

# Close Finsbury Japanese Equity Fund A Share Class

Close Finsbury Global Investment Funds Plc

As at May 2006



**Michael Lindsell**  
Fund Adviser

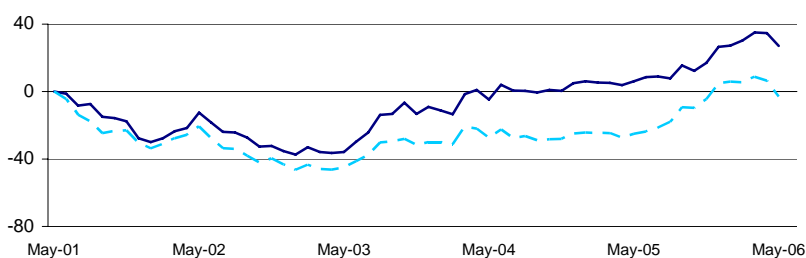
## Investment Objective

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, 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	0.5	-7.5
1 year	19.8	29.3
3 years	98.1	76.2
5 years	27.1	-3.0

## 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	May 01- May 02	May 02- May 03	May 03- May 04	May 04- May 05	May 05- May 06
12 Month Total Return	-12.5	-26.6	48.4	11.4	19.8

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

## Investment Outlook

The Fund fell in value by 4.6%, appreciably less than the Japan (TSE) First Section (TOPIX), which retreated 8.0%. Nintendo proved a notable success rising 11% as more investors discount the possibility of growth with the forthcoming release of the 'Wii' console in the autumn, with its revolutionary motion sensitive controller. With the announcement of last year's results, the company hinted at such an outcome itself, forecasting sales for financial year 2006 to rise 18% to a new all time high. Growth should be highly accretive for shareholders of this cash generative company, especially if the majority of new free cash flows are distributed to shareholders, as we expect.

All our companies have now reported financial year 2005 results with few surprises. It was particularly pleasing to note that Kansai Electric Power raised its financial year 2005 dividend by 20% for the first time since 1981 (except for a memorial dividend paid in 2001). All along we suspected the company would do this as the strong annual cash flows reduced debt to a more manageable level (see our February 2005 monthly report), even if we had thought it might be four years rather than one before dividends were raised. The shares have risen in anticipation of such a move and are up 40% from when we first purchased them. We believe dividends can be raised further as the dividend yield is 'only' 2.2%, high in comparison to the market's at 1.1% but not compared to a wide range of stocks such as Nintendo and others whose shareholder friendly dividend policies have helped advance the case for higher shareholder returns generally. As Kansai's annual free cash flow yield is between 12-16% we believe there is plenty more scope for further rises in the future.

May proved to be a horrific month for small stock indices (TSE second section index fell 10%, JASDAQ fell 13% and the Osaka Hercules market fell 22%). The Fund was not immune as it owns the Osaka Stock Exchange (a 2.5% holding) and Meiko Network (a 4.5% holding) which fell 22% and 14% respectively, but these proved small declines relative to other more highly rated companies.

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 £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.



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## Close Finsbury Japanese Equity Fund A Share Class

### Ten Largest Holdings as at 31/05/2006 (%)

Name	Total
Nintendo	10.0
Takefuji Corporation	9.6
Canon	8.4
Kansai Electric Power	6.0
Kao	5.9
Astellas Pharma	5.1
Kirin Brewery	4.6
Fuji Photo Film	4.4
Meiko Network Japan	4.4
Aderans	4.4
Total	62.8

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

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

YTD	100.5
1 year	119.8
3 years	198.1
5 years	127.1

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 May 2006

### Fast Facts

Launch Date	30/10/1998
Benchmark	Japan (TSE) First Section (TOPIX)
Minimum Investment	£1,000 Lump Sum £100 Direct Debit
Charges	£100 Top-up 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	25
Total Fund Value (Million)	GBP5.1/ JPY1070 bn GBP10.8 (A+B) JPY2273 bn (A+B)
Yield	N/A
Currency	JPY
Fund Type	OEIC
Price	GBP 1.15 JPY 242
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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