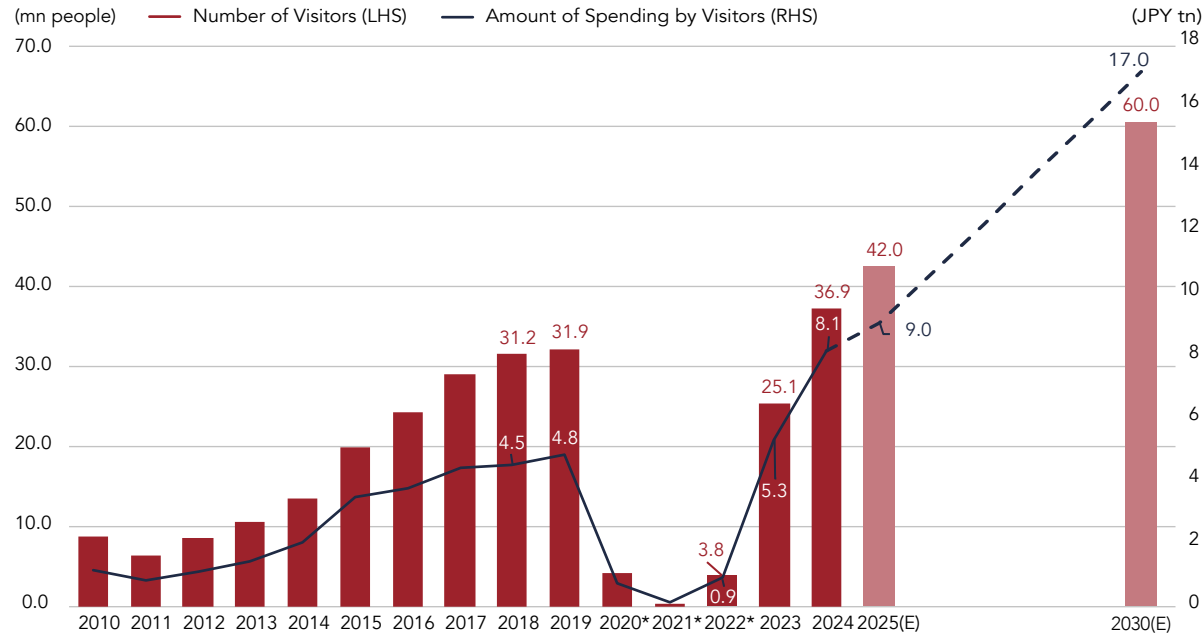


Sources: INDB, SMBC NIKKO estimates



# Inbound tourists and spending will increase substantially towards 2030

## Number of visitors and amount of spending



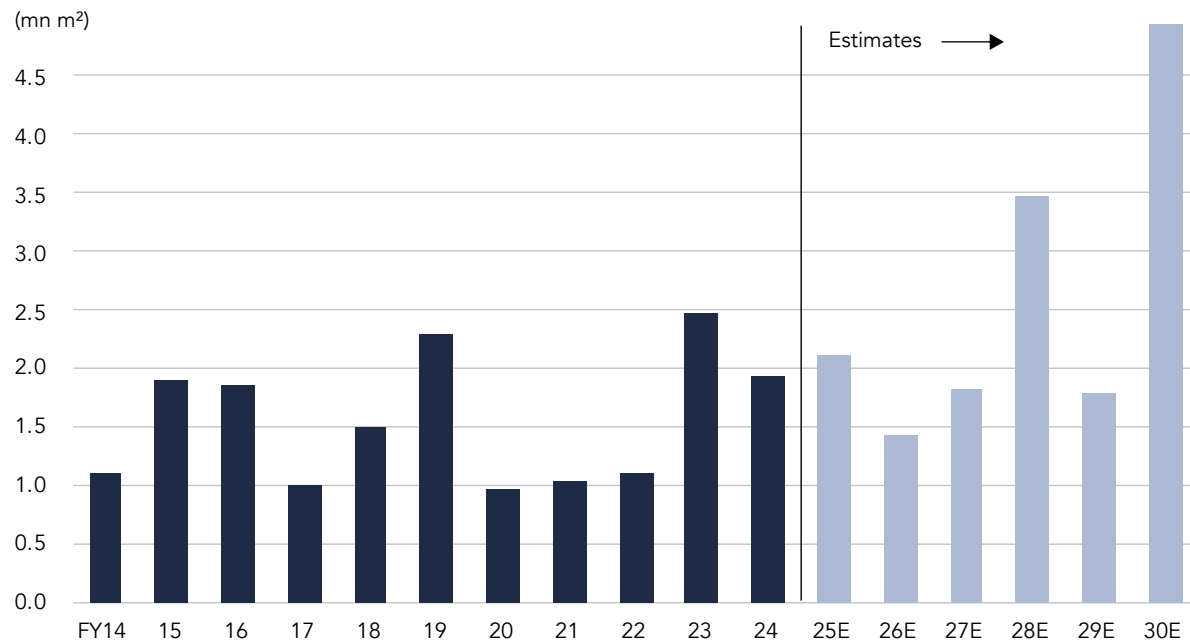
Note: \* Trial calculation by Japan Tourism Agency

Sources: Japan National Tourism Organization (JNTO), Japan Tourism Agency, estimates by Evarich Asset Management (EAM)



## Rich pipeline of major projects ahead, incl. redevelopment, integrated resort projects

### Total floor area of large building projects in Japan by fiscal year of completion

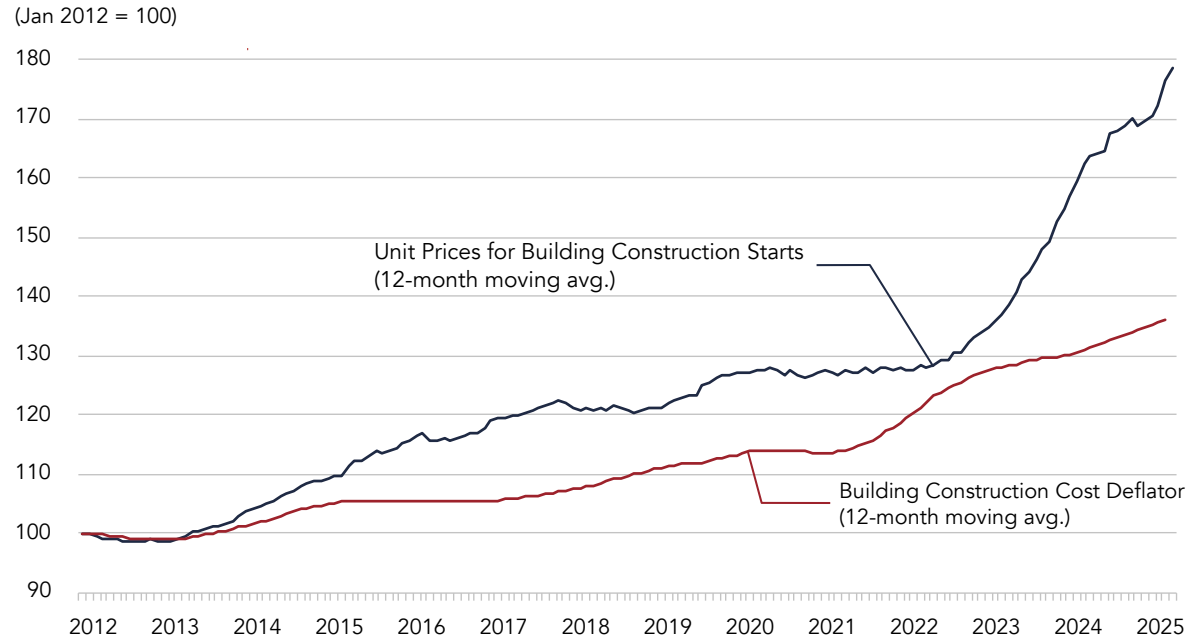


Source: Various development plan disclosures, company materials, data published by news outlets; compiled by Daiwa | E: Daiwa estimates



# Gross margins for construction works are expanding again

## Unit prices for building construction starts and building construction cost deflator

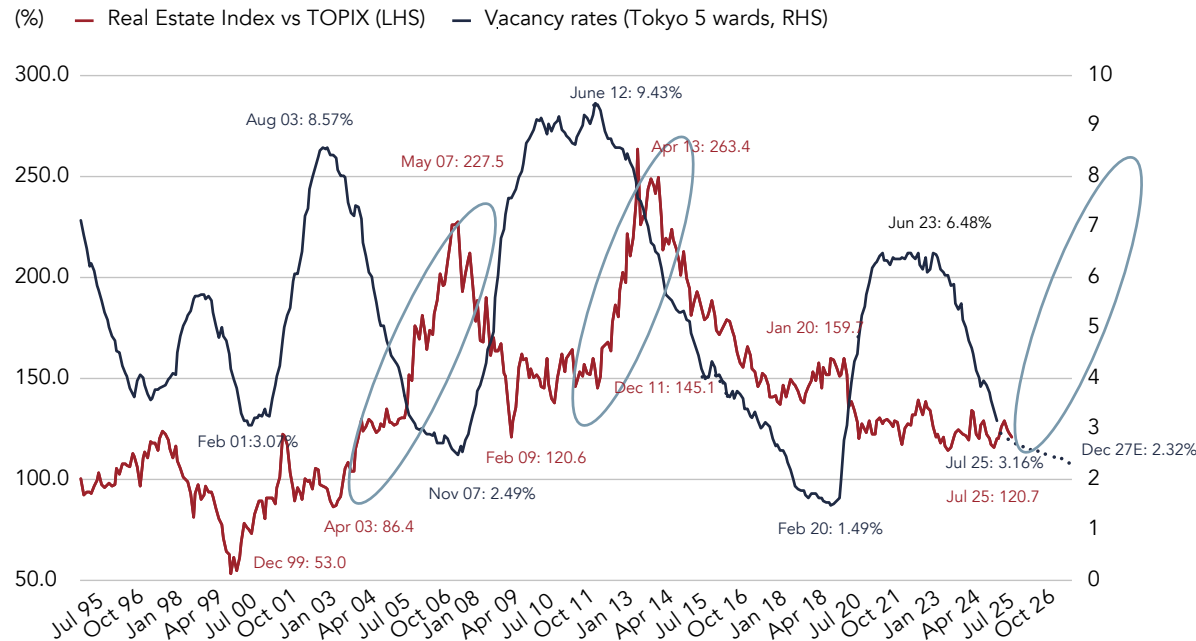


Source: Ministry of Land, Infrastructure, Transport and Tourism; compiled by Daiwa



# Real estate stocks should rally as the fundamentals seem solid

## Vacancy rate and TSE Real Estate Index vs TOPIX

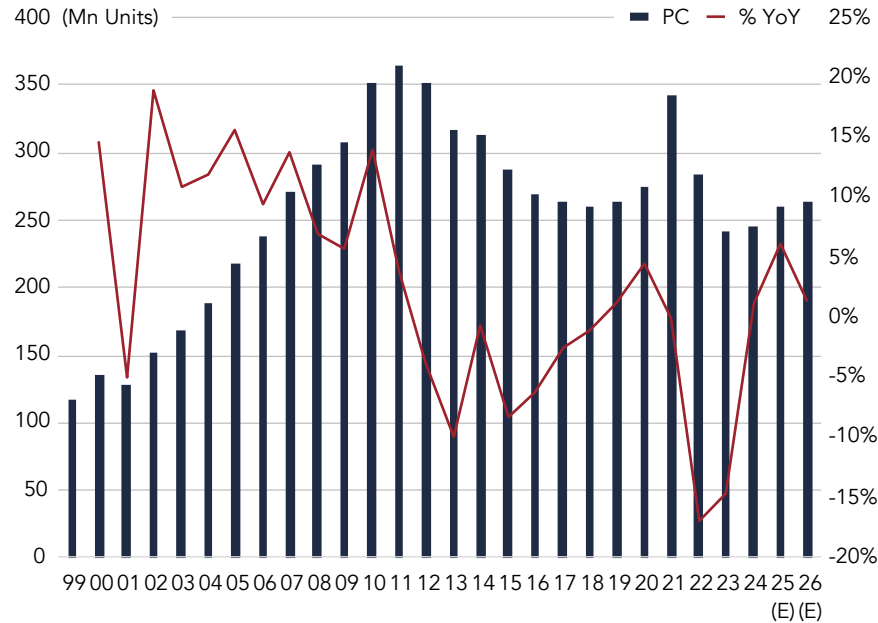


Sources: Miki Shoji, Bloomberg, EAM



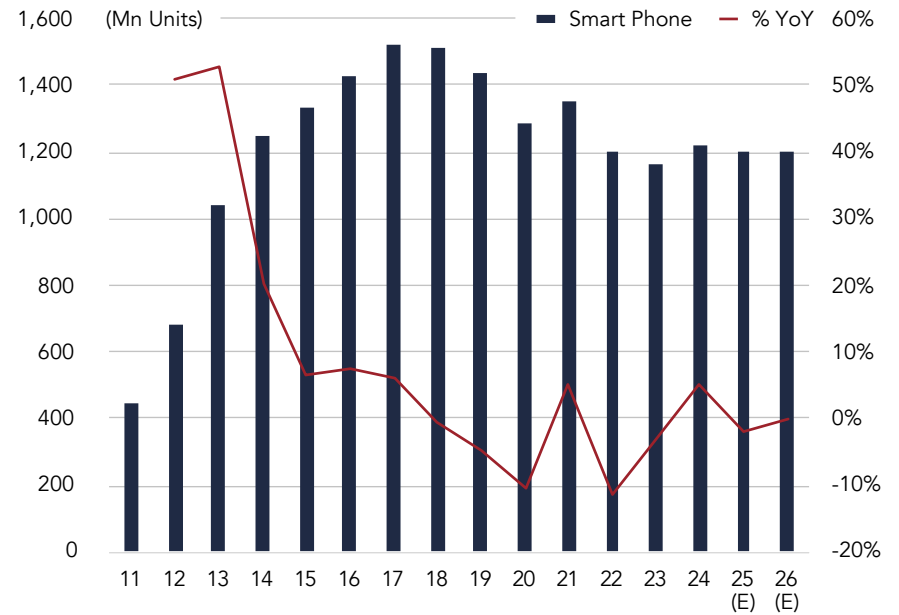
# Demand for PCs and smart phones are peaking out

## Global PC shipments



Source: Gartner, SMBC Nikko

## Global smart phone shipments

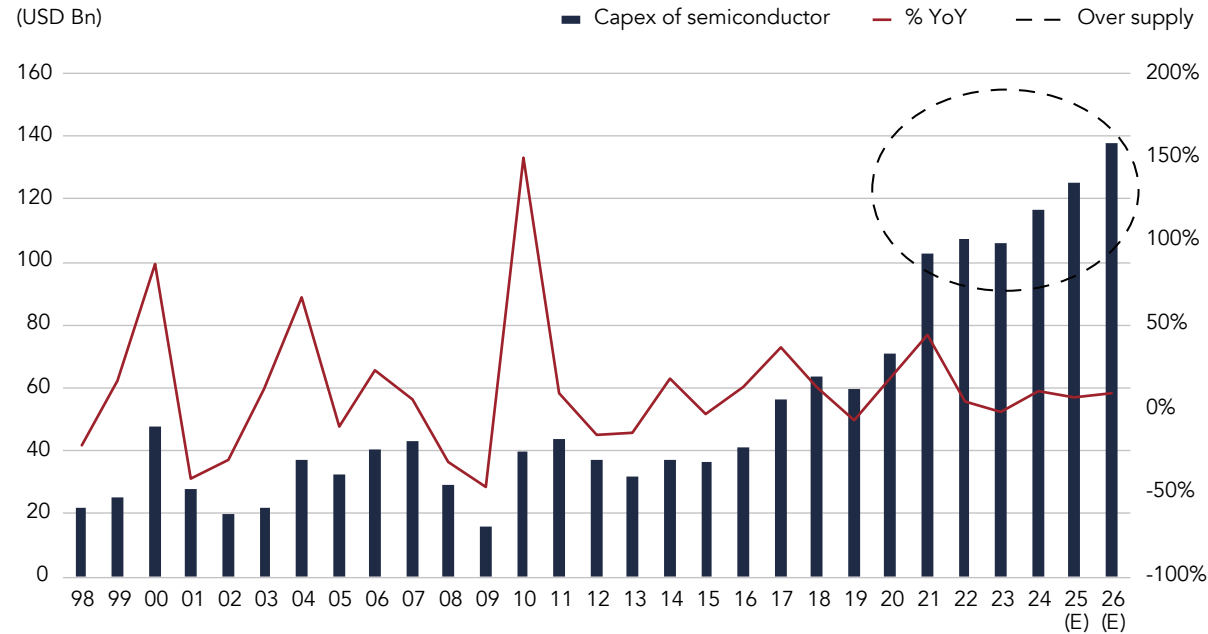


Source: IDC, SMBC Nikko



# Semiconductor industry should see huge over supply

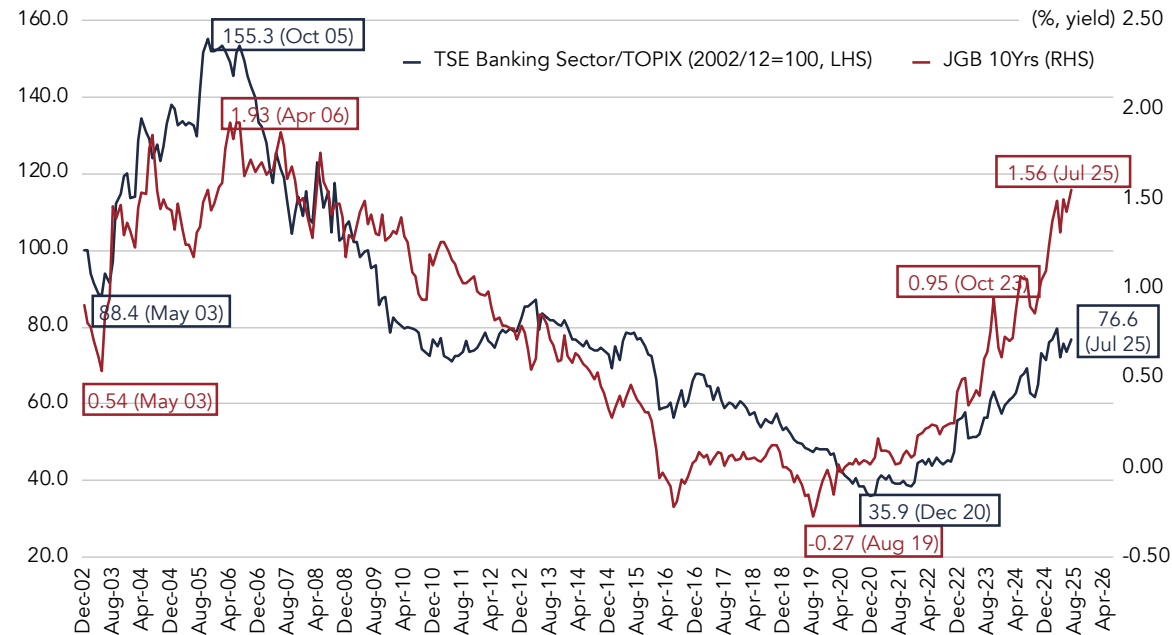
## SEMI CAPITAL investment



Source: SEMI, Nomura



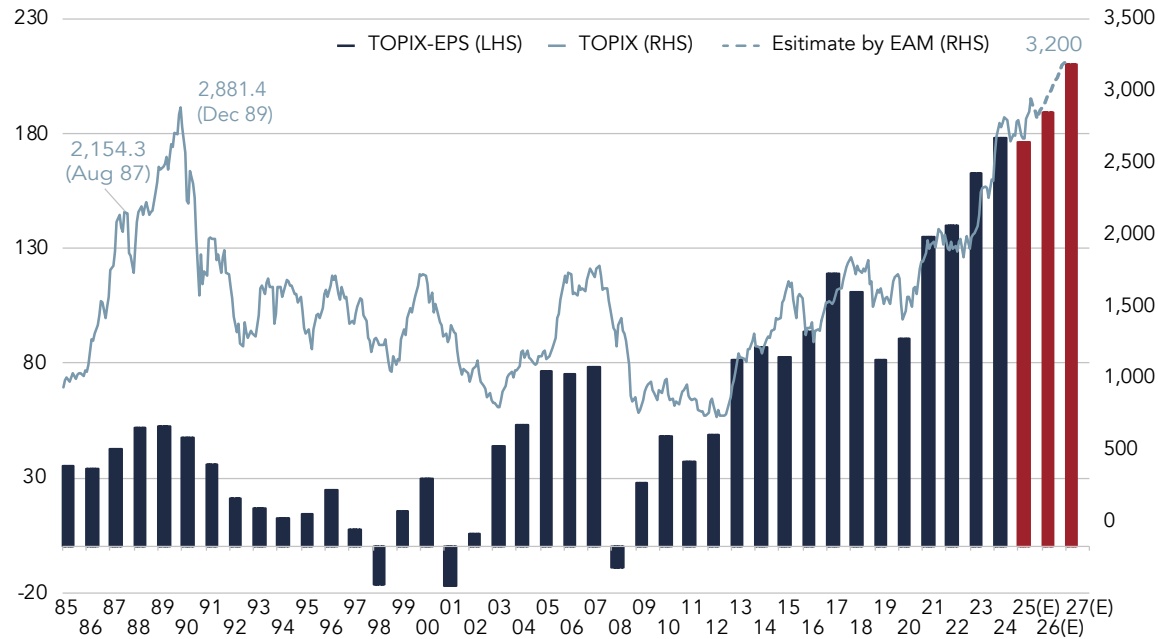
# Banks to notably outperform the TOPIX with long rates picking up



Source: Bloomberg as of 31 July 2025. Data on a monthly basis.



# TOPIX targeting 3,200 by end of 2026 with EPS recording highs



Sources: Nomura, Bloomberg, EAM, as of 31 July 2025



## Medium term outlook (FY2024 – FY2027)

### TOPIX targeting 3,200 by end of 2026

		FY2020	FY2025 (E)	FY2027 (E)	
Nominal GDP	3.5~4.0% p.a.	EPS	90.5	176.0	210.0
Real GDP	1.5~2.0% p.a.	PER		17.6X	15.2X
JPY/USD	130~140	TOPIX		3,099	3,200
Corporate Profits	8.0~10.0% p.a.		(20 Aug 2025)	(End 2026)	



## Active sector weighting vs. TOPIX and valuation comparison

	S&P 500	TOPIX	Fund	O/W, U/W vs TOPIX"
Communication Services	14.2%	9.3%		-9.3%
Consumer Discretionary	10.3%	18.3%	17.3%	-1.0%
Consumer Staples	5.5%	6.3%	1.3%	-4.9%
Energy	2.8%	0.8%	1.4%	0.6%
Financials	13.6%	13.4%	28.0%	14.5%
Health Care	8.3%	6.3%		-6.3%
Industrials	8.0%	24.3%	36.4%	12.0%
Information Technology	31.5%	13.1%	2.4%	-10.6%
Materials	1.7%	5.1%	2.7%	-2.4%
Real Estate	1.9%	2.0%	9.6%	7.6%
Utilities	2.2%	1.1%	0.9%	-0.2%

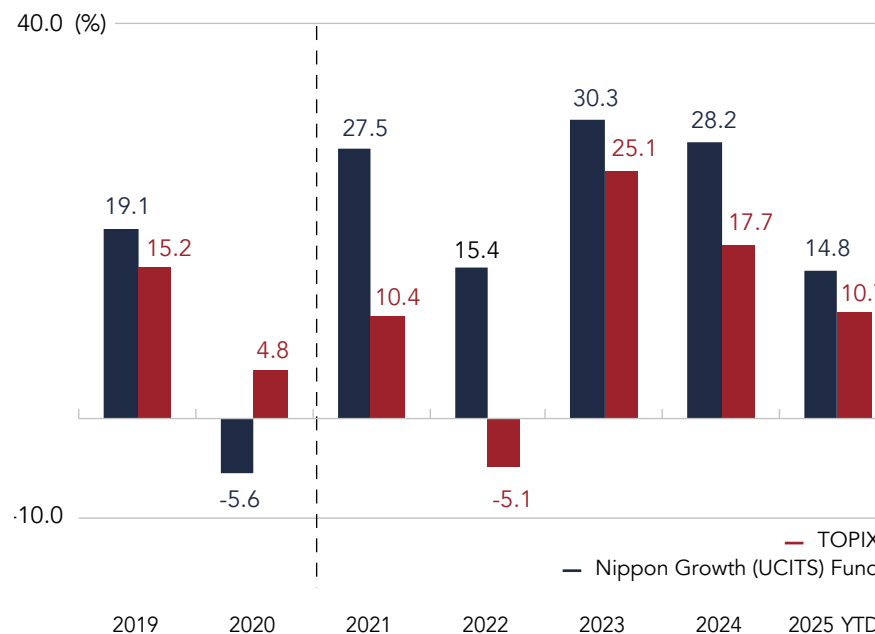
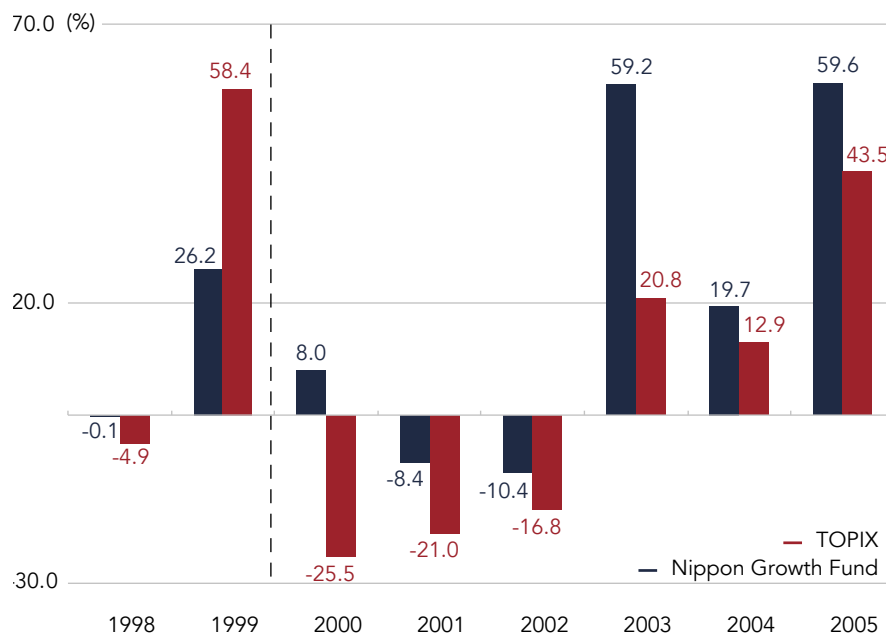
	NGUF	TOPIX
PBR	1.06	1.49
PER (Current yr)	12.14	16.63
PER (Next yr)	11.05	14.71
Dividend yield	3.35%	2.58%
ROE (Current yr)	9.56%	8.36%
ROE (Next yr)	10.36%	9.07%

Source: Bloomberg, EAM as of 31 July 2025



# Market conditions (2021) are looking similar to 2000

## Performance



Note: Nippon Growth Fund was managed utilising the same strategy before the launch of Nippon Growth (UCITS) Fund | Source: Bloomberg, EAM as of 20 August 2025



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The performance figures are from the strategy inception in 2001, when the Nippon Growth Fund was authorised by the Guernsey Financial Services Commission as an open ended collective investment scheme using the same strategy as the Fund. Performance since the 22 October 2009 is that of the Nippon Growth (UCITS) Fund. Strategy Inception performance is not annualised.

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