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A Prudential plc company 

May 2022

Eastspring Investments - Japan Smaller Companies

Speaker:



Max Godwin
Portfolio Manager

Marketing Communication. Please refer to the Prospectus / KIID before making your investment decisions.

Experts in Asia. Invested in Your Future.

eastspring.com

Agenda

1. Japan Market
2. Why Value in Japan?
3. Why the Eastspring Value process?
4. Why a Small Cap strategy?
5. Appendix: Eastspring Performance





01

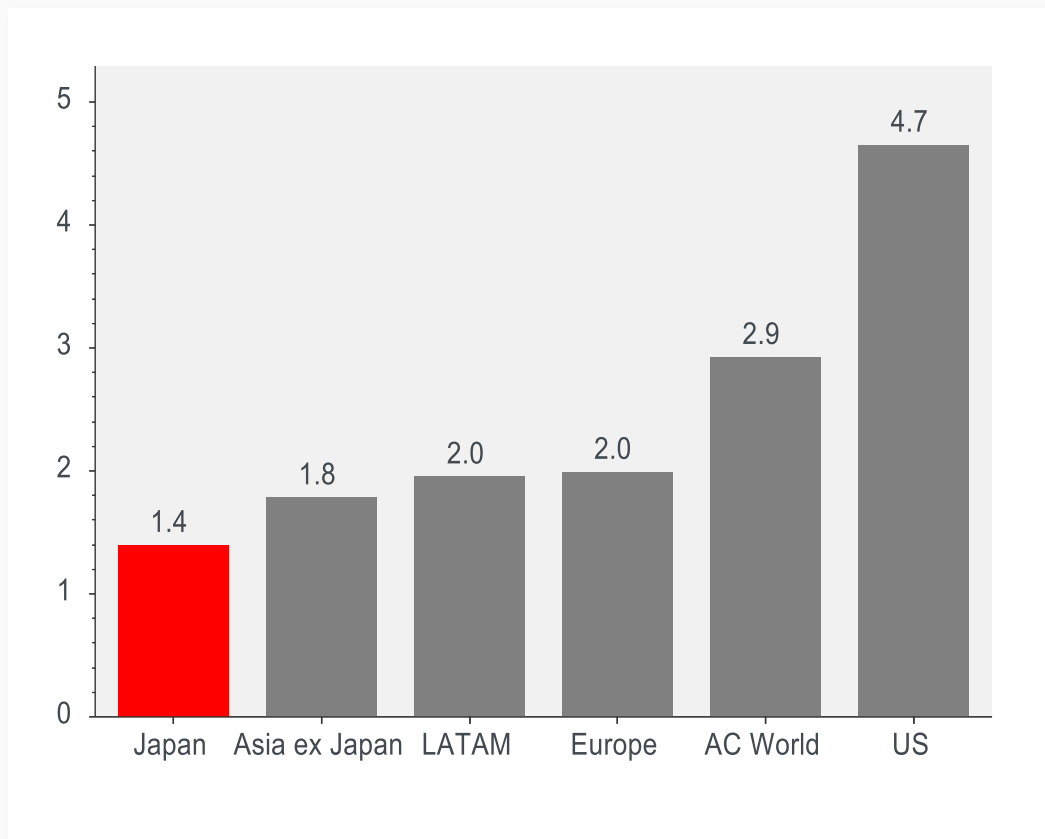
Japan Market



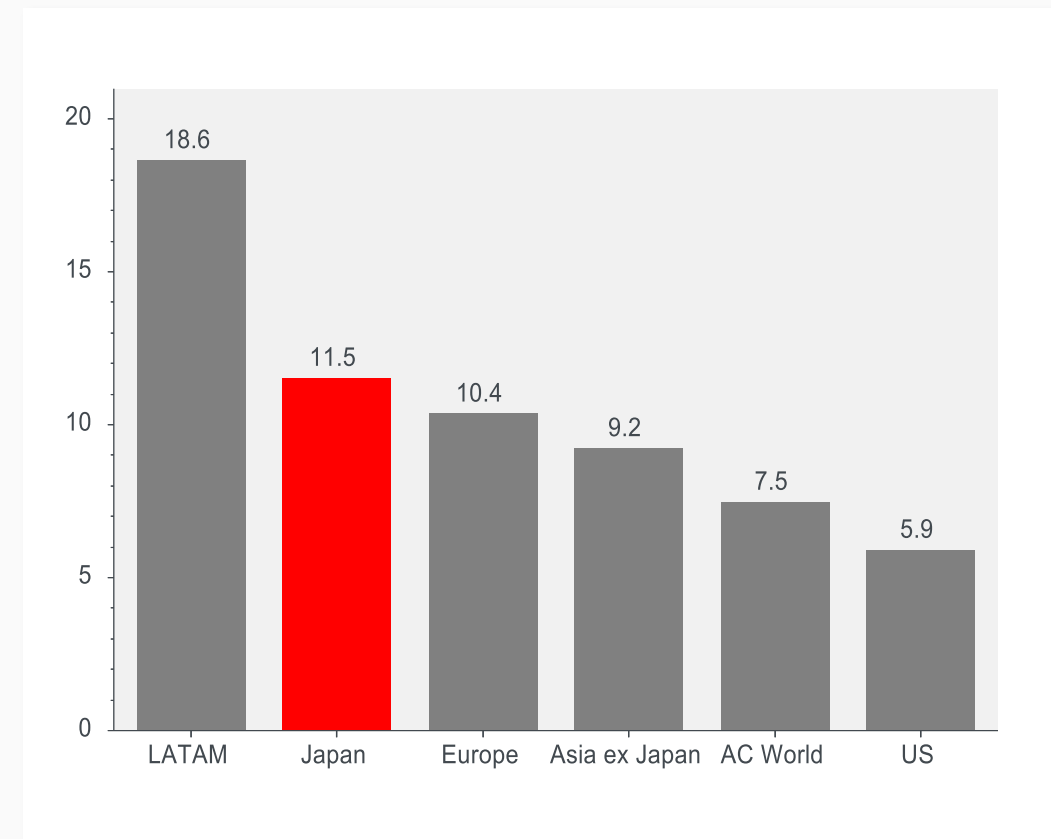
Japan valuations are attractive

Cash earnings are not priced in by market

Price to Book



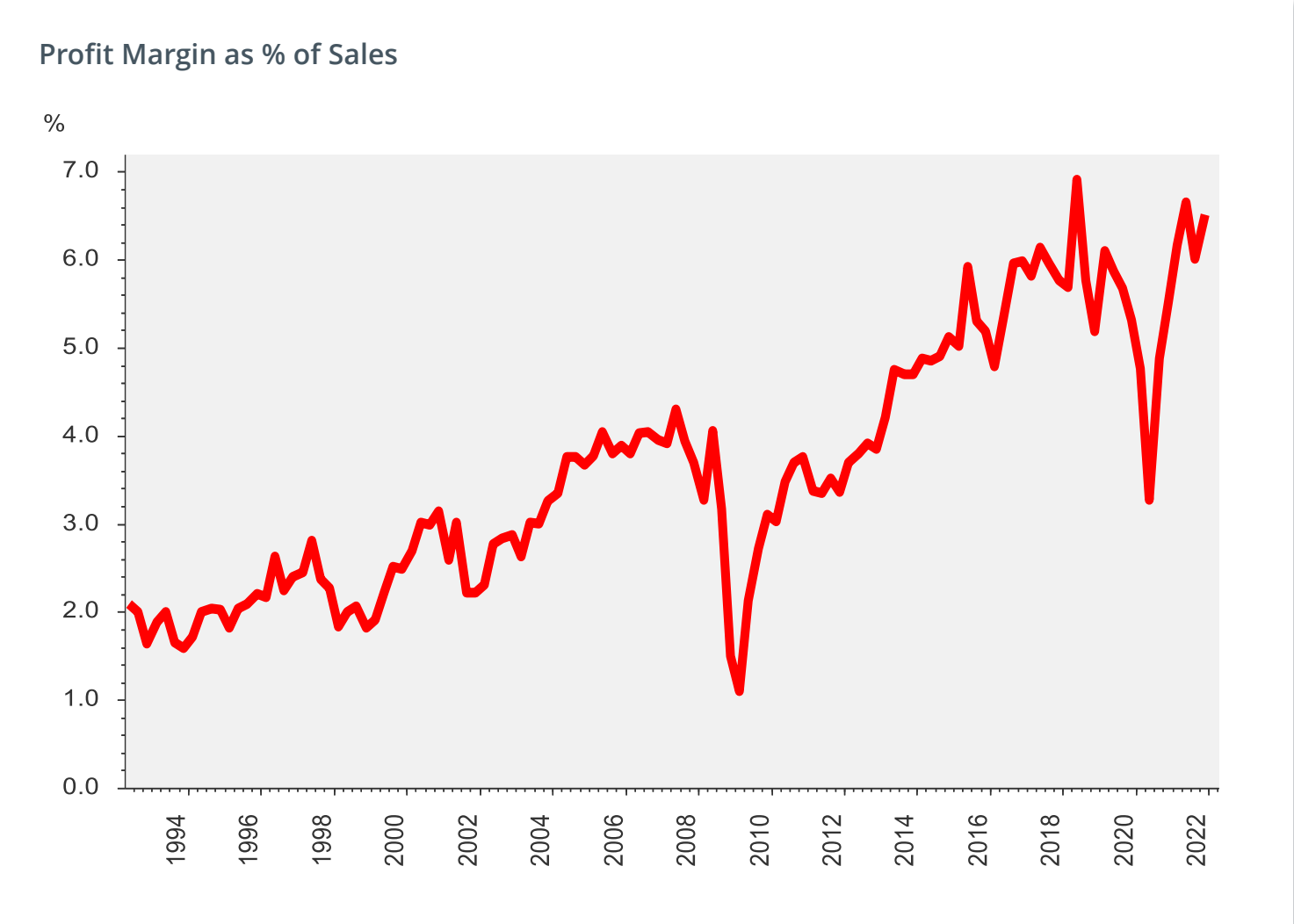
Cash Earnings Yield (%)



Source: Eastspring Investments, IBES MSCI Indices, Refinitiv Datastream, as at 31 March 2022. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. Indices used: MSCI Japan Index, MSCI Europe Index, MSCI AC Asia Pacific ex-Japan, MSCI EM Latin America Index, MSCI AC World Index, MSCI USA Index. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

Corporate Japan:

Cyclical impact but rising trend

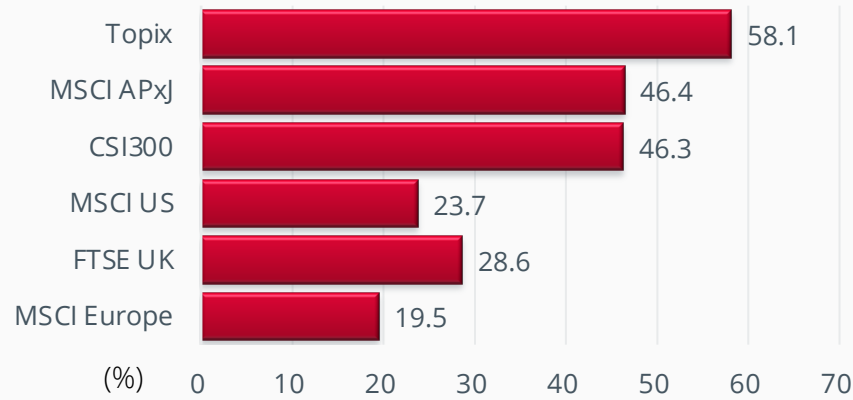


Sources: Profit Margin % of sales from Refinitiv Datastream MOF. For illustration purposes only. The indices described are unmanaged and not available for direct investment. Latest data available as 12 April 2022. Current Profits of all Japanese Incorporated Enterprises Industries (Except Finance and Insurance) / Sales, in Japanese Yen. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

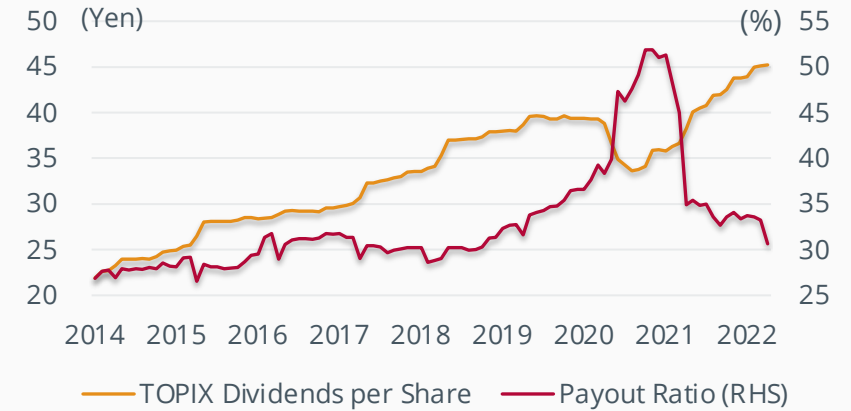


Corporate governance: a rising focus in Japan

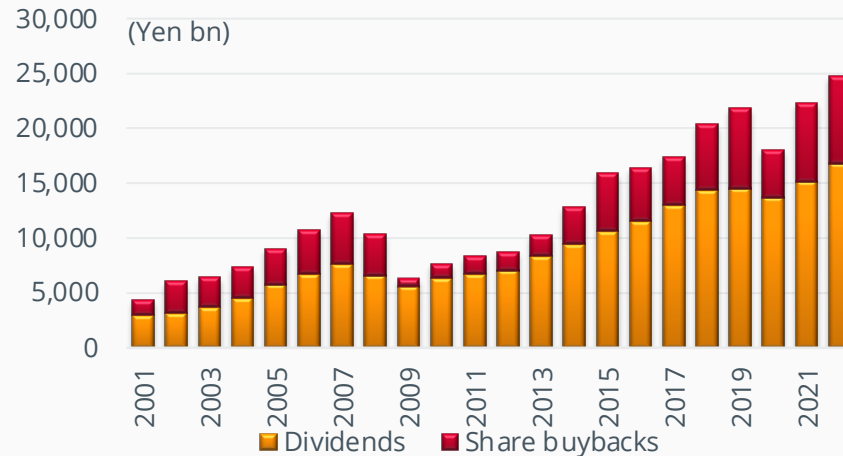
More Japanese companies are "cash rich**"



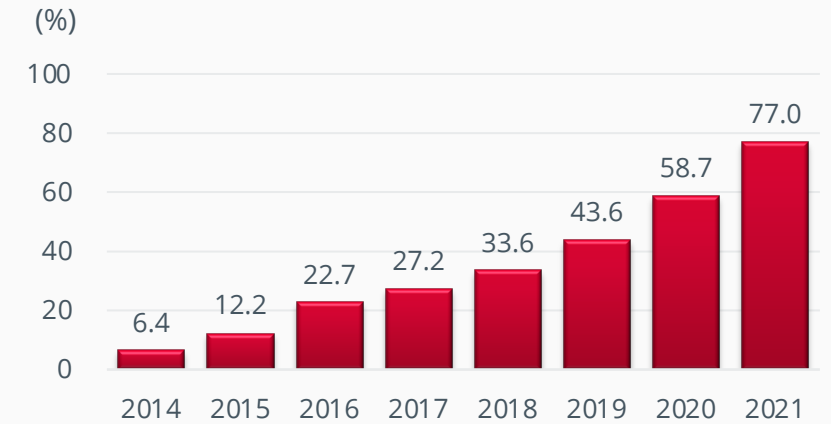
Payout ratio in Japan resilient through 2020



Dividends and Buybacks firm (¥ bn)



Growing independent Director representation on company boards*



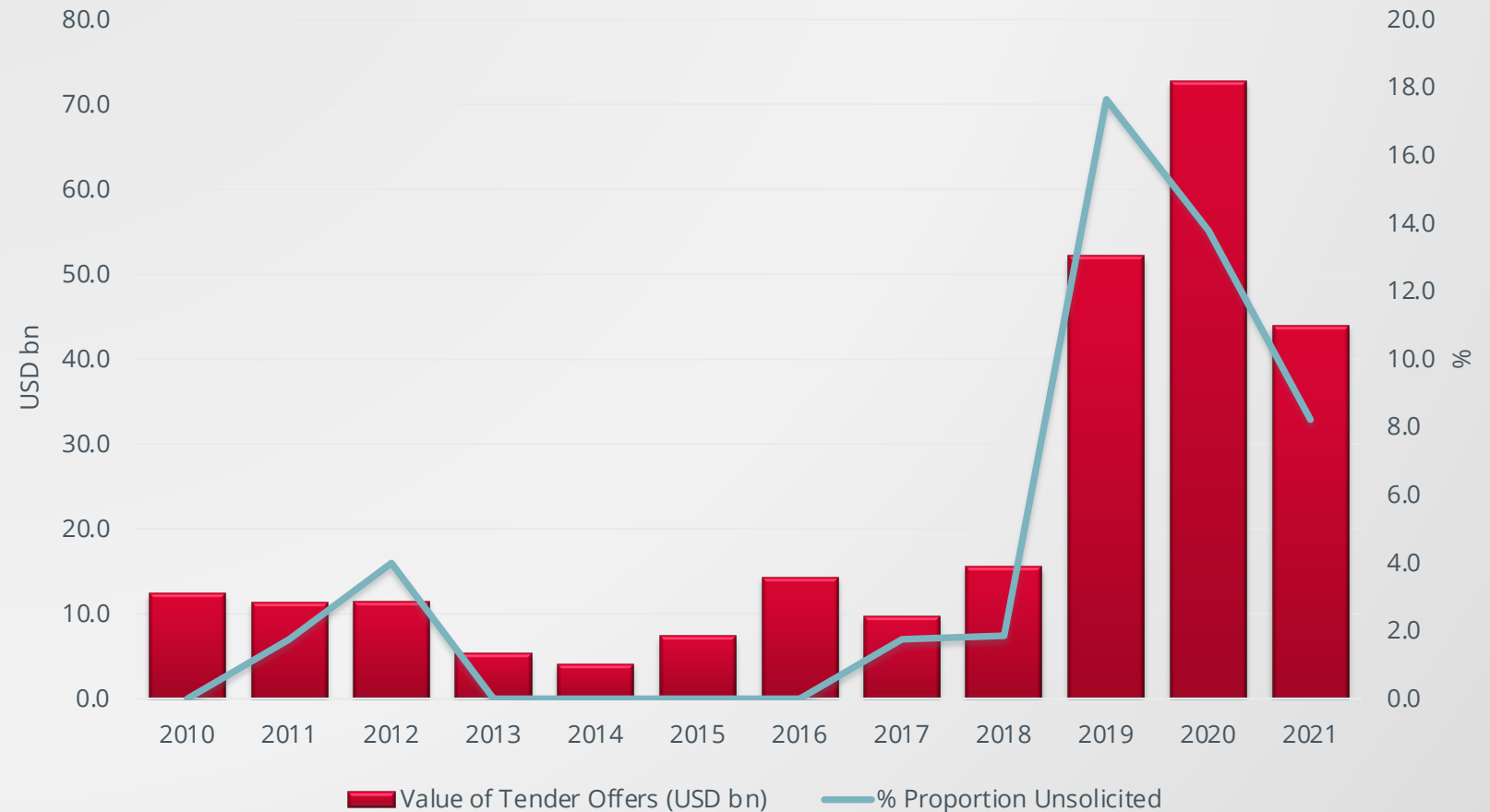
Sources: "Cash rich" companies: Nomura, as at 11 April 2022. Companies ratio is the number of positive net cash companies divided by the number of index composite companies. "Payout ratio" Nomura, as at 11 April 2022. Universe is TOPIX. Based on company's data and Toyokeizai and Nomura estimate data. "Dividends & Buybacks": Nomura, as at 5 April 2022. FY22 is Nomura estimate. Based on company's data and Toyokeizai and Nomura estimate data; for FY21, share buybacks are actual executed amount and dividends are Nomura estimates. "Growing independent": Nomura and Bloomberg, as at 11 April 2022. Universe is TOPIX. Based on company's data and Bloomberg. (* Percentage of Topix companies with 1/3 or more independent directors.) Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.



Corporate Governance:

Developing market for corporate control

Value of Tender Offers and % of Unsolicited Bids

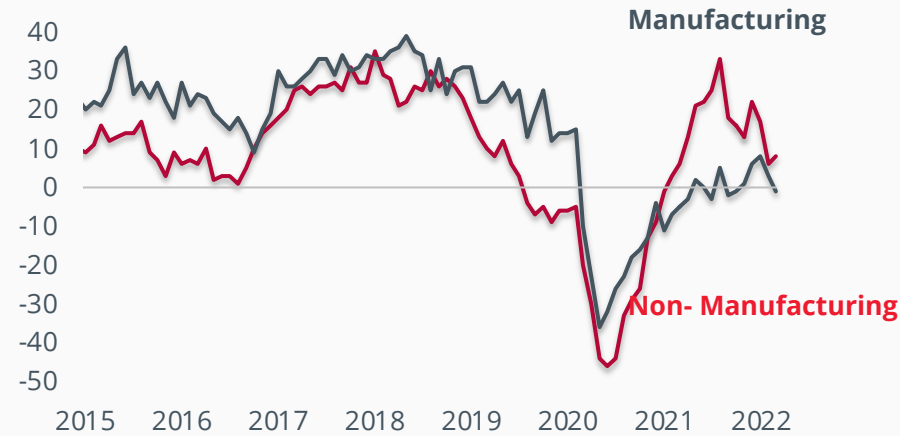


Sources: Eastspring Investments, Bloomberg, as at 31 December 2021. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

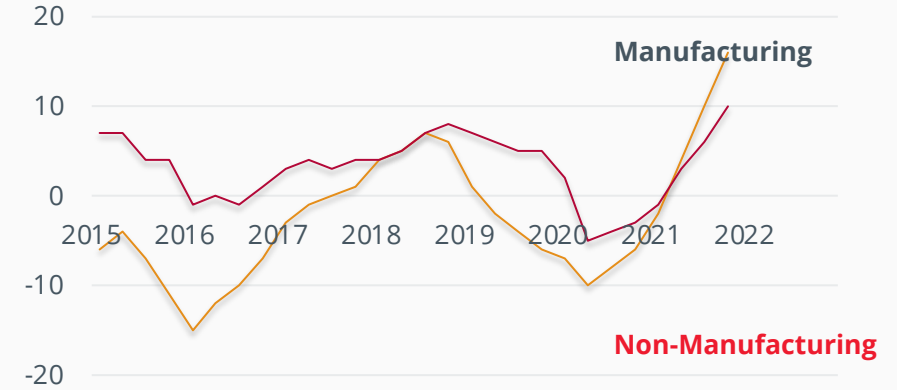
Japan economy:

Cyclical improvement and increasing pricing pressures typically good for Japan

Reuters Tankan Large Firm Sentiment



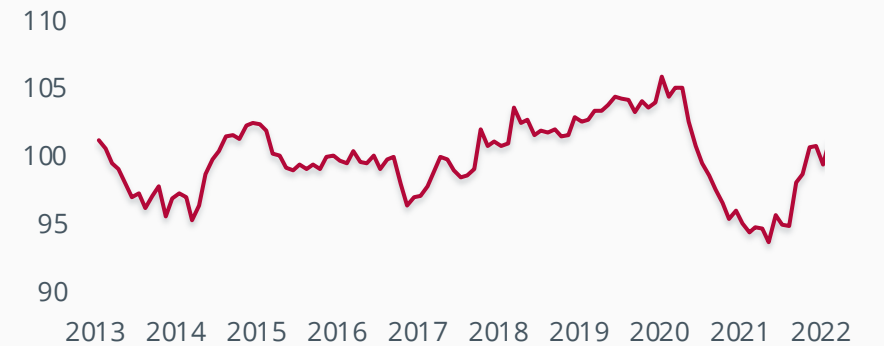
Output Price DI Large Manufacturing / Non-Manufacturing



COVID-19 New Cases (per million population)



Inventory Level (2013 = 100, sa)



Sources: Reuters Tankan Large Firm Sentiment: Reuters, JP Morgan, as at March 2022. Output Price DI: Boj and JP Morgan, to Q1 22. COVID-19 cases: new cases, smoothed, JP Morgan, to 18 April 2022. Inventory level: METI, JP Morgan, to February 2022. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

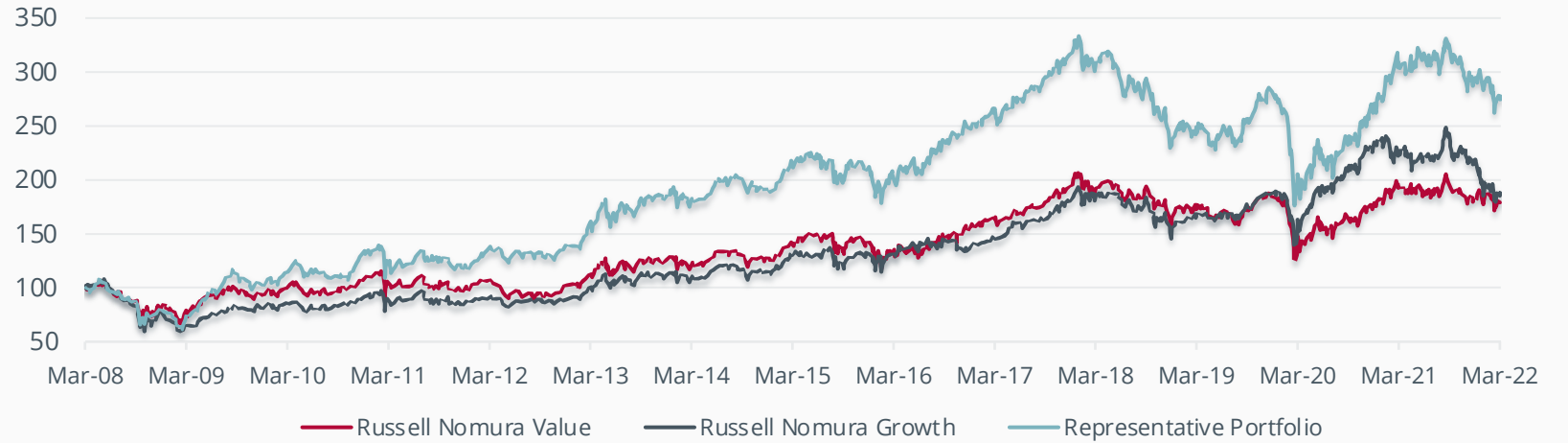


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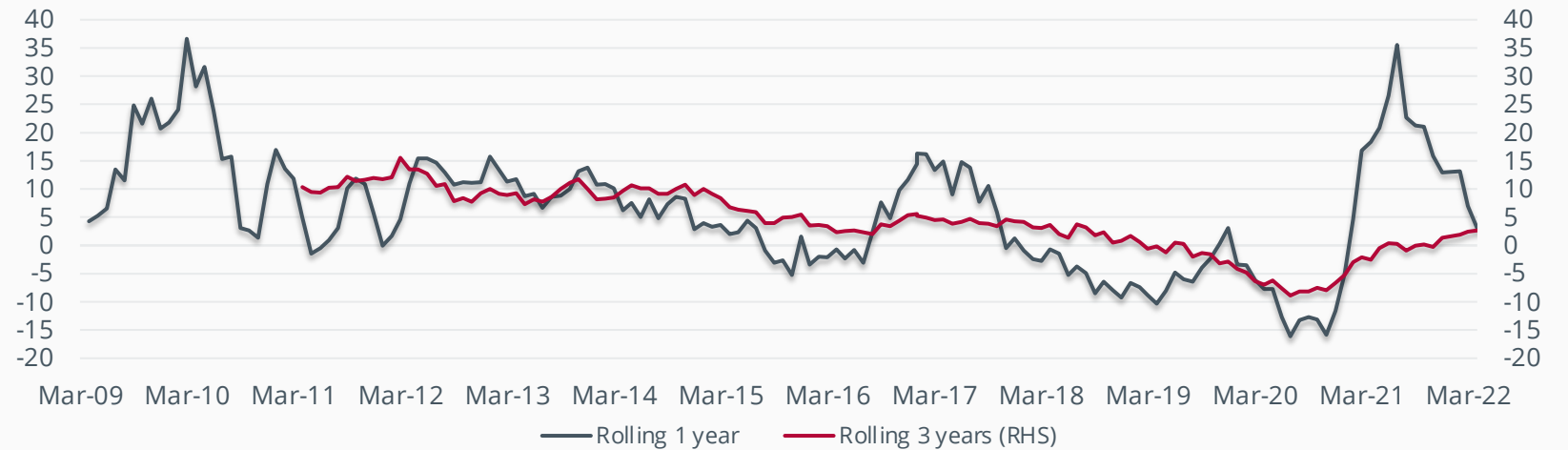
Why Value in Japan?

Look through and exploit shorter term volatility

Japan smaller co performance versus value and growth indices since inception



Excess return - Japan smaller companies fund over Russell Nomura mid small index (net) (%)

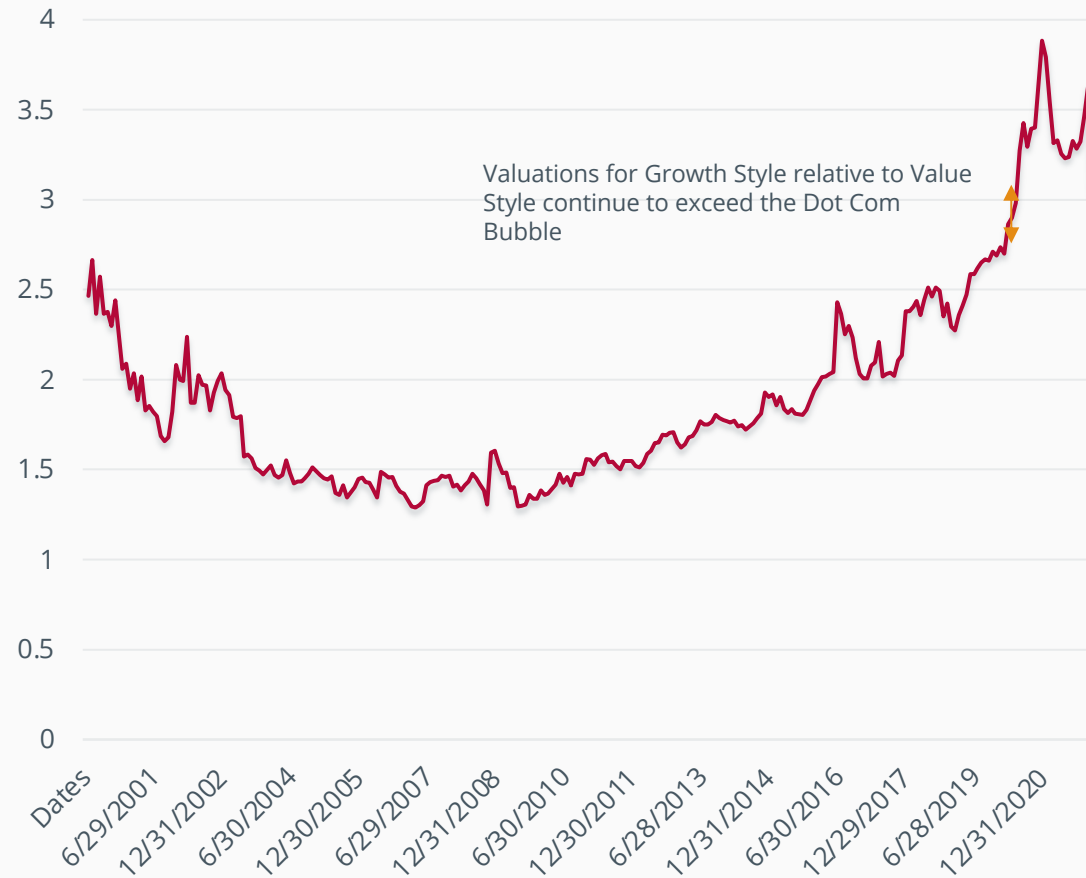


Source: Eastspring Investments, as at 31 March 2022, in USD. (Top chart) Representative Portfolio is Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund. Rebased to 100 as at 26 March 2008 (inception). (Bottom chart) Excess return of Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund over Russell Nomura Mid Small Index. Share Class EDY is not available for sale to retail investors. Inception Date: 26 March 2008. The chart above is included for illustrative purposes only. Past performance is not necessarily indicative of the future or likely performance of the Fund. (p.a.: Per annum).

Price to book valuation – growth versus value

Relative valuation surpassed dot com bubble peaks

MSCI Japan growth index price to book relative to MSCI Japan value index price to book*



Extremes - MSCI Japan Growth Index

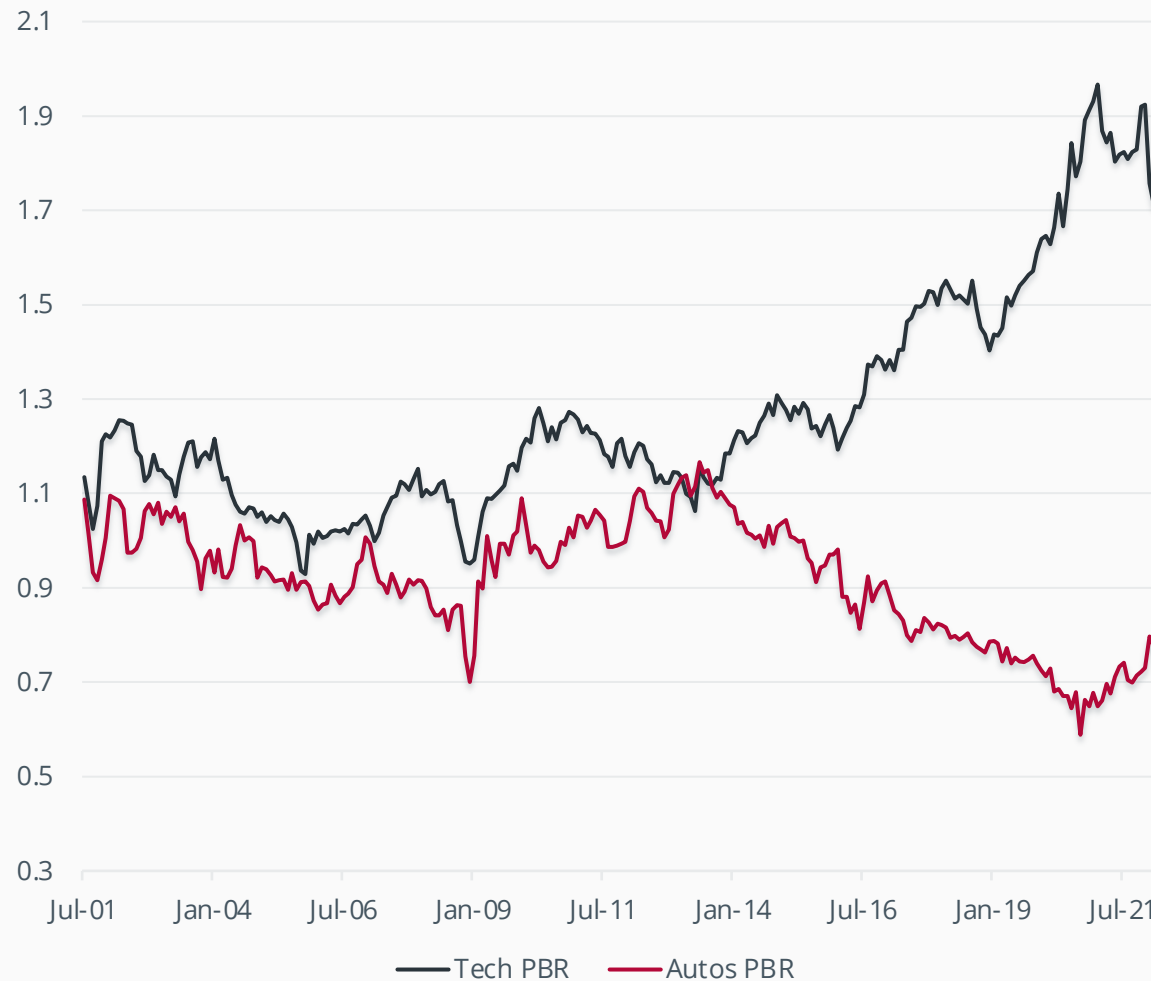
- ▶ Growth versus value surpassed Dot Com peaks
- ▶ Valuation for expensive stocks unsustainable

Source: Eastspring Investments, Bloomberg, as at 31 March 2022. *MSCI Japan Growth Index Price to Book / MSCI Japan Value Index Price to Book. Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.

Technology Vs Autos

We focus on best ideas –
most attractive valuation

Technology V Autos Sector – Price to Book (“PBR”) Relative to Topix



Technology

- ▶ High earnings growth / momentum
- ▶ Thematic preferences shifting in the chase for earnings growth
- ▶ Market still over paying for perceived shorter term earnings certainty
- ▶ Similar divergences within broad Technology sector

Autos

- ▶ Our trend margin sensitivity tests for auto holdings suggest that market is more than pricing in zero returns in trend terms from their US businesses
- ▶ Significant valuation support exists for our selected auto holdings

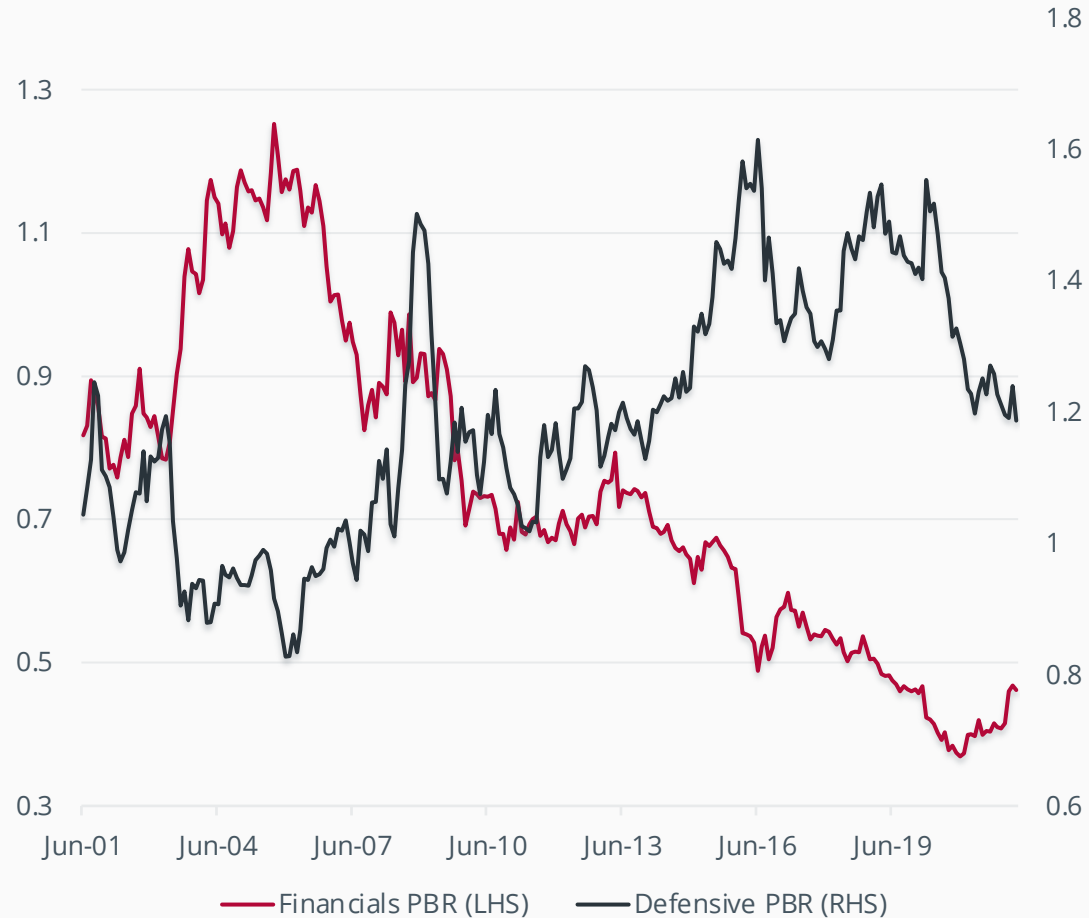
Source: Eastspring Investments, as at 31 March 2022. PBR: Price-to-book ratio relative to universe. Universe is the Topix Index. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.



Defensive Vs Financials

We focus on best ideas – most attractive valuation

Defensive V Financials Sector – Price To Book Relative to Topix



Defensive

- ▶ Remains expensive relative to history, we believe market is over paying for perceived shorter term earnings certainty

Financials

- ▶ Market is extrapolating a permanent state of BOJ Policy low interest rates
- ▶ Negative effects have passed through - spreads on new loans bottoming
- ▶ Negative effects more than priced by the market

Source: Eastspring Investments, as at 31 March 2022. PBR: Price-to-book ratio relative to universe. Universe is the Topix Index. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

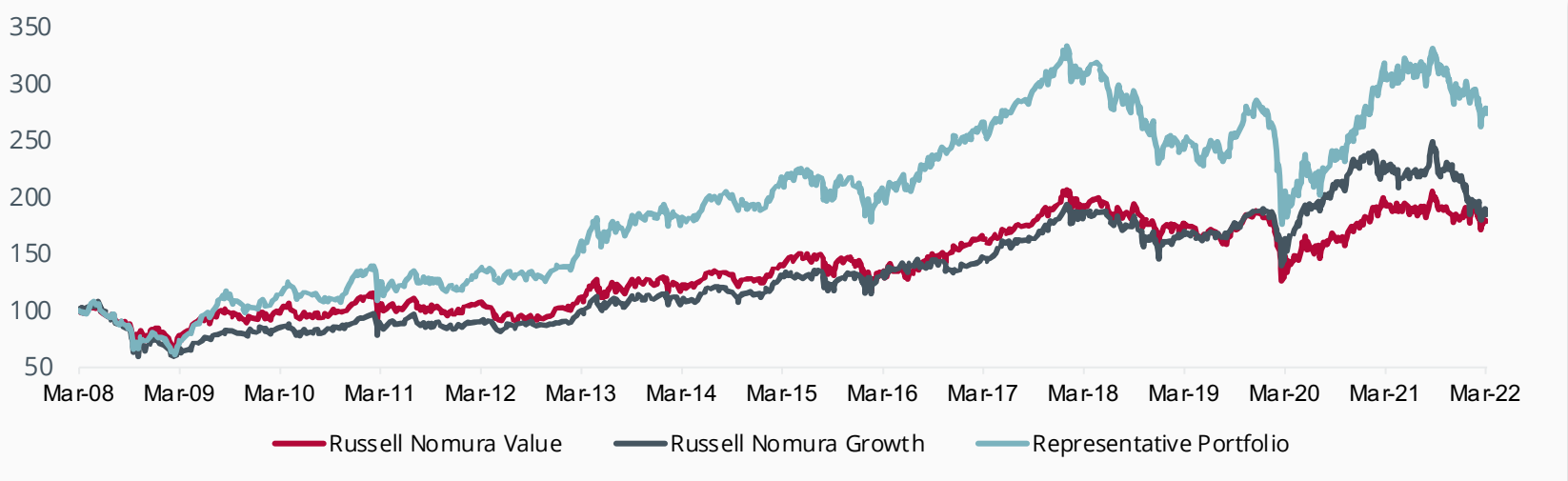


03

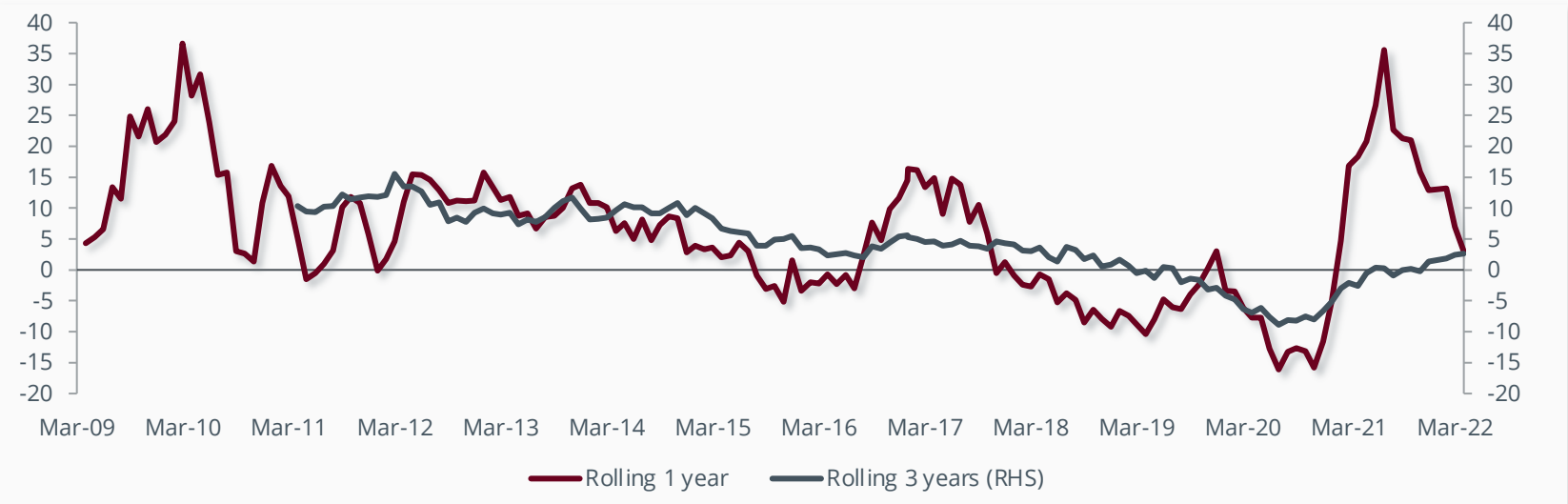
Why the Eastspring Value process?

Look through and exploit shorter term volatility

Japan Smaller Co Performance Versus Value and Growth Indices Since Inception



Excess Return – Japan Smaller Companies Fund Over Russell Nomura Mid Small Index (Net) (%)



Source: Eastspring Investments, as at 31 March 2022, in USD. (Top chart) Representative Portfolio is Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund. Rebased to 100 as at 26 March 2008 (inception). (Bottom chart) Excess return of Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund over Russell Nomura Mid Small Index. Share Class EDY is not available for sale to retail investors. Inception Date: 26 March 2008. The chart above is included for illustrative purposes only. Past performance is not necessarily indicative of the future or likely performance of the Fund. (p.a.: Per annum).

Japan Equity

Team profile

- ▶ Strong cohesive team
- ▶ Small but experienced – maximise creative dynamic
- ▶ Centralised team – culture of challenge and debate



Ivailo Dikov
Team Leader and
Portfolio Manager
Focused Value / Value

08 years in firm
17 years in financial
industry



Max Godwin
Portfolio Manager
Smaller Companies

15 years in firm
30 years in financial
industry



Samuel Hoang
Portfolio Manager
Sustainable Value

11 years in firm
23 years in financial
industry



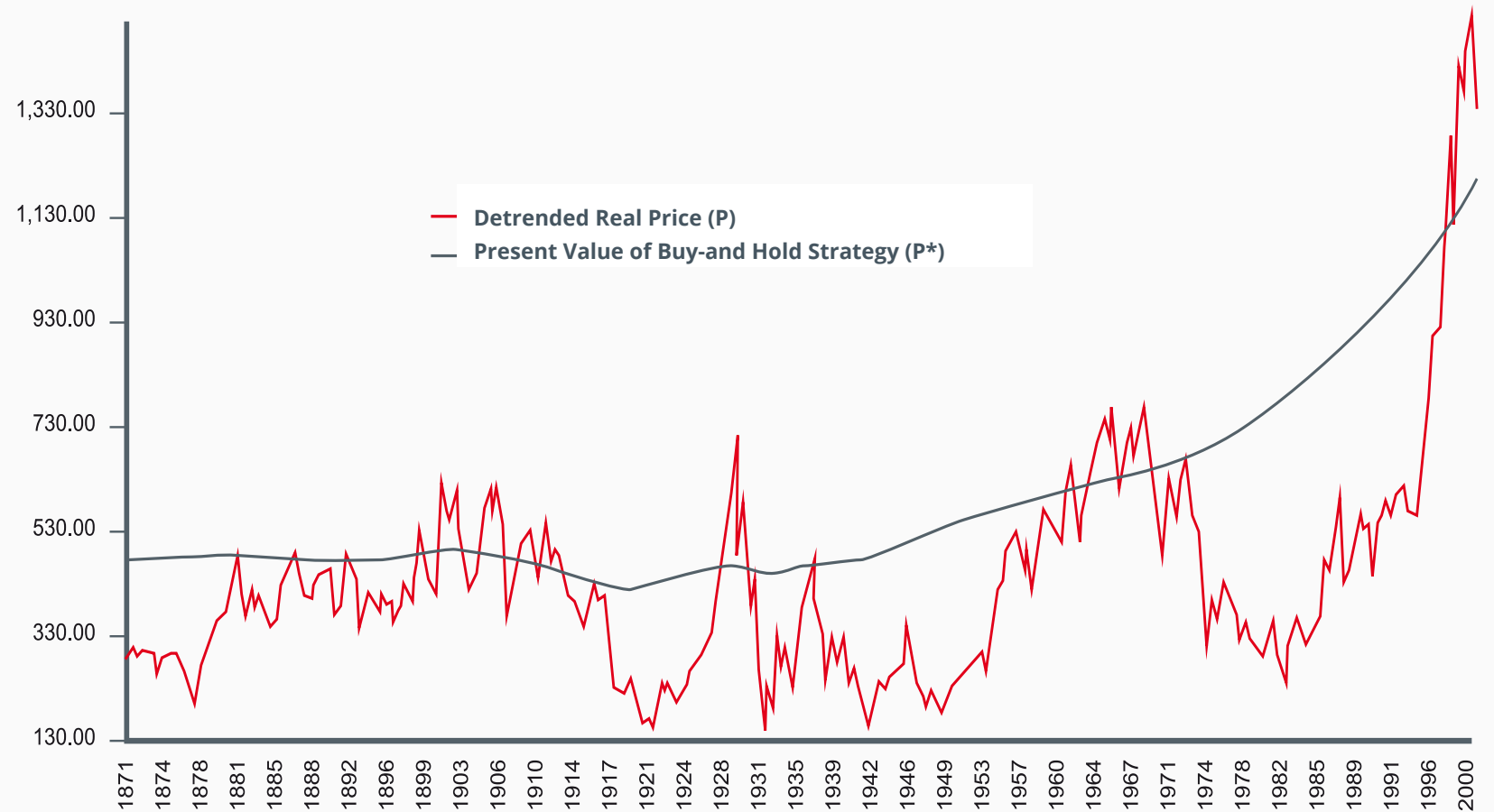
Calvin Chang
Portfolio Manager
Value

07 years in firm
07 years in financial
industry

Understanding a simple price formation mechanism

Price change more volatile than fundamental change

Price formation mechanism is complex

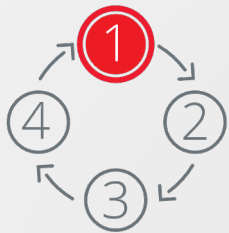


Source: Eastspring Investments. Shiller 1981a, West 1988, Mankiw and Shapiro 1986 and 1991 and Carsten K. Nielsen 2007. du Preez 2003
 P* is the discounted present value of actual subsequent real dividends, detrended by a long-run exponential growth factor. For illustration purposes only. The indices described are unmanaged and not available for direct investment. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

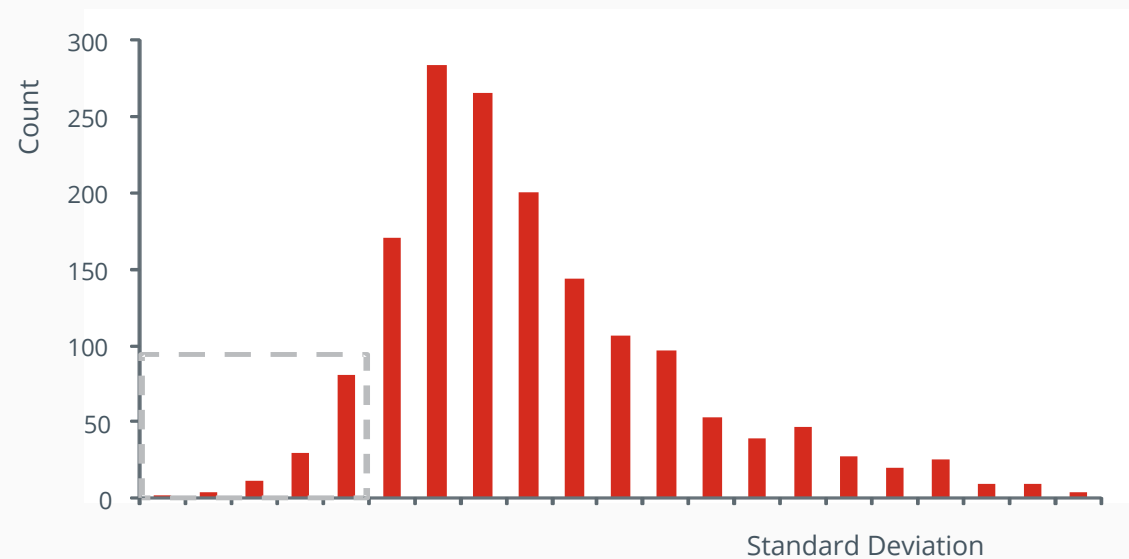
Idea generation

Identify episodes offering potential excess returns

A systematic starting point



Frequency Distribution of a Standard Factor*



Screening the Investment Universe

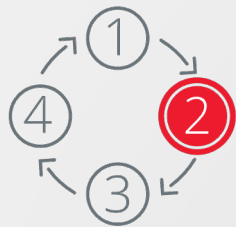
- › Screen for long-term relative value opportunities
- › Contrarian ideas – broker sentiment
- › Earnings improvement with cheap valuation
- › First step towards fundamental analysis

Source: Eastspring Investments. The graphs and securities are included for illustrative purposes only. It should not be considered a recommendation to purchase or sell such security. *All P/B relative to universe.

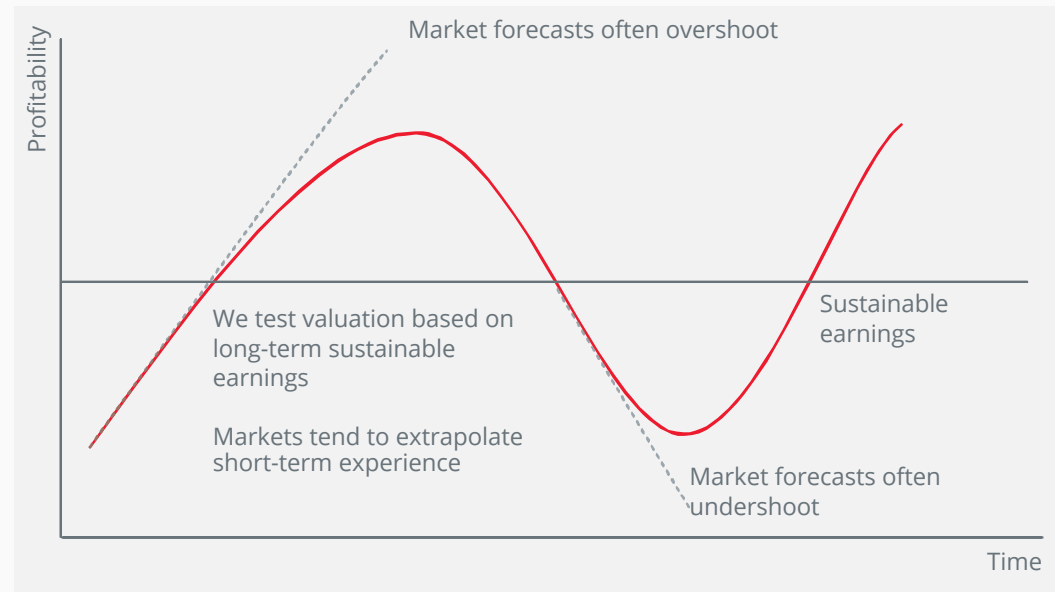
Fundamental analysis

Central to our competitive edge

Concept of sustainable earnings delivers unique insight



Differentiated Concept of Valuation Relative to Sustainable Earnings



- Focus on sustainable earnings – avoid extrapolation
- Requires deep fundamental analysis and experience
- Provides clear understanding of drivers of valuation
- Large differences between price and valuation provides opportunity

Team's sustainable edge

Positioned for sustainable
long-term performance

- ▶ Competitive edge based on our understanding of behavioural sources of mispricing
- ▶ Price focused process with a relative valuation anchor
- ▶ Experienced; small; dynamic; focused on “best ideas”
- ▶ Rigorous research supported by peer review
- ▶ Research output plus risk understanding provides clear link to portfolio construction
- ▶ Ongoing review supports process integrity and sell discipline

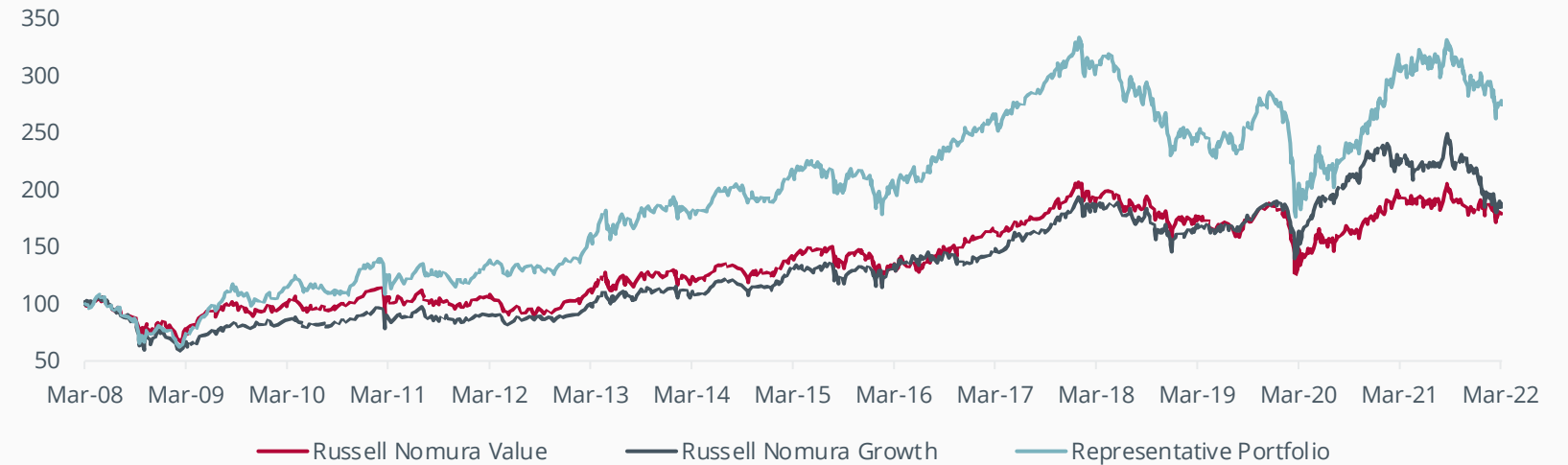


04

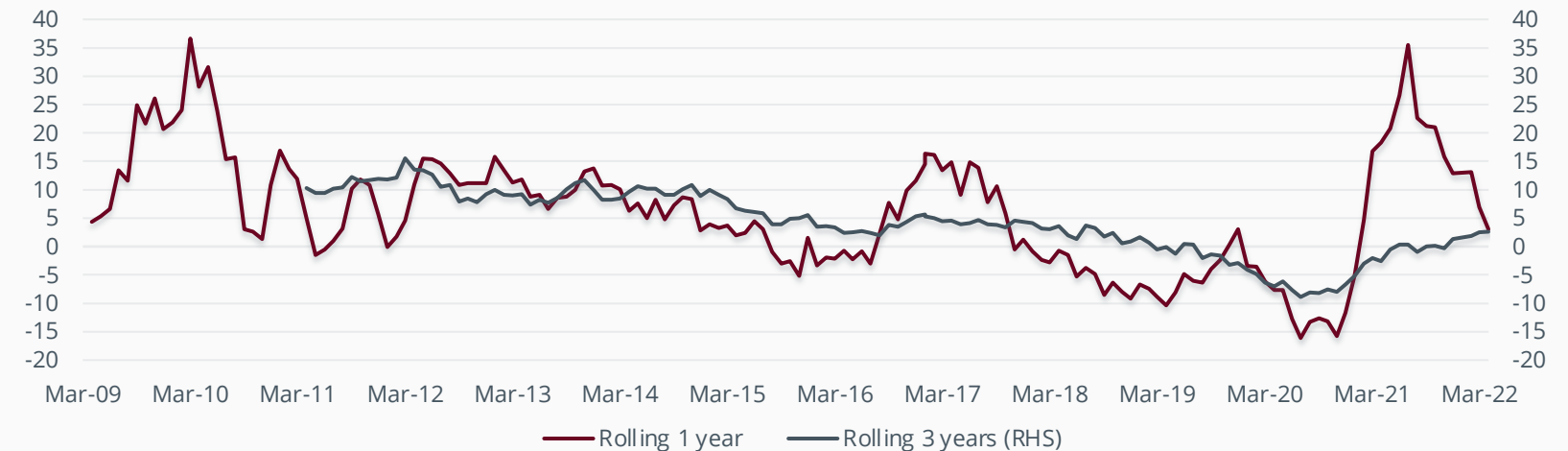
Why a Small Cap strategy?

Look through and exploit shorter term volatility

Japan Smaller Co Performance Versus Value and Growth Indices Since Inception



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Source: Eastspring Investments, as at 31 March 2022, in USD. (Top chart) Representative Portfolio is Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund. Rebased to 100 as at 26 March 2008 (inception). (Bottom chart) Excess return of Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund over Russell Nomura Mid Small Index. Share Class EDY is not available for sale to retail investors. Inception Date: 26 March 2008. The chart above is included for illustrative purposes only. Past performance is not necessarily indicative of the future or likely performance of the Fund. (p.a.: Per annum).

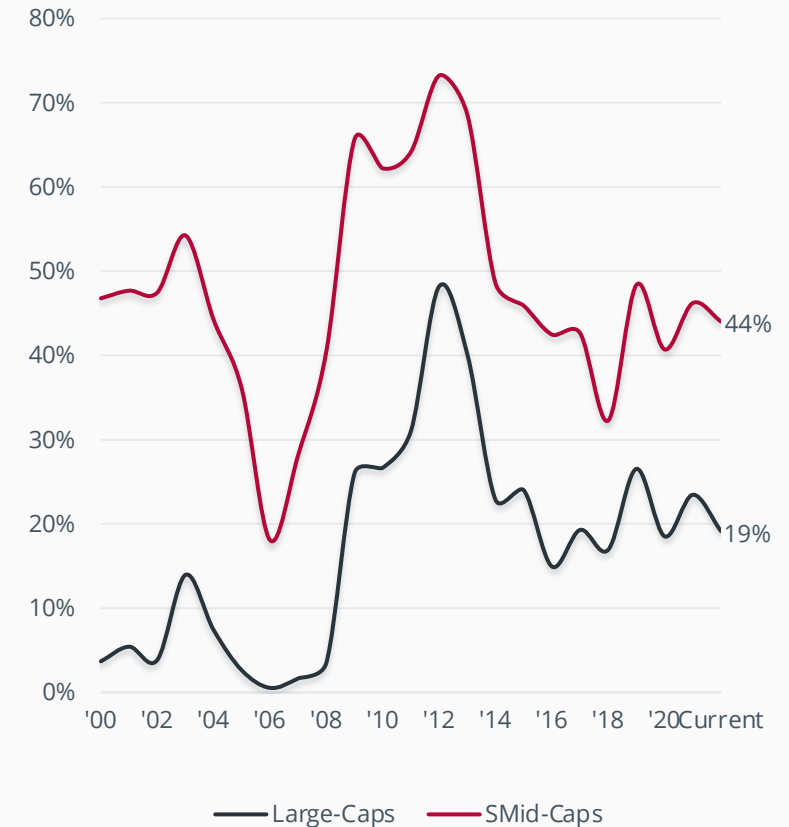
Small cap continues to trade at a discount to large

44% of small caps trade below book value

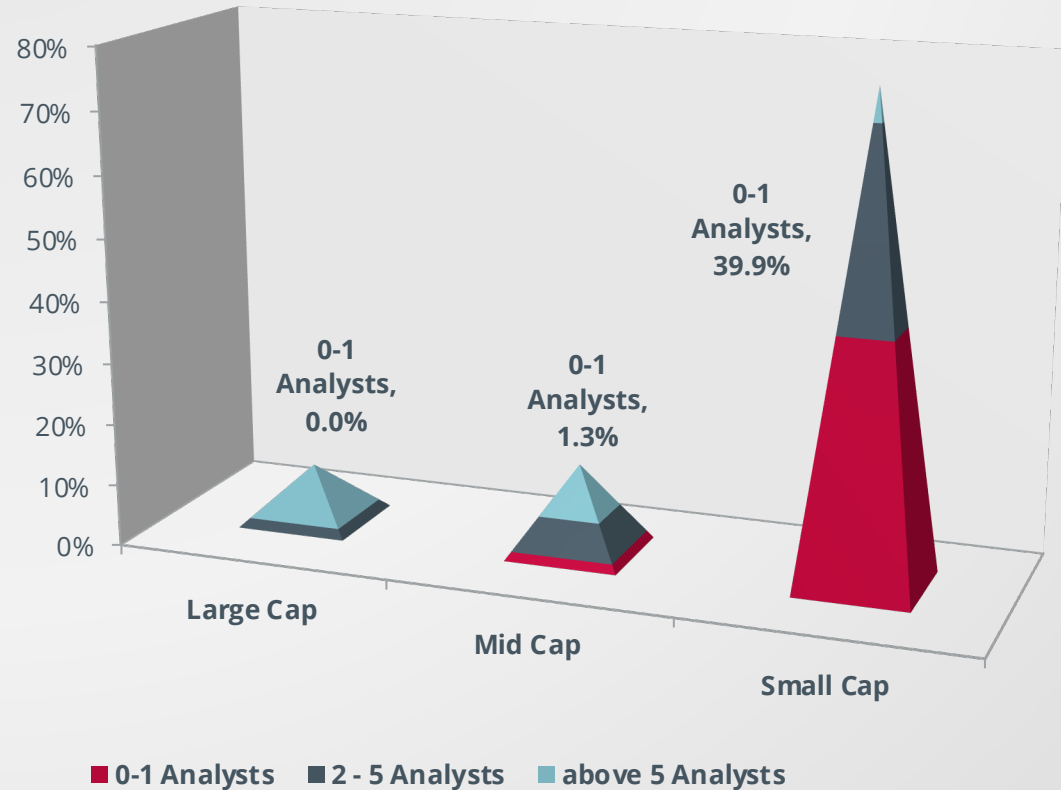
Price to Book Ratio (x)



Price to Book Ratio < 1 (% of Companies)



Source: Eastspring Investments, (LHS) Nomura, Bloomberg. Data shows MSCI Japan Large Cap Index, MSCI Japan Mid Cap Index and MSCI Japan Small Cap Index, as at 31 March 2022. (RHS) Bloomberg Finance L.P., Datastream, Factset, and J.P. Morgan Calculations, as at 21 April 2022. All yearly values are as of beginning of year. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.



We focus on out of favour and mispriced stocks

Long tail of mid and small cap stocks meet this criteria

Sell - side analyst coverage

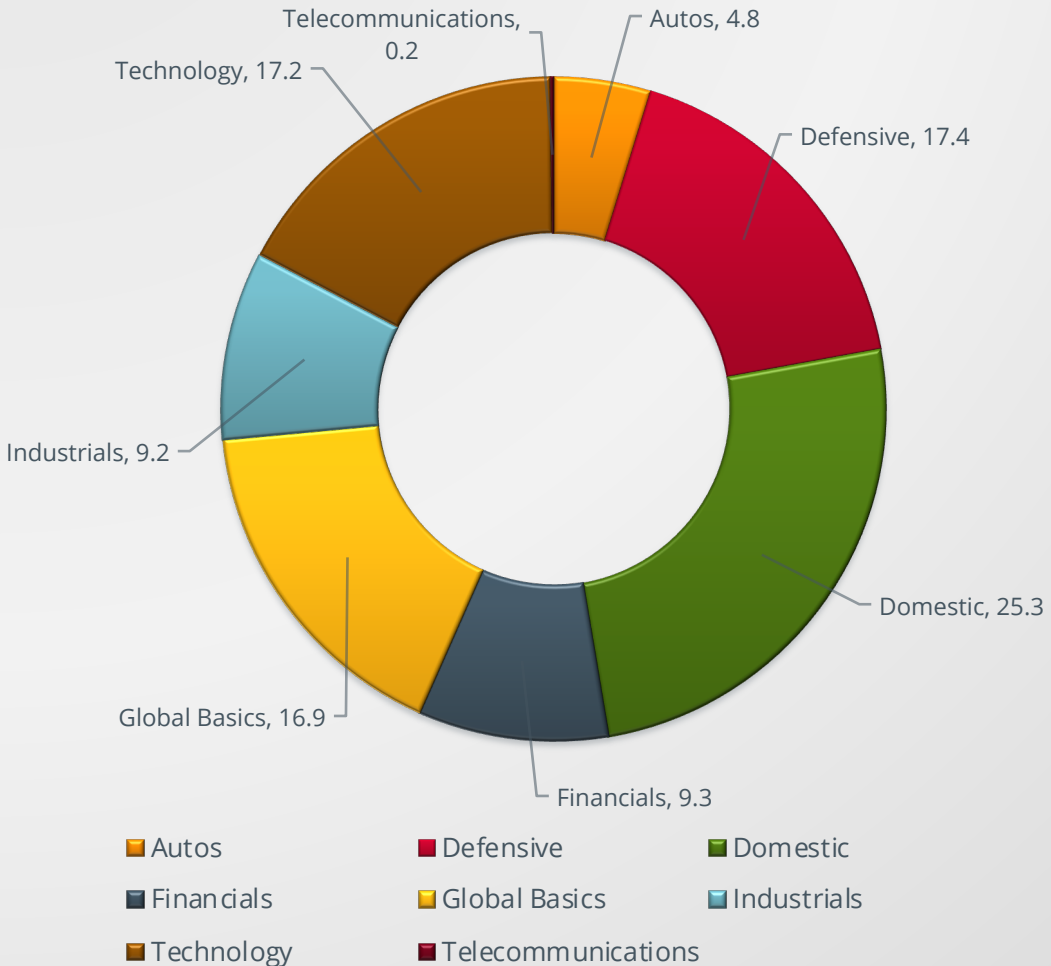
- ▶ A proxy for the market's focus
- ▶ Coverage increases for stocks that are in favour with the market

TOPIX Index coverage

- ▶ Under covered* Small Cap stocks represent approximately 57% of TOPIX Small index

Source: Eastspring Investments, Nomura, based on IFIS and MSCI data, as at 1 April 2022. The universe data is based on the MSCI Japan Large Cap Index, MSCI Japan Mid Cap Index and MSCI Japan Small Cap Index. *Represents stocks with 0-1 Analysts covering the stock. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice. Past performance is not an indication of the future or likely performance. For illustration purposes only. The indices described are unmanaged and not available for direct investment. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

Not just a domestic Japan thematic play



Wide and diverse investment universe

over 2000 stocks in bottom third by market cap

Source: Eastspring Investments, as at 31 March 2022. Sector weight for the Russell Nomura Mid-Small Cap, internal classification. For illustration purposes only. The indices described are unmanaged and not available for direct investment. The information provided herein are subject to change at the discretion of the investment manager without prior notice. There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.



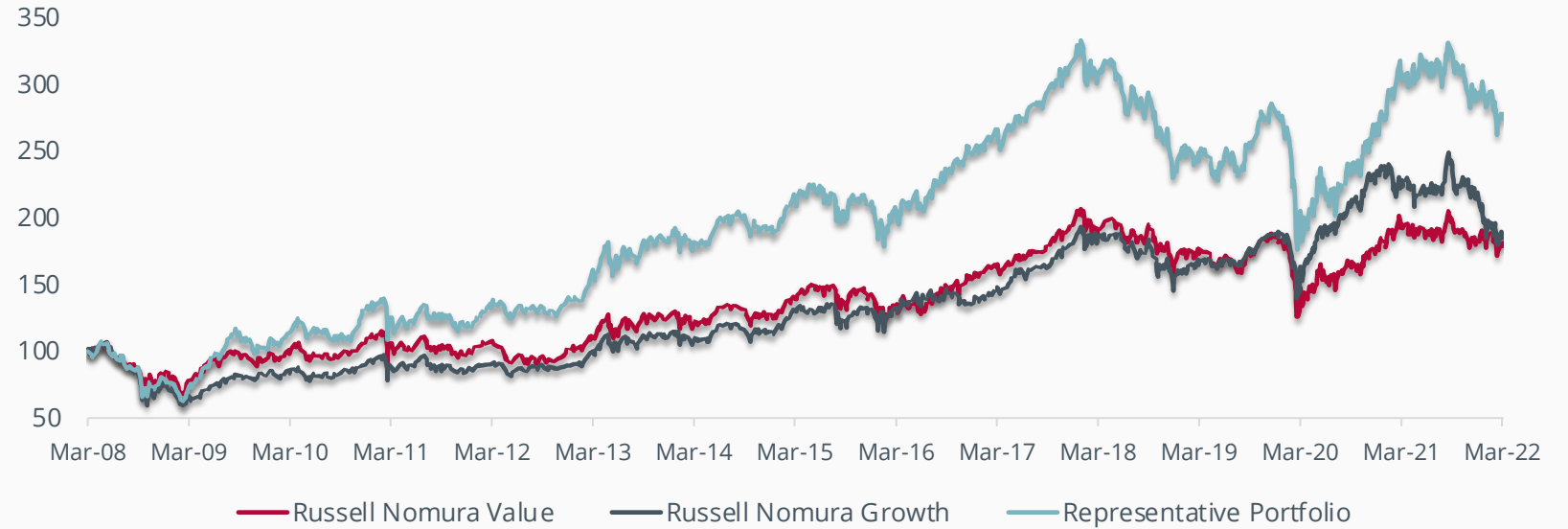
05

Appendix: Eastspring Performance

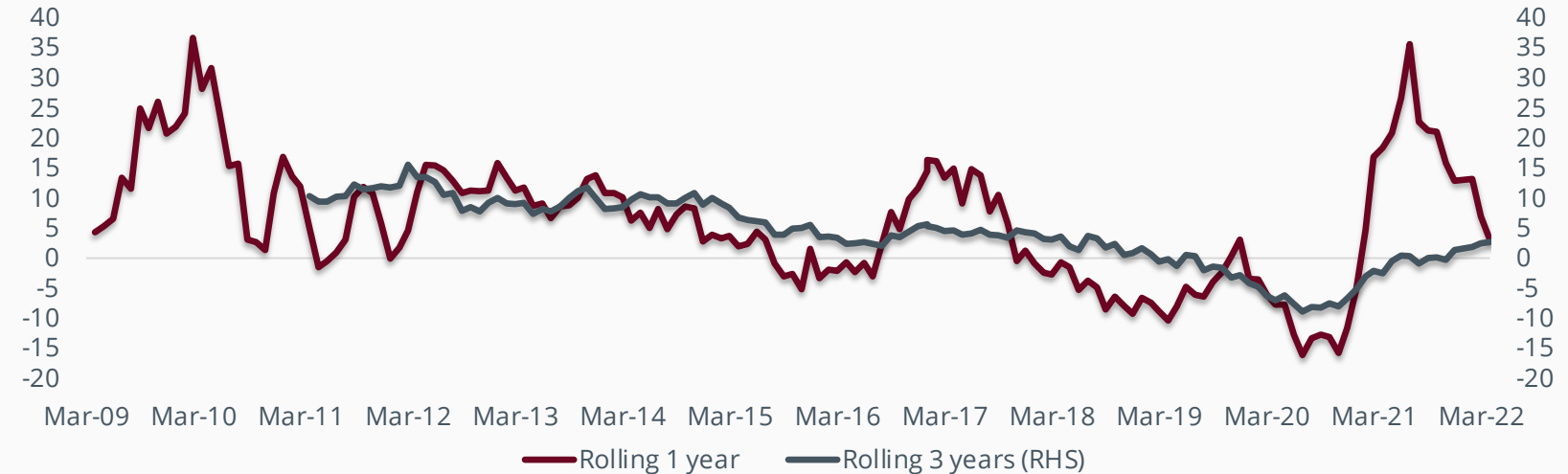


Look through and exploit shorter term volatility

Japan smaller companies performance versus value and growth indices since inception



Excess return - Japan smaller companies fund over Russell Nomura mid small index (net) (%)

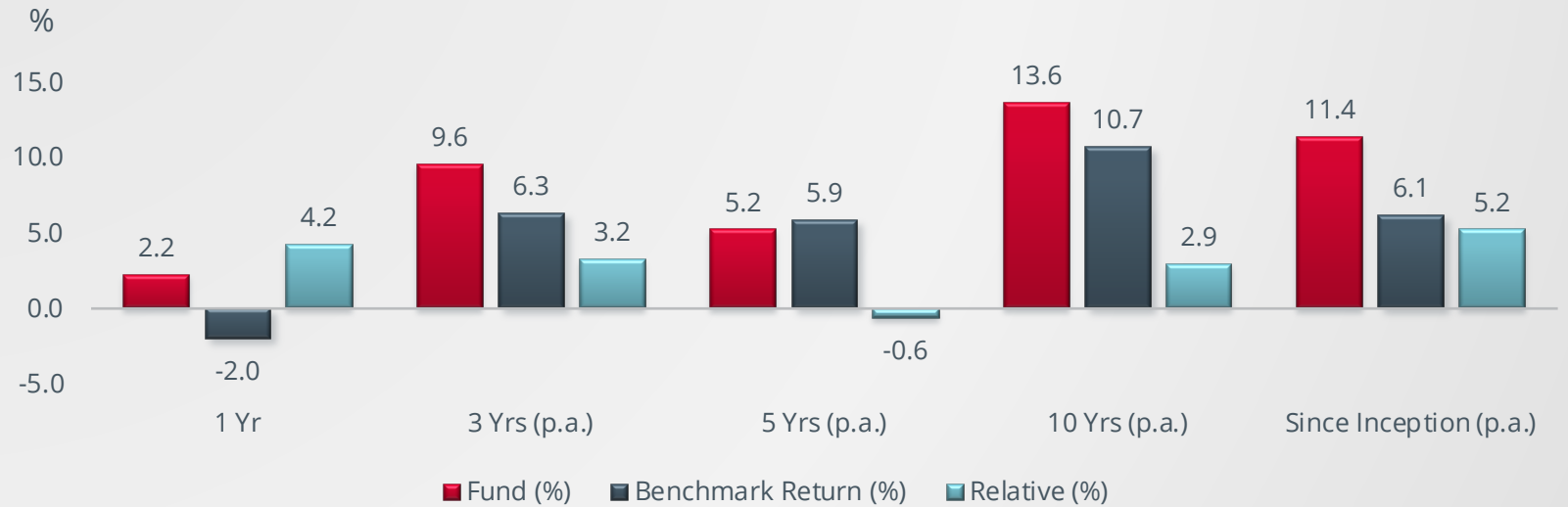


Source: Eastspring Investments, as at 31 March 2022, in USD. (Top chart) Representative Portfolio is Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund. Rebased to 100 as at 26 March 2008 (inception). (Bottom chart) Excess return of Share Class EDY of the Eastspring Investments – Japan Smaller Companies Fund over Russell Nomura Mid Small Index. Share Class EDY is not available for sale to retail investors. Inception Date: 26 March 2008. The chart above is included for illustrative purposes only. Past performance is not necessarily indicative of the future or likely performance of the Fund. (p.a.: Per annum).

Eastspring Investments – Japan Smaller Companies Fund

Performance as at 31 March 2022

Performance – TWRR Gross (JPY)



Period	1 Yr	3 Yrs (p.a.)	5 Yrs (p.a.)	10 Yrs (p.a.)	Since Inception (p.a.)
Fund (%)	2.2	9.6	5.2	13.6	11.4
Benchmark (%)	-2.0	6.3	5.9	10.7	6.1
Relative (%)	4.2	3.2	-0.6	2.9	5.2

Source: Eastspring Investments, 31 March 2022. JPY. TWRR, Gross of fees. Net income reinvested. Inception Date: 25 March 2008. The chart above is included for illustrative purposes only. Past performance is not necessarily indicative of the future or likely performance of the Fund. Reference Index: Russell Nomura Mid-Small Index.

Risk and Reward Profile

Risk and Reward Profile



- Historical data may not be a reliable indication for the future.
- Risk category shown is not guaranteed and may shift over time.
- The lowest category does not mean 'risk-free'.

The Sub-Fund's risk level reflects the following:

- As a category, shares are more volatile than bonds or money market instruments.
- The Sub-Fund invests in a single geographical area.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events, which could amplify everyday risks and could trigger other risks, such as:

Counterparty risk The Sub-Fund could lose money if an entity with which it does business becomes unwilling or unable to honor its obligations to the fund.

Derivatives risk Certain derivatives could behave unexpectedly or could expose the Sub-Fund to losses that are significantly greater than the cost of the derivative.

Focus risk To the extent that the Sub-Fund has exposure to an issuer, geographical area or type of security that is heavily affected by an adverse event, its value may fall.

Liquidity risk Certain securities could become hard to value, or to sell at a desired time and price.

Management risk Investment management techniques that have worked well in normal market conditions could prove ineffective or detrimental.

Operational risk In any market, but especially in emerging markets, the Sub-Fund could lose some or all of its investments through fraud, corruption, political or military actions, the seizure of assets, or other irregular events.

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M: + 352 671 179494
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Disclaimer

Benchmark - Japan Smaller Companies:

This Sub-Fund aims to outperform the return of Russell/Nomura Mid-Small Cap Index ("Benchmark"). The Sub-Fund is actively managed. The Benchmark is used as a reference point for portfolio construction. The majority of the Sub-Fund's equity securities will be components of, and have weightings derived from the Benchmark. The Investment Manager may use its discretion to overweight or underweight certain components of the Benchmark and may invest in companies or sectors not included in the Benchmark in order to take advantage of specific investment opportunities. It is thus expected that the performance of the Sub-Fund will materially deviate from the Benchmark.



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Eastspring Investments is an open-ended investment company with variable capital ("Société d'Investissement à Capital Variable" or "SICAV") registered in the Grand Duchy of Luxembourg, which qualifies as an Undertaking for Collective in Transferable Securities ("UCITS") under relevant EU legislation. The Management Company of the SICAV is Eastspring Investments (Luxembourg) S.A. ("Management Company").

All transactions into the SICAV should be based on the current Prospectus and the Key Investor Information Document (KIID) of the relevant sub-fund in applicable local language. Such documents, together with the articles of incorporation, the most recent annual and semi-annual reports of the SICAV, may be obtained free of charge from the Management Company.

The SICAV may be actively marketed and is actually registered for offering in Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Portugal, Switzerland and the United Kingdom. **Please ask your usual contact for the full list of sub-funds and relevant share classes available in your country.**

Where applicable, the SICAV has been notified and registered with the local European authorities in accordance with Directive 2009/65/EC, as amended. This **marketing communication** only refers to sub-fund(s) and share classes of the SICAV which have been passported for marketing and sale in the country of distribution of this material.

Prospective investors are invited to further consider the risk warnings section of the Prospectus.

This document is solely for information and does not have any regard to the specific investment objectives, financial or tax situation and the particular needs of any specific person who may receive this document. It is not intended as an offer, a solicitation of offer or a recommendation, to deal in shares of securities or any financial instruments.

Please refer to the offering documents for details on fees and charges, dealing & redemption, product features, risk factors and seek professional advice before making any investment decision. **An investment in the SICAV is subject to investment risks, including the possible loss of the principal amount invested.** The value of shares in any sub-fund of the SICAV and the income accruing to the shares, if any, may fall or rise.

Where an investment is denominated in a currency other than the base currency of a sub-fund of the SICAV, exchange rates may have an adverse effect on the value price or income of that investment. Investors should not make any investment decision solely based on this document. Investors may wish to seek advice from a financial adviser before purchasing shares of any sub-fund of the SICAV. In the event that an investor may choose not to seek advice from a financial adviser, the latter should consider carefully whether the sub-fund in question is suitable for him.

Past performance and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of the SICAV.

There are limitations to the use of indices as proxies for the past performance in the respective asset classes/sector.

Any sub-fund of the SICAV may use derivative instruments for efficient portfolio management and hedging purposes.

This document contains advertising. Subject to the availability of the sub-funds / share classes of the SICAV in your jurisdiction, the current Prospectus, KIID in your local language, articles of incorporation and the most recent annual and semi-annual reports of the SICAV may be obtained free of charge from the following entities:

Facilities Agent for European Economic Area:

Eastspring Investments (Luxembourg) SA, 26 Boulevard Royal, L-2449, Luxembourg

Switzerland - Representative and Paying Agents

The above-mentioned documents are available free of charge from the Representative Agent.

Representative Agent: First Independent Fund Services Ltd, Klausstrasse 33, 8008 Zurich

Paying Agent: NPB-New Private Bank Ltd, Limmatquai 1/am Bellevue, 8024 Zurich

United Kingdom - Facility Agent

Eastspring Investments (Luxembourg) S.A. - UK Branch, 10, Lower Thames Street, EC3R 6AF

For the purpose of UK law, the SICAV, is a recognized scheme under section 264 of the Financial Services and Markets Act 2000. Please note that the protections provided by the UK regulatory system, especially for retail clients, do not apply to offshore investments. Compensation under the UK Financial Services Compensation Scheme will not be available and UK cancellation rights do not apply.

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