

## AMC PROFESSIONAL FUND – AMC Pro Japac

### Review

The TOPIX Index (expressed in yen and with dividends reinvested) fell by 9.44% in Q3 2011, taking its decline since the state of the year to 13.39%. The AMC Pro Japac sub-fund slightly underperformed its benchmark in Q3, with its Class A unit down by 10.24%, the Class B unit down by 10.19% and the Class C unit down by 10.10%, but, although it may have been running behind the benchmark in the third quarter, its performance for the year to date is in line.

In the transport sector, the sub-fund was penalised for having a below-benchmark weighting in the railways sub-sector and slightly too sizeable a position in merchant shipping stocks. As for consumer stocks, food was underweight, but it did well thanks to its defensive merits. On the plus side, the decision to keep exposure close to benchmark weightings in highly volatile market conditions enabled the sub-fund to do rather better than the peer fund group which really struggled.

### Outlook

Visibility for the Tokyo market has been clouded even further. All the uncertainties on the home front (reconstruction in Tohoku, the Fukushima problem, the budget and fiscal situation) have been aggravated by economic developments in Europe, the USA and China. We have continued the process, instigated at the start of the year, of shifting weightings more closely into line with the benchmark.

On a plus note, the Japanese stock market is currently looking very attractively valued (in terms of P/E, P/book and dividend yield yardsticks). We, therefore, believe that much of the bad news has already been priced in and a rebound looks a distinct possibility. So, if our directional models were to confirm the buy signals being emitted by our various valuation indicators, we would move quickly to reposition the sub-fund more aggressively. If the new Japanese government does grasp the nettle and take some bold, brave decisions (fiscal consolidation, weakening the yen, new energy policy, new trade deals), the Tokyo market could well stage an impressive rally.

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