

In collaboration with  
**NOMURA**  
NOMURA ASSET MANAGEMENT

**LION**  
GLOBAL  
INVESTORS



# Lion-Nomura Japan Active ETF (Powered by AI)

Unbox the best of Japan

Quarterly Newsletter

Q3 2024

## INTRODUCTION

The Lion-Nomura Japan Active ETF (Powered by AI) is **Singapore's first actively managed ETF** and **Singapore's first AI-powered ETF**. With the expertise of Lion Global Investors and Nomura Asset Management, our proprietary AI models evaluate hundreds of factors to uncover hidden gems with strong growth potential.

## KEY FACTS

- Trading currencies: SGD and USD
- Total AUM: SGD 46.8 million as of 30 September 2024
- Management fee: 0.70% p.a.
- SGX tickers: JJJ (SGD), JUS (USD)

## KEY FEATURES



### Active

Focus on 50 to 100 Japan companies with strong growth potential\*

\*Based on AI Model scores together with selection and weightage by the Manager and Investment Advisor



### Intelligent

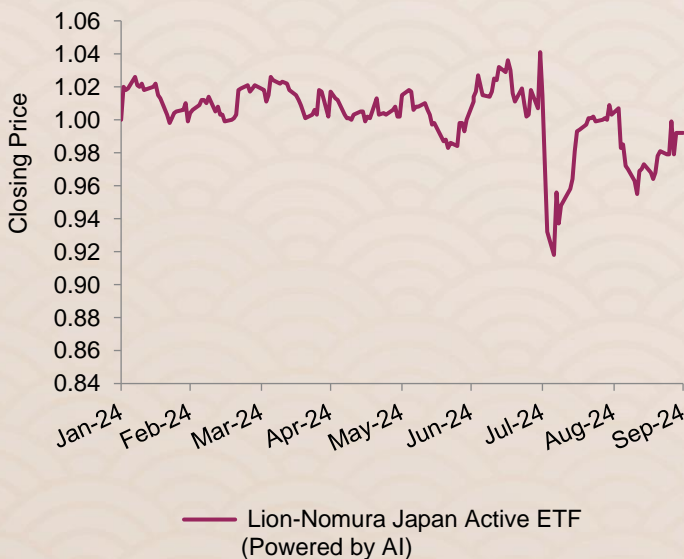
Our proprietary AI model is faster than humans and evaluates over hundreds of factors in the selection of securities



### Dynamic

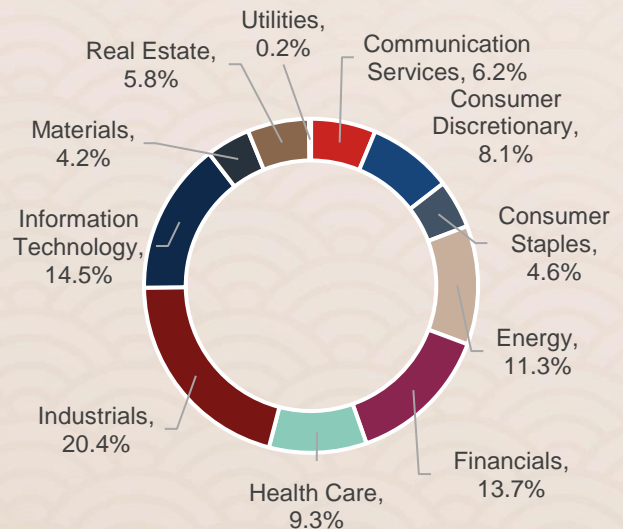
AI models are typically refreshed monthly and respond to trends dynamically

## Lion-Nomura Japan Active ETF (Powered by AI) Performance<sup>1</sup>



<sup>1</sup>Source: Bloomberg, 30 September 2024

## Sector Breakdown<sup>^</sup>



Source: Lion Global Investors, 30 September 2024

The above chart is based on historical closing prices of the Fund. Past performance is not necessarily indicative of future performance.

<sup>^</sup>Composition chart does not add up to 100%. Cash and cash equivalents as of 30 September 2024 was approximately 1.7%.

## WHY INVEST IN JAPAN NOW?

### Recent Market Performance

On 5 August 2024, Tokyo Stock Price Index (TOPIX) experienced its largest decline ever, dropping 24% from its 11 July 2024 high in JPY terms. This was primarily due to changes in the Bank of Japan (BoJ)/ Federal Open Market Committee (FOMC) outlook, which led to the unwinding of the yen carry trade, and growing fears of a US recession causing global contagion.

Since then, as of 26 September 2024, TOPIX has risen by approximately 21%, recovering more than half of its losses. This sharp rebound underscores the resilience of the Japanese stock market to future shocks, as long-only positions on Japanese equities have surged to buy the dip and yen short positions have decreased.

### Market Outlook

#### Dovish Bank of Japan

BoJ Governor Kazuo Ueda has toned down his hawkish rhetoric as the risk of an upward swing in inflation due to the yen's depreciation has somewhat decreased. The yen appreciated from a low of 162 against the U.S. dollar to 139 at one point.

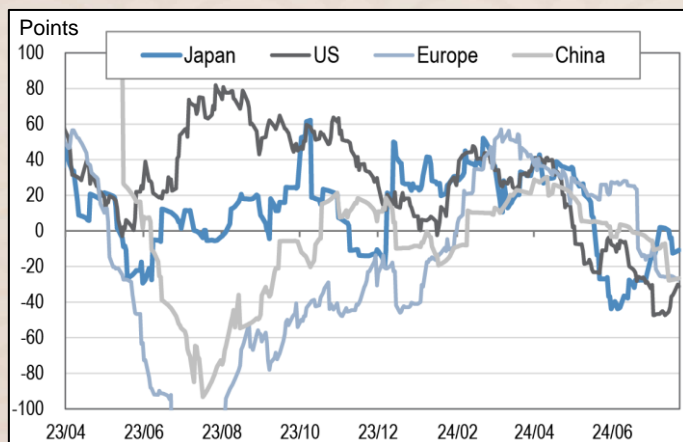
With the Federal Reserve (Fed) cutting rates by 50 basis points on 20 September 2024, the possibility of a BOJ rate increase in December now appears to have receded. The recent Fed cut also improves prospects of a soft landing in the US economy, which was a positive factor for the Japanese stock market. TOPIX rose 1.0% on 20 September 2024, and economically sensitive sectors outperformed.

#### Private Consumption Recovery

More than 70% of top business leaders in Japan say the economy is expanding, according to a new Nikkei survey, with respondents citing signs of a recovery in consumer spending fueled by pay raises. When asked about their sentiments on the economy compared with three months earlier, 71.7% said the economy is "expanding slightly" — roughly 20 percentage points more than in the previous poll.

This outlook from top corporate managers for a recovery in private consumption could provide major support for Japan's corporate earnings and stock market as the global economic cycle starts to decline. The Economic Surprise Index confirms an upturn in Japan's economic indicators compared with the US and Europe (Figure 1). Private consumption and domestic demand-related sectors have outperformed overseas demand-related sectors (Figure 2).

**Figure 1: Global Economics Surprise Index**



Note: Past performance is not necessarily indicative of future performance

Source: Bloomberg Finance L.P., J.P. Morgan, Nikkei Asia BOJ Ueda turns dovish; possibility of year-end rate rise fades 25 September 2024, Nikkei Asia Japan CEOs bullish on economy as consumer spending gears up 24 September 2024

## WHY INVEST IN JAPAN NOW?

**Figure 2: TOPIX Overseas/Domestic Demand Related Sector Performance**

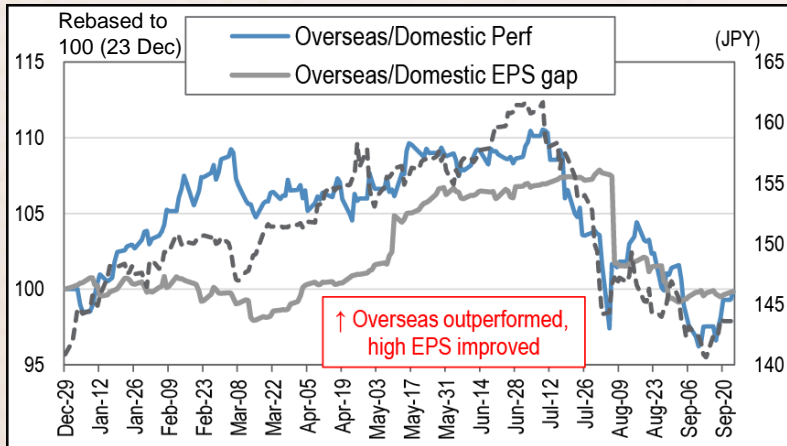


Figure 2 begins on 29 December 2023 and ends on 20 September 2024.  
 Note: Past performance is not necessarily indicative of future performance  
 Earnings Per Share (EPS) is 12 month forward Bloomberg consensus EPS  
 Source: Bloomberg Finance L.P., J.P. Morgan

### **New Prime Minister (PM) Unlikely to Affect Stock Market, but General Election Could Be Positive**

The main candidates for Liberal Democratic Party (LDP) leadership have similar stances on fiscal and monetary policy, making a change in the PM is unlikely to trigger a drastic policy shift as long as the LDP remains in power. Historically, Japanese stocks have shown little reaction to a new PM, except in the case of PM Abe, who proposed substantial shifts in fiscal and monetary policy. Generally, stocks are more influenced by prevailing economic conditions than by the appointment of a new PM.

However, if the new PM dissolves the Lower House and calls for a general election, this could be positive for Japanese stocks. Historically, Japanese stocks have rallied over the two to three months following a general election.

### **Conclusion**

While there may be some near-term volatility as we have seen over the past quarter, Japanese equities should remain constructive over the next 6 to 12 months due to favorable macro conditions and dovish central banks in both the US and Japan. Japan's economic recovery, driven by private consumption and domestic demand, will also lead to more robust shareholder returns in dollar terms for foreign investors.

With our proprietary AI models evaluating hundreds of factors for securities selection, this ETF is designed to uncover Japan's hidden gems with strong growth potential. With an actively managed and focused portfolio of 50 to 100 Japanese stocks, the Lion-Nomura Japan Active ETF (Powered by AI) is well-positioned to ride on Japan's long-term growth story.

## WHAT ARE THIS ETF'S LATEST PORTFOLIO CHARACTERISTICS?

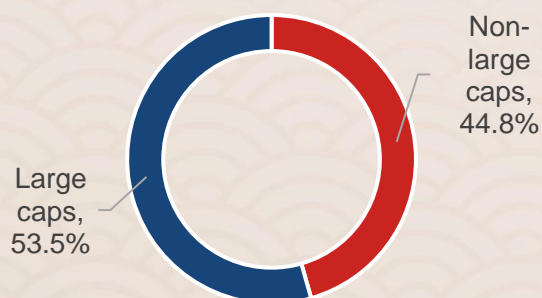
The Lion-Nomura Japan Active ETF (Powered by AI) is **Singapore's first actively managed ETF** and **Singapore's first AI-powered ETF**.

The investment objective of the Fund is to achieve long-term capital growth through investment in an actively managed portfolio of Japanese equity securities, diversified across sectors and market capitalisation. The portfolio's breakdown on market capitalization and its top 10 constituents as of 30 September 2024 can be found in Figures 3 and 4 respectively. As of 30 September 2024, the portfolio is overweight on Industrials (20.4%), Information Technology (14.5%) and Financials (13.7%).

In Q3 2024, our AI models aptly timed the position in Inpex Corp. The model recommended selling out of Inpex Corp in mid-July, just before its sharp decline in early August. It then suggested adding a small position in mid-August, followed by a much larger position when the stock was near recent lows again in mid-September. Our AI models selected this stock due to a combination of good value, positive analyst coverage, and technical indicators. Since our last addition in mid-September, the stock has risen approximately 8% as of 26 September 2024.

Through our proprietary AI models and monthly portfolio rebalancing, the ETF is designed to react dynamically to new market data and changes. Powered by AI and active management, the Lion-Nomura Japan Active ETF (Powered by AI) is the smarter way to invest in Japan.

**Figure 3: The ETF's# breakdown by market capitalisation**



**Figure 4: The ETF's top 10 constituents**

| Constituent                     | Sector                 | Weightage |
|---------------------------------|------------------------|-----------|
| Inpex Corporation               | Energy                 | 7.9%      |
| Mizuho Financial Group Inc      | Financials             | 7.1%      |
| Softbank Group Corp             | Communication Services | 5.7%      |
| Ono Pharmaceutical Co Ltd       | Health Care            | 5.7%      |
| Daito Trust Construction Co Ltd | Real Estate            | 5.6%      |
| Advantest Corporation           | Information Technology | 5.2%      |
| Mazda Motor Corporation         | Consumer Discretionary | 4.8%      |
| Kawasaki Kisen Kaisha Ltd       | Industrials            | 4.8%      |
| Hitachi Ltd                     | Industrials            | 4.7%      |
| Japan Tobacco Inc               | Consumer Staples       | 4.4%      |

Refers to non-large caps

Investors should note that the above is a portfolio representation at a point of time and is not indicative of any future performance of the ETF.

References to any particular company are intended for illustration purposes only and is not a recommendation to investors to invest in the securities of such company and its products or services.

#Note: Composition chart does not add up to 100%. Cash and cash equivalents as of 30 September 2024 was approximately 1.7%.

Source: Lion Global Investors Limited as of 30 September 2024.

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