

# **BDT INVEST FUNDS PLC**

Newsletter

Month of October 2009



## Market Review

After a strong start sentiment weakened sharply towards the end of the month. The MSCI World Index fell by 1.8% over the month but closed a full 5.5% below the mid month high. The MSCI Japan Index continued its miserable run, falling 2.5% while the MSCI Asia ex Japan Index declined 0.5% or 4.8% below the mid month high. By country China (+6.4%) and by sector consumer staple (+3.4%) were the places to be while Korea (-6.3%), Thailand (-6.4%) and telecoms (-2.4%) were the weak links.

The Japanese Focus Fund fell in line with the index, the Japanese Smaller Companies Fund fell 5.0%. The Asia Focus Fund and the Oriental Focus Fund managed to advance 1.6% and 2.5% respectively, a respectable result in what turned into an increasingly difficult month.

*All returns refer to the US Dollar B share class, all indices are in US\$ with dividends reinvested. Please refer to the fund factsheets for individual performance details and manager commentaries.*

## SBY & FDI

We have spent the last week undertaking company visits in Indonesia and Malaysia. The former is the poster child of the emerging market universe (+107% year to date, the best performing market in Asia) and the latter something someone trod in (+49% year to date, the worst performer in Asia aside from Japan of course).

The mood in Jakarta is undeniably upbeat. This commodity based economy has been a key beneficiary of China's insatiable demand for "stuff". The currency is strong, inflation is non-existent, interest rates are low and the domestic economy is booming. Unfortunately this good news, and more, is priced into most stocks. The fact that the half dozen Bakrie related stocks regularly account for circa half total market volume is a useful warning sign that the lunatics have regained control of the asylum. Time after time we left meetings feeling very comfortable about the company and its business prospects but really uncomfortable about both the valuation and recent vertical move in the share price.

The mid month inauguration of President Susilo Bambang Yudhoyono for his second (and last) term of office following his landslide victory in the mid year elections has raised hopes that progress in key areas can now proceed. It is harsh but fair to suggest that winning a second term was the principle achievement of his first term in office. Indonesia in general, and Java in particular, is crying out for improved infrastructure. The railroad network, for example, is shorter today than it was when the Dutch departed fifty years ago. A convoluted legal system, again courtesy of the Dutch, continues to obstruct and delay the land acquisition process that is crucial to any infrastructure project while labour laws make it almost impossible to retrench staff. These remain the two principal reasons why, outside of the commodity sector, foreign direct investment is a trickle not a flood. As for public sector enterprises and the possibilities for a privatisation program, the Iron Lady would be licking her lips and the work force petrified. Perhaps we are being too impatient. Indonesia, like India, is a democracy and centralised command control decision making, a la China, simply will not happen. Markets, however, are impatient animals. A relapse in global growth, a fall in commodity prices and lack of progress on infrastructure projects would leave this market truly high and dry.

## Ease-of-doing-business ranking

Country	Rank
Singapore	1
Hong Kong	4
Australia	9
Japan	12
Thailand	15
Malaysia	24
South Korea	30
China	83
India	120
<b>Indonesia</b>	<b>122</b>
Philippines	133

Sources: World Bank, International Finance Corporation

## The market that time forgot

Having battled our way out of Jakarta we glided into Kuala Lumpur arriving at the KLIA - current throughput about 25mn people per annum, rapidly heading to 100mn - and whizzing into the capital thanks to the speeding train of Tan Sri Dato Dr Yeoh, CBE. Favourite meeting, portfolio holding Lafarge Malayan Cement. 40% market share + oligopolistic industry structure + rising capacity utilisation + zero capex requirements = money pouring out of both ears. Best of all the parent, having nearly gone bust, has implemented "excellence 2010", a group wide cashflow and working capital enhancement directive. CFO KC Yeoh (no relation) who has proved no slouch in recent years when it comes to financial management was grinning from ear to ear as he detailed an endless list of operational cost saving initiatives underway. How many CFO's have you met who turn the lights out when they leave the meeting room?

Unfortunately Lafarge remains the exception not the rule especially relative to Government Linked Companies although it would be both unfair and incorrect not to note some signs of progress. As in other Asian economies the property sector has recovered smartly from last year's freefall although the recent re-imposition of a 5% capital gains tax has taken the shine off the sector. The abundant supply of land remains a long term problem while the obvious lack of lights after dark in recently completed city centre condominium projects reminds one that investment, rather than end user, demand dominated the launches which is never an entirely healthy situation. From a regional perspective Malaysian property prices remain dirt cheap.

## Outlook

Is this current correction another short term blip or the start of a longer consolidation/correction that could see regional markets correct 20% or so? We don't have a clue but clearly the temptation to book profits as we head towards year end must be strong for a number of investors.

We remain in the deflationary camp with regard to Western economies and thus see little chance of short term rates rising in the US, UK or Europe. This presents Asian central banks with the usual headache since rates in the region are too low in relation to domestic economic activity, a consequence of the currency pegs/targets. Some central banks have moved to tighten but this is likely to prove ineffective. This remains bullish for asset prices.

BDT Invest LLP  
4th November 2009

**Investment Objective**

The BDT Invest Asian Focus Fund aims to achieve absolute returns. The Fund is not managed against, nor constrained by, any index; comparisons are for illustrative purposes only. Equity investments will be made in Japanese and Asian markets. Monies not invested in equities will generally be held in short term fixed interest securities. US Dollar, Sterling and Euro denominated share classes are available. In May 2008 the Sterling share classes hedged was removed and on 12th July 2009 the Euro share classes hedge was removed.

**Commentary**

The Net Asset Value of the US Dollar B shares rose by 1.6% last month despite weakness in most regional markets. Recent Indonesian purchase Holcim jumped 21%. The company reported excellent 3Q results as the month drew to a close. Minth (+16%) reacted positively to an upgrade by our favoured analyst while Top Glove also rallied 15%. The out and out leader, however, was China Taiping which rallied 33%. Although we remain firm believers in the company and its prospects we felt it prudent to shave our position a little. A foray into Indian property has proved less successful and we have eliminated the position. Further falls in markets may trigger additional "cut loss" disposals. Liquidity stands at 18%.

Compound Annual Growth Rate since Inception

Class A\$ Share 10.2%

Class B\$ Share 10.8%

5th March 2001 - 30th October 2009

	A Class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 22.08	\$ 23.10
Sterling Class	£ 23.63	£ 24.88
Euro Class	€ 16.41	€ 16.56
Fund Size (million)	\$67.7	
Historic Yield	1.0%	1.0%

<b>Dealing</b>	
Dealing Frequency	Daily
Dealing cut off point	5pm (Dublin time)
Valuation point	9am (following day)
Min Investment	\$ 10,000 \$3,000,000
Subsequent	\$ 2,500 \$ 100,000

<b>Fee and Charges</b>	
Annual Management Fee	1.5% 0.9%
Entry Charge	3.0% 0.0%
Exit Charge	0.0% 3.0%
TER (estimated)	2.03% 1.43%

*(excluding performance fee and entry/exit charges)*

**Performance Fee**

10% of any gains in excess of 10%. Subject to high tide marks and/or CAGR since inception.

**Broking Commissions**

The Fund pays normal transaction commissions which range from 0.2% to 0.7%. BDT Invest has entered into commission sharing arrangements.

**Activity**

Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 112%.

**Distributor Status**

The Fund has received distributing fund status for the year ended Dec 31, 2008

**Investment Manager (for enquiries)**

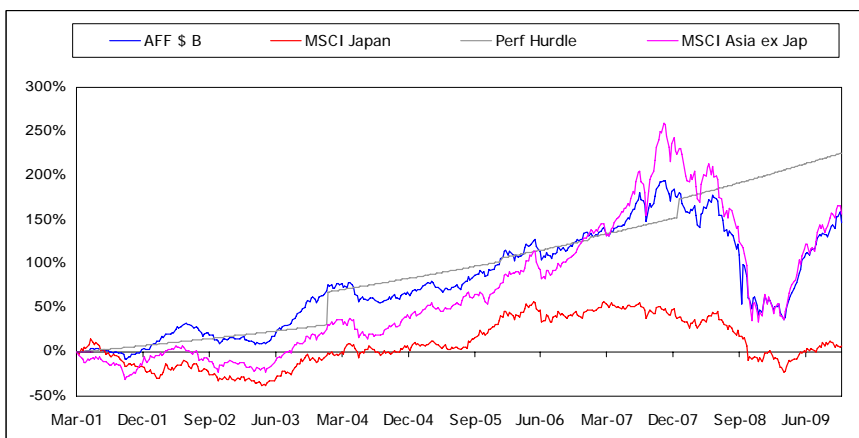
BDT Invest LLP  
4th Floor, 52 Jermyn Street  
London Telephone  
SW1Y 6LX +44 (020) 7659 1300

**Administrator (for dealing and admin)**

HSBC Securities Services (Ireland) Limited  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2 Telephone  
Ireland +353 (01) 635 6000

**Regulatory Status**

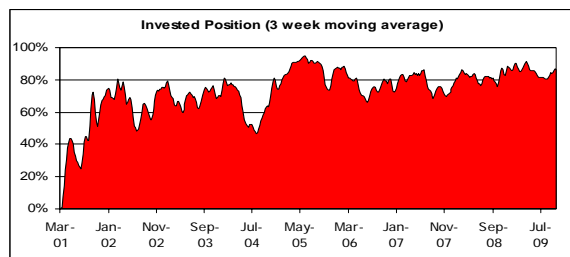
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA



Top Twenty Holdings		Country Weights		Sector Weights	
China Taiping Insurance	8.2%	Japan	18.3%	Financials	29.6%
Rexlot Holdings Ltd	6.5%	China	14.2%	Consumer Discretionary	14.3%
Minth Group	3.9%	Hong Kong	12.6%	Industrial	11.6%
Top Glove	3.1%	Indonesia	4.3%	Information Technology	6.5%
Johnson Electric Hldgs	3.0%	India	5.1%	Materials	6.2%
Metro Pacific	2.7%	Korea	2.3%	Health Care	5.1%
Mermaid Marittime	2.6%	Malaysia	7.1%	Property	4.9%
Toyko Electron	2.6%	Philippines	2.7%	Energy	2.9%
First Ship Lease Trust	2.5%	Singapore	7.4%	Consumer Staple	1.0%
Nippon Electric Glass	2.4%	Thailand	2.1%	Telecoms	0.0%
Samsung F & M Ins	2.3%	Taiwan	5.9%	Utilities	0.0%
Jasa Marga	2.2%				
Yuanta Financial Holdings	2.2%				
Ping An Insurance Group	2.1%				
Holcim Indonesia	2.1%				
Lafarge Cement	2.1%				
Bharat Heavy Electricals	2.1%	% Invested	82.0%		
SCB	2.1%	Cash	12.0%		
Cheung Kong	2.0%	T-bills	6.0%		
HDFC	2.0%				

30th October 2009	1 month	3 month	6 month	1 year	3 years	5 years
Asian Focus Fund A \$	1.5%	5.3%	37.1%	51.5%	7.9%	49.3%
Asian Focus Fund B \$	1.6%	5.5%	37.6%	52.6%	9.9%	53.9%
Asian Focus Fund A £	-1.4%	5.4%	23.8%	48.5%	28.6%	79.0%
Asian Focus Fund B £	-1.4%	5.5%	24.2%	48.6%	30.7%	84.0%
Asian Focus Fund A €	0.0%	0.3%	28.9%	40.1%	-5.2%	27.6%
Asian Focus Fund B €	0.0%	0.4%	29.4%	41.6%	-4.2%	30.0%
MSCI Asia ex Japan	-0.5%	4.7%	36.8%	66.0%	20.3%	96.7%
MSCI Japan	-2.5%	-0.4%	16.6%	13.8%	-25.5%	6.1%

MSCI Indices (incl net dividends) stated in US\$. Fund returns stated in the class base currency.



Asian Focus Fund B \$	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2005	0.9%	4.0%	-4.1%	-2.4%	1.8%	1.2%	3.9%	1.4%	5.4%	-2.7%	3.9%	6.4%	21.0%
2006	3.4%	-1.6%	3.6%	1.9%	-4.7%	0.7%	-0.2%	2.0%	0.4%	2.9%	4.4%	0.2%	13.2%
2007	-0.9%	1.7%	0.1%	2.7%	2.9%	4.5%	5.7%	-2.6%	5.9%	4.7%	-5.4%	0.4%	20.9%
2008	-9.9%	4.4%	-4.1%	5.1%	2.1%	-9.2%	-5.8%	-5.0%	-14.4%	-15.3%	-8.5%	7.7%	-43.8%
2009	-4.6%	-6.5%	7.4%	17.6%	16.2%	3.9%	8.0%	-0.3%	4.2%	1.6%			55.1%



## Investment Objective

The BDT Invest Oriental Focus Fund aims to achieve absolute returns. The Fund is not managed against, nor constrained by, any index; comparisons are for illustrative purposes only. From 1st April 2008 the investment universe has been refined to Asian Equity markets excluding Japan. This change was approved by shareholders at the AGM on 16th May 2008. The Manager intends to run a focused portfolio with a target of twenty five to thirty individual holdings. US Dollar, Sterling and Euro denominated share classes are available. In May 2008 the Sterling share classes hedged was removed and on 12th July 2009 the Euro share classes hedge was removed.

## Commentary

The Net Asset Value of the US Dollar B shares rose by 2.5%, a good absolute and relative result given the 0.5% decline in the MSCI Asia ex Japan index. China Taiping rose 33% during the month which had a significant impact on the portfolio. While we remain bullish on the company and it's growth prospects we used recent strength to shave our holding. Top Glove and Minth both rose some 15% while recent Indonesian purchase Holcim climbed 21%. Conversely Mermaid Maritime fell 11% following what amounted to a profit warning from the company as one project encountered a delay and assets deliveries were also pushed back. We remain believers - growth will be strong in both 2010 and 2011 and the valuation remains inexpensive. Liquidity rose to 27% reflecting both recent subscriptions and some disposals.

Compound Annual Growth Rate since Inception

<b>Class A\$ Share</b>	<b>15.3%</b>
<b>Class B\$ Share</b>	<b>16.1%</b>
<i>11th Oct 2004 - 30th October 2009</i>	

	A Class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 19.41	\$ 20.16
Sterling Class	£ 23.30	£ 24.09
Euro Class	€ 16.00	€ 16.71
Fund Size (million)	\$21.9	
Historic Yield	1.0%	1.0%

<b>Dealing</b>	
Dealing Frequency	Daily
Dealing cut off point	5pm (Dublin time)
Valuation point	9am (following day)
Min Investment	\$ 10,000 \$3,000,000
Subsequent	\$ 2,500 \$ 100,000

<b>Fee and Charges</b>	
Annual Management Fee	1.5% 0.9%
Entry Charge	3.0% 0.0%
Exit Charge	0.0% 3.0%
TER (estimated)	2.19% 1.59%

*(excluding performance fee and entry/exit charges)*

**Performance Fee**  
10% of any gains in excess of 10%. Subject to high tide marks and/or CAGR since inception.

**Broking Commissions**  
The Fund pays normal transaction commissions which range from 0.2% to 0.7%. BDT Invest has entered into commission sharing arrangements.

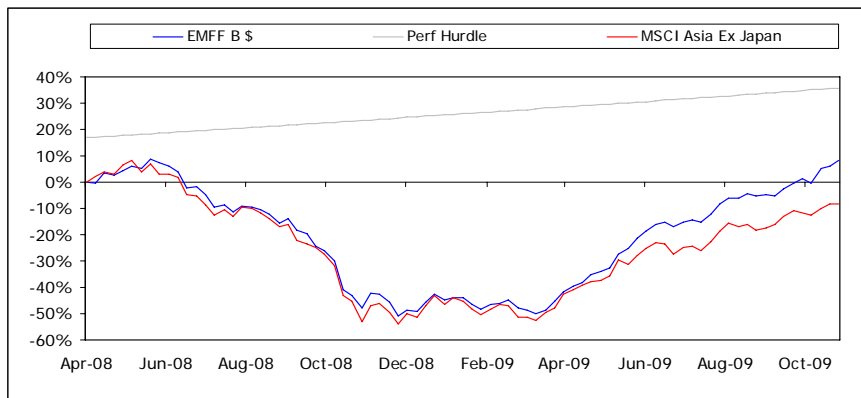
**Activity**  
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 125%.

**Distributor Status**  
The Fund has received distributing fund status for the year ended Dec 31, 2008

**Investment Manager (for enquiries)**  
BDT Invest LLP  
4th Floor, 52 Jermyn Street  
London Telephone  
SW1Y 6LX +44 (020) 7659 1300

**Administrator (for dealing and admin)**  
HSBC Securities Services (Ireland) Limited  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2 Telephone  
Ireland +353 (01) 635 6000

**Regulatory Status**  
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA



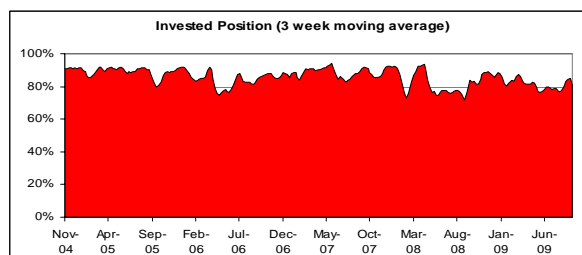
Top Twenty Holdings		Country Weights		Sector Weights	
China Taiping Insurance	8.0%	China	17.5%	Financials	24.2%
Rexlort Holdings Ltd	6.5%	Hong Kong	15.0%	Consumer Discretionary	13.2%
Mermaid Maritime Pcl	5.4%	Indonesia	4.0%	Industrial	10.6%
Johnson Electric Holdings	3.9%	India	5.2%	Property	6.8%
Minth Group	3.8%	Korea	2.1%	Energy	5.9%
Top Glove corp	3.1%	Malaysia	6.4%	Materials	5.5%
Jardine Matheson	2.8%	Philippines	4.1%	Health Care	3.1%
Metro Pacific	2.6%	Singapore	10.9%	Information Technology	2.1%
First Ship Lease	2.2%	Thailand	2.6%	Consumer Staple	1.8%
Holcim Indonesia	2.2%	Taiwan	5.4%	Telecoms	0.0%
Bharat Heavy Electricals	2.2%			Utilities	0.0%
HDFC	2.1%				
Samsung F & M Ins	2.1%				
Lenovo Group	2.1%				
Shangri-la Asia Ltd	2.0%				
Yuanta Financial Holdings Ltd	2.0%				
Ping An Insurance Group	1.8%	% Invested	73.1%		
Jasa Marga	1.8%				
Cheung Kong	1.8%	Cash	17.7%		
Want Want China Holdings	1.8%	T-bills	9.2%		

Portfolio Concentration	
Top Twenty	59.9%
"5 & 40 rule"	19.8%
Number of Holdings	31

30th October 2009	1 month	3 month	6 month	1 year	2 years	3 years
EM Focus Fund A \$	2.5%	8.9%	52.1%	76.8%	-14.4%	35.8%
EM Focus Fund B \$	2.5%	9.0%	52.6%	77.8%	-13.5%	38.9%
EM Focus Fund A £	-0.4%	8.9%	37.3%	73.3%	2.2%	61.1%
EM Focus Fund B £	-0.4%	9.1%	37.7%	74.4%	3.3%	64.2%
EM Focus Fund A €	0.9%	3.6%	41.8%	61.0%	-25.9%	14.9%
EM Focus Fund B €	1.0%	3.8%	43.4%	64.0%	-23.8%	18.4%
MSCI Asia ex Japan	-0.5%	4.7%	36.8%	66.0%	-30.3%	20.3%
MSCI EMF Asia	-1.0%	5.1%	36.0%	66.5%	-31.7%	19.9%

*MSCI Indices (incl net dividends) stated in US\$. Fund returns stated in the class base currency.*



Oriental Focus Fund B \$	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2008 (from 1st April)				5.3%	1.2%	-10.5%	-4.6%	-4.8%	-17.4%	-18.8%	-11.0%	8.0%	-44.2%
2009	-3.8%	-4.1%	9.9%	19.7%	21.0%	4.0%	11.3%	1.0%	5.2%	2.5%			85.3%



## Investment Objective

The BDT Invest Japanese Focus Fund aims to achieve absolute returns. The Fund is not managed against, nor constrained by, any index; comparisons are for illustrative purposes only. Equity investments will be made in Japanese equities. Monies not invested in equities will generally be held in short term fixed interest securities. US Dollar, Sterling and Euro denominated share classes are available. The Sterling and Euro share classes are hedged back into their base currency in the normal course of events.

## Portfolio Commentary

The US\$ B shares fell by 2.3% in October, outperforming the TOPIX fall of 3.0% in US Dollar terms. In local currency terms, the TOPIX declined 1.7%. It was difficult to pick out any clear sectoral themes this month. Amongst financial stocks, the securities sector did well but insurance fared poorly. In cyclical, steels outperformed but oil underperformed. Broadly speaking exporters did well thanks to the weakness of the Yen whilst defensive sectors underperformed. Amongst the Fund's holdings, recent purchase Fast Retailing performed spectacularly well. Same store sales growth of 32% in August and 36% in September highlighted how popular the firm's range of competitively priced, fashionable yet functional clothing has proved to be. An ambitious expansion plan in China and the rest of Asia also looks interesting. The other major contributors to performance were in the technology area. LCD glass maker Nippon Electric Glass rallied after its recent correction, as did Fuji Machine, a manufacturer of chip mounters. Nikon and Murata also performed well ahead of encouraging earnings results. On the other hand, Japan Tobacco and East Japan Railway both slid, partly in response to rather disappointing half year figures. SUMCO and Tokyo Electron also both had corrections after their strong performances the month before.

Economic news from Japan followed a familiar pattern this month. Thanks to exports, industrial production and shipments are still rising whilst inventories continue to decline, so there are grounds for hoping that this upturn is more than just a reaction to the severe production cutbacks of last winter. However, deflation remains deeply entrenched in the domestic economy with core CPI indices falling more than 2% yoy. Unfortunately the Bank of Japan does not seem unduly worried by this trend.

Towards the end of the month the second quarter earnings season began. Following on from good results from Intel, TSMC and Samsung, earnings from companies in the technology area have generally been encouraging. In many cases profits have risen sharply from their first quarter lows due to a combination of cost cutting and sales growth. It remains to be seen if this trend can be sustained as more domestic sector companies report results over the next few weeks.

Compound Annual Growth Rate since Inception	
Class A\$ Share	-5.6%
Class B\$ Share	-5.1%
3rd June 2005 - 30th October 2009	

	A Class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 7.75	\$ 7.93
Sterling Class	£ 6.80	£ 6.81
Euro Class	€ 6.46	€ 6.51
Fund Size (million)	\$7.1	
Historic Yield	0.0%	0.0%

<b>Dealing</b>	
Dealing Frequency	Daily
Dealing cut off point	5pm (Dublin time)
Valuation point	9am (following day)
Min Investment	\$ 10,000 \$3,000,000
Subsequent	\$ 2,500 \$ 100,000

<b>Fee and Charges</b>		
Annual Management Fee	1.5%	0.9%
Entry Charge	3.0%	0.0%
Exit Charge	0.0%	3.0%
TER (estimated)	2.27%	1.67%

*(excluding performance fee and entry/exit charges)*

**Performance Fee**  
10% of any gains in excess of 10%. Subject to high tide marks and/or CAGR since inception.

## Broking Commissions

The Fund pays normal transaction commissions which range from 0.2% to 0.7%. BDT Invest has entered into commission sharing arrangements.

## Activity

Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 131%

## Distributor Status

The Fund has received distributing fund status for the year ended Dec 31, 2008

## Investment Manager (for enquiries)

BDT Invest LLP  
4th Floor, 52 Jermyn Street  
London Telephone  
SW1Y 6LX +44 (020) 7659 1300

## Administrator (for dealing and admin)

HSBC Securities Services (Ireland) Limited  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2 Telephone  
Ireland +353 (01) 635 6000

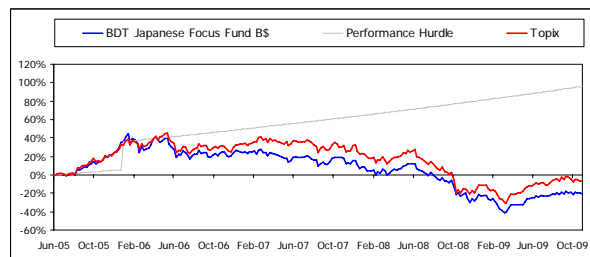
## Regulatory Status

Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA

Top Twenty Holdings		Sector Weights	
Murata Manufacturing	4.3%	Consumer Discretionary	22.4%
Nikon	4.1%	Information Technology	20.6%
Toyota Motor	4.1%	Industrials	19.1%
Nippon Electric Glass	4.0%	Financials	13.4%
Tsumura	4.0%	Health Care	9.6%
Jupiter Telecommunications	3.9%	Materials	5.4%
Tokyo Electron	3.7%	Consumer Staple	4.6%
SMC	3.3%	Property	2.9%
East Japan Rail	3.2%	Utilities	0.0%
Sekisui House	3.2%	Energy	0.0%
JSR	3.1%	Telecoms	0.0%
Shionogi	3.1%	Liquidity	2.0%
Fast Retailing	3.1%		
Mitsubishi Estate	2.9%	Portfolio Concentration	
Fuji Machine	2.9%		
Nissha Printing	2.8%	Top Twenty	65.8%
Fuyo General Lease	2.6%		
Daiichi Sankyo	2.6%	"5 & 40 rule"	0.0%
Sumco	2.5%		
Horiba	2.5%	Number of Holdings	37

30th October 2009	1 month	3 month	6 month	1 year	2 years	3 years
Japan Focus Fund A \$	-2.4%	0.3%	16.2%	0.5%	-34.2%	-36.9%
Japan Focus Fund B \$	-2.3%	0.4%	16.4%	0.9%	-33.5%	-35.8%
Japan Focus Fund A £	-1.6%	-4.6%	7.1%	-8.1%	-49.9%	-51.3%
Japan Focus Fund B £	-1.2%	-4.1%	7.8%	-4.6%	-50.5%	-51.5%
Japan Focus Fund A €	-0.9%	-4.3%	7.8%	-6.0%	-50.2%	-52.3%
Japan Focus Fund B €	-1.2%	-4.7%	7.8%	-6.5%	-50.1%	-52.1%
Japan TPX	-3.0%	-1.0%	14.7%	9.9%	-30.1%	-28.5%
MSCI Japan	-2.5%	-0.4%	16.6%	13.8%	-28.9%	-25.5%

Indices



Japan Focus Fund BS	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2005						-0.4%	2.5%	3.8%	8.2%	1.1%	5.9%	10.7%	35.9%
2006	2.9%	-5.8%	5.1%	-1.4%	-7.0%	-1.1%	-2.2%	1.0%	-2.2%	1.9%	0.6%	0.0%	-8.5%
2007	-0.5%	1.3%	-1.8%	-3.2%	-1.3%	1.2%	-0.8%	-3.9%	4.0%	0.9%	-3.1%	-5.2%	-11.3%
2008	-4.1%	0.9%	-1.9%	4.8%	2.8%	-6.5%	-3.3%	-4.4%	-6.5%	-13.1%	-5.4%	5.9%	-28.1%
2009	-6.1%	-17.4%	3.8%	7.4%	9.8%	4.9%	0.1%	2.4%	0.4%	-2.3%			-5.8%

# Japanese Smaller Companies Fund



Compound Annual Growth Rate since Inception

Class A \$ Share	-0.5%
Class B \$ Share	0.0%
9th Feb 2004 - 30th October 2009	

## Investment Objective

The Fund seeks to achieve long-term capital appreciation through investment in Japanese smaller companies. The Fund uses the TSE 2nd Section Index as its performance benchmark although comparisons will also be made with the more growth orientated JASDAQ Index. US Dollar, Japanese Yen, Sterling and Euro denominated share classes are available. The Sterling and Euro share classes are hedged back into their base currency in the normal course of events.

## Portfolio Commentary

The Yen B shares fell 3.8% in October, underperforming the 2.5% fall in the TSE 2nd Section Index and the 2.3% decline in the JASDAQ Index. The leading contributors to returns were amongst the exporters as Yen weakness helped earnings prospects for the auto parts makers and the electronics companies. However there were also sharp corrections for some of the Fund's prior top performers, in particular Disco, SUMCO and Shinko Electric, and the weightings in these stocks are relatively large.

## Stock Highlights:

### Air Water (2.3 % of NAV, TSE-1):

One of the largest industrial gas manufacturers, supplying gases to various industries and in partnership with Air Products & Chemicals(US). Sales of industrial gas bottomed out in the 4th quarter to March thanks to a recovery in plant utilization among customers in steel, chemicals and electronics industries. Operating profits in the 1st quarter to June recovered almost to the level of a year ago. The share sells at a P/E of 12.9x for FY3/'11.

### Nabtesco (2.3% of NAV, TSE-1):

A holding company established through the merger of Teijin Seiki and Nabco. Gear speed reducers for industrial robots and semiconductor production equipment, and brake and door opening systems for railways are the two main segments in terms of contribution to earnings growth. Capital expenditure by customers has not yet picked up but strong growth in Chinese railway investment should sustain the recent recovery of earnings. The share sells at a P/E of 20.2x for FY3/'11.

### Tokyu Land (1.9% of NAV, TSE-1):

A major real estate developer affiliated with Tokyu Corp, the owner of Tokyu railway lines. Weak condominium sales but steady office leasing revenues represent how the business is today but its rapidly expanding REIT currently manages a Yen100 billion portfolio of office buildings which is yielding 7% annually. The condominium cycle is now bottoming whilst its large redevelopment project close to Shibuya station will be positive in the long term. The share sells at a P/E of 12x for FY3/'11.

	A Class	B Class
<b>Net Asset Value</b>		
Dollar Class	\$ 9.71	\$ 10.02
Sterling Class	£ 9.97	£ 10.19
Euro Class	€ 9.33	€ 9.53
Yen Class	JPY 837	JPY 862
Fund Size (million)	\$26.1	
Historic Yield	0.0%	0.0%

	Daily
<b>Dealing</b>	
Dealing Frequency	Daily
Dealing cut off point	5pm (Dublin time)
Valuation point	9am (following day)
Min Investment	\$ 10,000 \$3,000,000
Subsequent	\$ 2,500 \$ 100,000

	1.75%	1.25%
<b>Fee and Charges</b>		
Annual Management Fee	1.75%	1.25%
Entry Charge	3.0%	0.0%
Exit Charge	0.0%	3.0%
TER (estimated)	2.27%	1.77%
<i>(excluding entry/exit charges)</i>		

**Performance Fee**  
There is no performance fee

**Broking Commissions**  
The Fund pays normal transaction commissions which range from 0.2% to 0.7%. BDT Invest has entered into commission sharing arrangements.

**Activity**  
Activity is not "targeted" and will depend upon market conditions. Since launch turnover (an average of purchases and sales divided by the fund size and expressed as an annualised percentage) has been 197%.

**Distributor Status**  
The Fund has received distributing fund status for the year ended Dec 31, 2008

**Investment Manager (for enquiries)**  
BDT Invest LLP  
4th Floor, 52 Jermyn Street  
London Telephone  
SW1Y 6LX +44 (020) 7659 1300

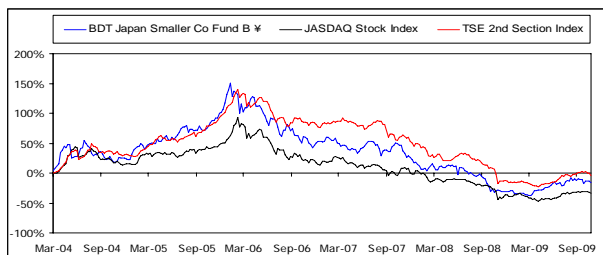
**Administrator (for dealing and admin)**  
HSBC Securities Services (Ireland) Limited  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2 Telephone  
Ireland +353 (01) 635 6000

**Regulatory Status**  
Listed on the Irish Stock Exchange, approved by the IFSRA, Authorised and Regulated by the FSA

Top Twenty Holdings		Portfolio Emphasis		Sector Weights	
Disco	3.3%	Internet Services	1.4%	Information Technology	25.8%
Shinko Electric Ind	3.0%	Discount Retailing	5.4%	Industrial	21.8%
Nissha Printing	2.8%	Environmental care	3.9%	Consumer Discretionary	17.3%
K' S Holdings	2.8%	Finance	8.0%	Materials	14.7%
THK	2.8%	Asset reflation	8.0%	Financials	9.4%
Stanley Electric	2.8%	Demographic Change	2.0%	Property	5.5%
Shimamura	2.6%	Other	0.0%	Health Care	2.0%
Takata	2.6%	Domestic growth	28.7%	Consumer Staple	0.0%
Koito Manufacturing	2.6%	Climate change	4.7%	Energy	0.0%
Mitsumi Electric	2.4%	Silicon Cycle	9.3%	Telecoms	0.0%
Goldcrest	2.4%	Other Electronics	30.0%	Utilities	0.0%
Sumitomo Bakelite	2.4%	Autos	11.3%	Portfolio Concentration	
Furuya Metal	2.4%	Machinery	8.8%		
Toyo Tanso	2.4%	Others	3.7%	Top Twenty	51.3%
Matsuda Sangyo	2.4%	Global growth	67.8%	"5 & 40 rule"	0.0%
Taiyo Ink	2.4%	% Invested	96.5%	Number of Holdings	46
Air Water	2.3%	Cash	3.5%		
Nabtesco	2.3%	T-bills	0.0%		
Sumco	2.3%				
Micronics Japan	2.2%				

30th October 2009	1 month	3 month	6 month	1 year	3 years	5 years
Japanese SC Fund A \$	-5.1%	-0.4%	24.8%	25.5%	-32.2%	-17.7%
Japanese SC Fund B \$	-5.0%	-0.3%	25.1%	26.0%	-30.8%	-15.4%
Japanese SC Fund A £	-4.0%	-5.2%	14.9%	18.1%	-44.7%	-19.9%
Japanese SC Fund B £	-4.0%	-4.9%	14.9%	18.1%	-44.1%	-18.3%
Japanese SC Fund A €	-4.0%	-5.1%	15.6%	17.8%	-46.3%	-24.9%
Japanese SC Fund B €	-3.9%	-4.7%	16.1%	18.1%	-45.4%	-22.8%
Japanese SC Fund A ¥	-3.8%	-5.3%	16.2%	17.7%	-47.3%	-29.2%
Japanese SC Fund B ¥	-3.8%	-5.2%	16.4%	18.3%	-46.5%	-27.3%
Japan TPX 2nd Section	-2.5%	-3.3%	14.5%	10.3%	-48.0%	-26.2%
Japan JASDAQ	-2.3%	-1.7%	18.9%	10.7%	-45.1%	-40.8%

Indices stated in Yen. Fund returns stated in the class base currency.



Japanese SC Fund B ¥	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2005	11.7%	0.2%	0.4%	6.1%	1.5%	5.2%	7.8%	-4.5%	-0.5%	7.6%	6.8%	18.6%	77.0%
2006	1.4%	-9.2%	5.1%	-5.3%	-11.4%	1.0%	-12.1%	2.9%	-5.0%	-2.7%	-7.3%	4.2%	-33.7%
2007	2.2%	-3.1%	-3.0%	-4.1%	-0.1%	7.0%	-0.3%	-7.3%	3.2%	5.2%	-14.5%	-8.1%	-22.3%
2008	-8.4%	7.3%	-6.2%	2.0%	0.3%	-4.4%	-5.0%	-2.8%	-17.5%	-12.3%	-1.9%	1.4%	-40.1%
2009	-5.2%	-3.9%	4.5%	7.2%	11.4%	4.9%	5.0%	3.1%	-4.4%	-3.8%			18.9%

## IMPORTANT NOTICE

This document is being issued in the United Kingdom by BDT Invest LLP ("BDT Invest"), Authorised and Regulated by the Financial Services Authority, solely to persons authorised under the Financial Services and Markets Act 2000 for their internal use only. It may only be issued or passed on by such persons to other authorised persons or persons falling within Article 11(3) of the Financial Services and Markets Act 2000 (Financial Promotions) (Exemptions) Order 1996 or otherwise pursuant to an exemption under Section 57 of the Act and in accordance with Section 76 of the Act and the regulations there under.

**This document is intended for professional investors and should not be relied upon by any other persons.** Nothing contained in this document constitutes investment advice and it is important that you do not rely upon its content to make investment decisions. This document should not be regarded as constituting a distribution or an offer or solicitation to sell shares or units in any of the BDT Invest funds in any jurisdiction in which such distribution, offer or solicitation would be contrary to local law or regulation.

In particular, the information in this BDT Invest document is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America to or for the benefit of United States persons being resident in the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof. The shares or units in any of the BDT Invest funds have not been, and will not be registered under the United States Securities Act 1933

This document is for information only. All statements of opinion and/or belief herein and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of the Fund represent BDT Invest's own assessment and interpretation of information available to it currently. No representation is made or assurance given that such statements, views, projections or forecasts are reliable, accurate or correct. All quoted returns are illustrative only.

There can be no assurance that the Fund's investment objective will be achieved and investment results may vary substantially over time. The yield from and capital value of an investment in the Fund may fluctuate and investors may get back less than their investment. Investment in emerging markets involves risks which may not be typically associated with investing in more developed markets. The fees of the Investment Manager and Administrator in respect of the Fund will be charged to its capital. Thus shareholders may get back less than they invested. Changes in rates of exchange may cause the value of an investment in the Fund to fluctuate. A comprehensive list of risk factors appear in the Prospectus.

Past performance is not a guide to future returns. The value of investments and the income from them can go down as well as up and an investor may not get back the original amount invested. The difference at any one time between the Net Asset Value of Shares for the purposes of purchases and redemptions means that investment in the Company should be viewed as medium to long term.

Prospective shareholders should familiarise themselves with and, where appropriate, take advice on the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for, and the holding and realisation of, shares in the places of their citizenship, residence and domicile. The tax consequences for each shareholder of acquiring, holding, converting, redeeming or disposing of shares in the Company will depend upon the relevant laws of any jurisdiction to which the shareholder is subject. Investors and prospective investors should seek their own professional advice as to this, as well as to any relevant exchange control or other laws and regulations. Taxation law and practice and the levels and basis of and release from taxation relating to the Company and to shareholders may change from time to time.

BDT Invest Funds plc is an investment company with variable capital established pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (S.I. No. 211 of 2003) as amended by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (S.I. No.212 of 2003) or any amendment thereto. BDT Invest Funds plc is a recognised collective investment scheme for the purposes of Section 264 of the Financial Services and Markets Act 2000 of the United Kingdom.

The Simplified and Full Prospectuses are distributed in the United Kingdom by or on behalf of the Directors and are approved by BDT Invest LLP, which is Authorised and Regulated by the Financial Services Authority for the purposes of Section 57 of the FSA. This document does not constitute or form part of any offer or invitation to purchase or subscribe for shares in the Fund. Should any application subsequently be made for such shares, such application should be made solely on the basis of the Simplified and Full Prospectuses for the Fund both of which are available at [www.bdtinvest.com](http://www.bdtinvest.com).

The entire content of this BDT Invest document is subject to copyright with all rights reserved. You may not copy, reproduce, distribute or modify the content of this BDT Invest document without the prior written permission of BDT Invest.

BDT Invest LLP  
52 Jermyn Street  
London  
SW1Y 6LX

Telephone - 020 7659 1300

Fax - 020 7659 1399

[www.bdtinvest.com](http://www.bdtinvest.com)

Authorised and Regulated by the Financial Services Authority