

# Close Finsbury Japanese Equity Fund A Share Class

Close Finsbury Global Investment Funds Plc

March 2006



**Michael Lindsell**  
Fund Adviser

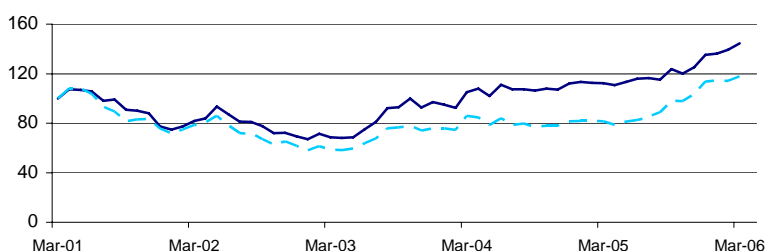
## Investment Objective

To maximise total return over the longer term from a well-diversified portfolio of equities, (and, if considered appropriate, convertible securities) primarily quoted on stock markets in Japan.

## 5 Year Performance

**Fund:** Close Finsbury Japanese Equity Fund A Share Class

**Index:** Japan (TSE) First Section (TOPIX) (JPY)



Source: Standard & Poor's Micropal, NAV to NAV, net income reinvested. Fund performance is quoted in sterling. Past performance is not a guide to future performance.

## Cumulative Year Performance

	Fund%	Index%
YTD	6.9	3.7
1 year	28.5	44.4
3 years	110.9	100.8
5 years	44.5	17.8

## Discrete Year Performance

	Fund%	Index%
2005	20.6	39.4
2004	15.4	7.4
2003	40.0	23.3
2002	-10.2	-18.4
2001	-26.0	-28.1

## Standardised Discrete Performance Information

Percentage Growth	Mar 01- Mar 02	Mar 02- Mar 03	Mar 03- Mar 04	Mar 04- Mar 05	Mar 05- Mar 06
12 Month Total Return	-18.1	-16.3	53.6	6.9	28.5

Source: Cumulative, Discrete and Standardised Discrete Performance all sourced from Standard & Poor's Micropal NAV to NAV, after annual charges, net income reinvested. Fund performance is quoted in sterling. Past performance is not a guide to future performance.

## Investment Outlook

The Fund advanced 4.7%, better than the market for the second consecutive month. The Osaka Securities Exchange ('OSE') led the charge rising 39% buoyed by the news of NASDAQ's bid for the London Stock Exchange ('LSE'). That valued the business at 10x enterprise value to sales. As a comparison the OSE ended the month at its all time high on 8.5x enterprise value to sales. These are valuations way above those that we might have conceived when we bought the shares. They reflect the extraordinary increase in trading activity over the last year which has boosted revenues, cash flows and dividends. They reflect, to some extent, the unusually attractive economics of exchanges: quasi-monopolies, with liquidity pools where the barriers to entry are prodigious. To what extent they reflect over valuation we are unsure but suspect this is partly the cause of the recent climb in the price. There is, in addition, a massive difference between the OSE and the LSE. The OSE is a one product company almost exclusively reliant on Nikkei futures and options trading. The liquidity pool for stocks in Japan is the Tokyo Stock Exchange. Also, no foreign investor can own more than 20% of the OSE which prevents any cross border consolidation, part of the rationale for the merging of NASDAQ and the LSE. Finally the OSE has just announced a capital expenditure plan to upgrade its capacity which should cost three year's free cash flow. This probably means no more spending for a long time thereafter but will crimp dividend returns in the short term. On a straight comparison with the LSE the OSE deserves to trade at a material discount, probably more of one than there is today. We have been reducing the position over the past 6 months, most of the time because of UCITS diversification restrictions. As a result we now own less than half the original amount we bought back in late 2004 early 2005. We might be a little more aggressive in the future.

The month was more active than usual as we established a new position in Namco-Bandai.

## Biography

Michael Lindsell is the Investment Adviser to the Close Finsbury Japanese Equity Fund. Michael's career and interest in Japanese equities started over 20 years ago at Lazard Brothers. Successful roles as a Japanese equities fund manager and Head of Japanese equities followed at Scimitar Asset Management Hong Kong, Warburg Asset Management and GT Management's Tokyo office followed over the next 15 years. After being relocated to the UK in 1997, he was appointed head of the combined global product team following the acquisition of GT by INVESCO in 1998. 18 months later, Michael left to establish Lindsell Train Limited, together with Nick Train in 2000.

## Adviser Profile

Lindsell Train Limited was formed in December 2000 by Michael Lindsell and Nick Train who worked together at GT Management from 1992 through to GT's takeover by INVESCO in 1998. Both Michael Lindsell and Nick Train went on to fulfil senior roles at INVESCO and M&G PLC respectively, where they continued to develop an in depth knowledge of investment processes and the worlds' stockmarkets. Their shared investment philosophy is to invest in durable businesses that are significantly under priced or less durable businesses that are valued by the market at a significant discount to their net balance sheet financial assets. This is achieved by choosing a concentrated portfolio of a small number of stocks with the intention of holding them for the medium to long term. They currently have £385m funds under management as at 31 March 2006.

## Investment Policy

The Close Finsbury Japanese Equity Fund is an actively managed fund investing in a select portfolio between 20 to 30 stocks. The investment style is bottom-up, where companies are screened to find good medium-term growth prospects, strong balance sheets and attractive valuations.



**CLOSE FINSBURY**

**DIFFERENT BY DESIGN**

## Close Finsbury Japanese Equity Fund A Share Class

### Ten Largest Holdings as at 31/03/2006 (%)

Name	Total
Nintendo	9.5
Canon	9.1
Takefuji Corporation	8.5
Kansai Electric Power	5.9
Kao	5.9
Osaka Securities Exchange	5.2
Meiko Network Japan	4.5
Fuji Photo Film	4.5
Aderans	4.5
Ito En Ltd	4.3
<b>Total</b>	<b>61.9</b>

Source: All portfolio information sourced from Close Finsbury Asset Management Limited

### Share Price Total Return on £100 (£)

YTD	106.9
1 year	128.5
3 years	210.9
5 years	144.5

Source: Close Finsbury Asset Management Limited

### S&P Stars



### Risk Warning

The price of shares and any income from them may fall as well as rise. Past performance is not a guide to future performance and investors may not get back the full amount invested. Transactions in the underlying fund may involve a foreign exchange, which is subject to currency fluctuations. The information contained is on Close Finsbury Global Investment Funds PLC, an Open Ended Investment Company domiciled in Ireland, which is managed by Close Finsbury Asset Management Limited. Any opinions on individual stocks are those of our investment advisers and no reliance should be given on any recommendations made.

## March 2006

### Fast Facts

<b>Launch Date</b>	30/10/1998
<b>Benchmark</b>	Japan (TSE) First Section (TOPIX)
<b>Minimum Investment</b>	£1,000 Lump Sum £100 Direct Debit
<b>Charges</b>	£100 Top-up 4.50% Initial
<b>Annual Management Charge</b>	1.5% Payable by the Fund
<b>Performance fee</b>	20% of the amount NAV growth has exceeded the growth in the benchmark (high watermark)

### Fund Characteristics

<b>Number of Holdings</b>	25
<b>Total Fund Value (Million)</b>	GBP7.2/ JPY1.477
<b>Yield</b>	N/A
<b>Currency</b>	JPY
<b>Fund Type</b>	OEIC
<b>Price</b>	GBP 1.23 JPY 251
<b>Dealing</b>	Daily

### Codes

<b>Sedol</b>	0438418
<b>ISIN</b>	IE0004384180
<b>Bloomberg</b>	FINJEQI ID

### How to Invest

Available with wrapper products: ISA, Savings Scheme, PEP

Available outside wrapper: Direct Dealing

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