

# Close Finsbury Japanese Equity Fund A Share Class

Close Finsbury Global Investment Funds Plc

As at 30 June 2006



**Michael Lindsell**  
Fund Adviser

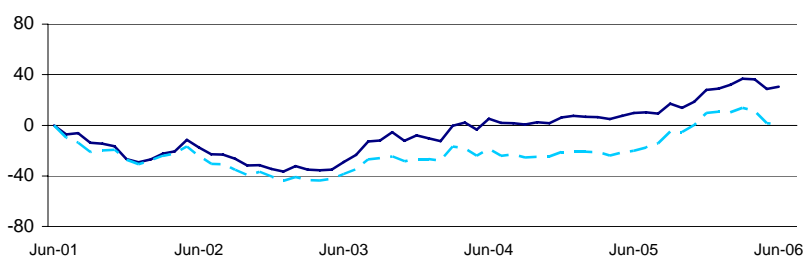
## Investment Objective

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: Lipper. Percentage Growth Capital Return, Gross Tax Default. Fund and Index performance has been rebased to sterling. Past performance is not a guide to future performance.

## Cumulative Year Performance

	Fund%	Index%
YTD	1.9	-7.8
1 year	18.8	26.6
3 years	83.6	64.6
5 years	30.4	1.2

## Discrete Year Performance

	Fund%	Index%
2005	20.6	39.3
2004	15.4	7.4
2003	40.5	23.3
2002	-10.5	-18.4
2001	-26.0	-28.1

## Standardised Discrete Performance Information

Percentage Growth	June 01- June 02	June 02- June 03	June 03- June 04	June 04- June 05	June 05- June 06
12 Month Total Return	-17.5	-13.9	48.2	4.3	18.8

Source: Cumulative, Discrete and Standardised Discrete performance all sourced from Lipper. Percentage Growth Total Return, Gross Tax Default. Fund and Index performance has been rebased to sterling. Past performance is not a guide to future performance.

## Investment Outlook

The Fund outperformed the market by 1.7% last month, continuing the run of strong relative performance versus the market. In an absolute sense the Fund is just 2.5% below its previous end month high in late April and up 6.3% since the beginning of the year.

We noted with interest Johnson and Johnson's purchase of Pfizer's consumer health business for 4.3x its sales. Last year Boots sold a similar business to Reckitt Benchiser for 3.7x its sales. Clearly these businesses, which at their core sell branded over the counter ('OTC') medicines, are valuable and sought after for such heavyweights to pay so much. Profitability is high with operating profit margins at 18% and 17% respectively. Cash flow is good as well because many of the products were first introduced sometime ago and have strong brand recognition, such as Listerine mouthwash and Sudafed cold medicines. This means that the bulk of expenses are promotional, in maintaining and enhancing the brand, rather than hefty spending on research and development. Taisho Pharmaceutical is Japan's closest equivalent. The majority of its business specialises in sales of similar branded OTC products even if its dominant products are tonic drinks which are exclusive to the Japanese market. Unfortunately, the company has many problems. The profits are overly reliant on tonic drinks where sales are falling. A significant minority of the business is the production and sale of ethical pharmaceuticals, a business where the company lacks scale and resource, versus the likes of larger pharmaceutical companies such as Takeda or Astellas, supermarkets. These have become a new and important distribution channel and are pressuring margins. The family controlled board seem pedestrian in responding to these challenges. Not surprisingly, profits have suffered, falling for the last two years. Nevertheless, the operating margin is still 17% and the valuation at 2.3x sales, 1.1x enterprise value/sales seems to ignore its strategic value as Japan's largest consumer health franchise. The Fund owns the shares and we take much comfort from these transaction values as a validation that there is much more potential value in Taisho's business than widely recognised.

Figures sourced from Lipper. Figures quoted in Japanese Yen (local currency)

## 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, which is authorised and regulated by the Financial Services Authority, 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 have £400m funds under management as at 30 June 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.



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## Close Finsbury Japanese Equity Fund A Share Class

### Ten Largest Holdings as at 30/06/2006 (%)

Name	Total
Canon	9.1
Takefuji Corporation	9.0
Nintendo	8.9
Kao	6.3
Kansai Electric Power	5.9
Astellas Pharma	5.0
Kirin Brewery	4.7
Aderans	4.5
Meiko Network Japan	4.5
Fuji Photo Film	4.4
Total	62.3

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

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

YTD	101.9
1 year	118.8
3 years	183.6
5 years	130.4

Source: Close Finsbury Asset Management Limited

### Risk Warning

The information contained herein concerns a sub-fund of Close Finsbury Global Investment Funds Plc, an open ended investment company domiciled in Ireland and a recognised collective investment scheme for the purposes of the UK Financial Services and Markets Act 2000, which is managed by Close Finsbury Asset Management Limited. Any opinions on individual stocks are those of the Fund's Investment Adviser and no reliance should be placed on any such views. Any research in this document has been procured and may have been acted upon by Lindsell Train Limited for its own purposes. The results are being made available to you only incidentally. The views expressed herein do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the Close Brothers Group or any part thereof and no assurances are made as to their accuracy. Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed. An investor may not get back the original amount invested. Changes in the rates of exchange between currencies may cause the value of investments to fluctuate. There can be no assurance that the Fund's investment objective will be achieved and investment results may vary substantially over time. This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Fund and has not been prepared in connection with any such offer or invitation.

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## As at 30 June 2006

### Fast Facts

Launch Date	30/10/1998
Benchmark	Japan (TSE) First Section (TOPIX)
Minimum Investment	£1,000 Lump Sum £100 Direct Debit
Charges	4.5% Initial
Annual Management Charge	1.5% Payable by the Fund
Performance fee	20% of the amount NAV growth has exceeded the growth in the benchmark (high watermark)

### Fund Characteristics

Number of Holdings	24
Total Fund Value (Million)	GBP5.3/ JPY1110 bn GBP12.3 (A+B) JPY2,615,052,335bn (A+B)
Yield	N/A
Currency	JPY
Fund Type	OEIC
Price	GBP 1.17 JPY 247
Dealing	Daily

### Codes

Sedol	0438418
ISIN	IE0004384180
Bloomberg	FINJEQI ID

### How to Invest

Available with wrapper products: ISA, Savings Scheme, PEP

Available outside wrapper: Direct Dealing

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