

Japanese Smaller Companies Fund



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 share class is hedged back into its base currency in the normal course of events. The euro share class is unhedged due to the small size of the share class.

Portfolio Commentary

The Yen B shares rose 2.8% in January, underperforming the 4.8% rise in the TSE 2nd Section Index but outperforming the 0.5% decline in the JASDAQ Index. The best performers in the portfolio were Nabtesco and Takata, helped by good earnings and the move up in machinery and autos. Weakness was seen in some of the more defensive holdings.

Stock Highlights

Exedy (5.3 % of NAV, TSE-1):

A manufacturer of automotive clutches, selling mainly to Nissan, Mazda, Isuzu, Mitsubishi and Ford, with a high market share in parts for automatic transmissions. Whilst operating profit is likely to fall by 15% this fiscal year due to the Tohoku earthquake, earnings should recover strongly next year. Longer term growth depends on Nissan which is developing a lead over its major competitors in plug-in electric vehicles. The share sells at a P/E of 8.4x for FY3/13.

KYB (4.1% of NAV, TSE-1):

A leading manufacturer of hydraulic equipment with a high global market share in shock absorbers for autos and construction machinery. Car production is likely to see a strong post earthquake recovery this year whilst the inventory adjustment in Chinese construction machinery may end later this summer. The share sells at a P/E of 5.9x

Musashi Seimitsu (2.4% of NAV, TSE-1):

A specialist manufacturer of gears, cam shafts and ball joints for automobiles and motor cycles and a consolidated subsidiary of Honda. Sales for motorcycles are strong in Asia and Latin America but Honda's production cuts due to natural disasters dealt a blow to sales for automobile this year. The worst is now over and we expect a dynamic recovery in the year to 3/13. The share sells at a P/E of 7.9x for FY3/13.

Compound Annual Growth Rate since Inception	
Class A\$ Share	-2.7%
Class B\$ Share	-2.1%
9th Feb 2004 - 31st January 2012	

	A Class	B Class
Net Asset Value		
Dollar Class	\$ 8.07	\$ 8.42
Sterling Class	£ 6.99	£ 6.88
Euro Class	€ 7.69	€ 7.92
Yen Class	JPY 583	JPY 608
Fund Size (million)	\$14.3	
Historic Yield	0.0%	0.0%

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

	A Class	B Class
Fee and Charges		
Annual Management Fee	1.75%	1.25%
Entry Charge	3.0%	0.0%
Exit Charge #	0.0%	3.0%
TER (est) ^	2.85%	2.35%

^ (excluding entry/exit charges)
waived except in exceptional circumstances

Performance Fee
There is no performance fee

Broking Commissions

The Fund pays normal transaction commissions of 0.2%. BDT Invest has entered into commission sharing arrangements.

Activity

Activity levels are not "targeted". During the past twelve months turnover has been 61.9%.

Distributor / Reporting Status

The Fund received distributing fund status for the year ended Dec 31, 2010. From FY 2011 BDT Invest Funds Plc will be listed as Reporting Investment Manager (for enquiries)

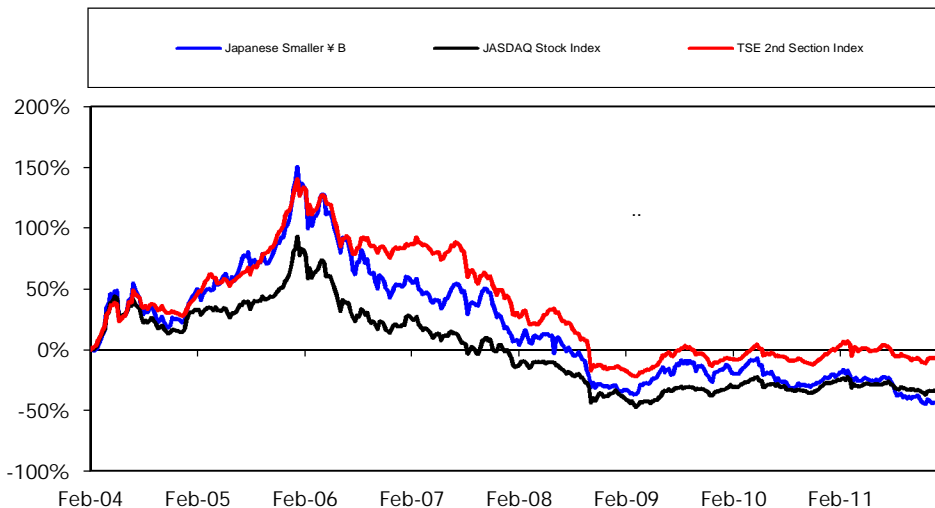
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Regulatory Status

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



Top Ten Holdings		Portfolio Emphasis		Sector Weights	
THK	6.0%	Domestic growth	32.3%	Consumer Disc	33.3%
Nabtesco	6.0%	Finance/Real estate	15.8%	Information Tech	25.1%
Disco	5.7%	Discount retail	10.8%	Industrial	15.4%
Horiba	5.6%	Others	5.7%	Financials	8.9%
Exedy Corp	5.3%	Global Growth	64.6%	Materials	5.5%
Hamamatsu Photonics	5.0%	Semiconductors	11.3%	Property	3.5%
Takata	4.8%	Other Electronics	14.7%	Health Care	3.3%
Fuyo General Lease	4.6%	Machinery	8.1%	Consumer Staple	3.1%
Aeon Credit	4.3%	Auto Parts	19.6%	Liquidity	2.0%
KYB Co	4.1%	Others	10.9%		

31st January 2012	1 month	3 month	6 month	1 year	3 years	5 years	7 years
Japanese SC Fund A \$	4.7%	-7.1%	-20.6%	-20.1%	2.0%	-41.1%	-46.3%
Japanese SC Fund B \$	4.6%	-7.1%	-20.4%	-19.7%	3.6%	-39.2%	-44.3%
Japanese SC Fund A £	2.8%	-6.3%	-21.6%	-25.6%	-13.6%	-61.0%	-55.4%
Japanese SC Fund B £	2.8%	-6.1%	-21.3%	-27.2%	-16.6%	-62.1%	-56.3%
Japanese SC Fund A €	2.4%	-0.3%	-14.1%	-13.1%	1.7%	-55.3%	-50.5%
Japanese SC Fund B €	2.5%	-0.3%	-13.8%	-13.1%	3.1%	-54.3%	-48.8%
Japanese SC Fund A ¥	2.7%	-6.7%	-22.0%	-25.8%	-13.0%	-62.8%	-60.5%
Japanese SC Fund B ¥	2.8%	-6.6%	-21.8%	-25.4%	-11.7%	-61.8%	-59.0%
Japan TPX 2nd Section	4.8%	4.7%	-2.7%	-3.9%	17.0%	-47.1%	-32.0%
Japan JASDAQ	-0.5%	-1.6%	-7.8%	-11.4%	8.9%	-47.9%	-50.0%

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

Portfolio Statistics

Number of Holdings	26
Top Ten	51.33 %
Top Twenty	84.95 %
"5 and 40 rule"	33.56 %
Median market capitalisation	\$ 1.70 bn
Average weighted market capitalisation	\$ 1.64 bn
Average price earnings ratio (trailing)	12.95 x
Average price book ratio (last)	1.10 x
Average yield (historic)	1.96 %

source: bloomberg (using portfolio data as of 30th December 2011)

Japanese SC Fund B ¥	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
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%	-9.6%	10.3%	18.6%
2010	-0.2%	-3.3%	12.2%	3.2%	-14.0%	-6.0%	-2.0%	-6.2%	6.0%	-2.7%	4.1%	6.6%	-7.3%
2011	2.3%	3.6%	-3.7%	-2.3%	-0.5%	1.2%	-2.9%	-13.9%	-4.3%	2.7%	-7.5%	-1.7%	-25.8%
2012	2.8%												2.8%