

# THE BAILLIE GIFFORD JAPAN TRUST PLC

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Interim Financial Report  
28 February 2017





## Policy and Objective

The Baillie Gifford Japan Trust aims to achieve long term capital growth principally through investment in medium and smaller sized Japanese companies which are believed to have above average prospects for growth, although it invests in larger companies when considered appropriate.

## Benchmark

The portfolio benchmark against which performance is measured is the TOPIX total return (in sterling terms).

## Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, regulatory risk, custody and depositary risk, smaller company risk, operational risk, premium/discount volatility, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 6 and 7 of the Company's Annual Report and Financial Statements for the year to 31 August 2016 and is available on the Company's website: [www.japantrustplc.co.uk](http://www.japantrustplc.co.uk). The principal risks and uncertainties have not changed since the date of that report.

## Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board  
Nick AC Bannerman  
Chairman  
23 March 2017

## Summary of Unaudited Results\*

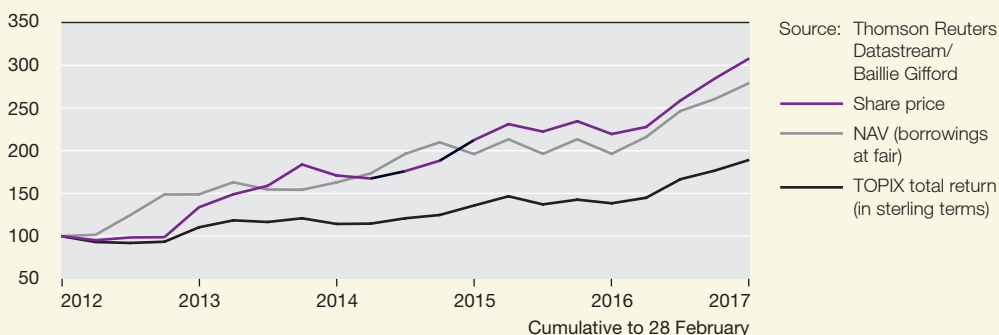
	28 February 2017	31 August 2016	% change
Shareholders' funds	£480.4m	£425.0m	
Net asset value per share (after deducting borrowings at fair value)	605.8p	534.6p	13.3
Net asset value per share (after deducting borrowings at par value)	610.1p	539.8p	13.0
Share price	616.0p	517.5p	19.0
TOPIX total return (in sterling terms)			13.6
Premium/(discount) (borrowings at fair value)	1.7%	(3.2%)	
Premium/(discount) (borrowings at par value)	1.0%	(4.1%)	
Active share	86%	86%	

	Six months to 28 February 2017		Year to 31 August 2016	
Period's high and low	High	Low	High	Low
Net asset value per share (after deducting borrowings at fair value)	610.3p	521.5p	557.4p	360.8p
Net asset value per share (after deducting borrowings at par value)	614.8p	526.7p	563.0p	365.4p
Share price	623.0p	511.8p	532.5p	385.0p
Premium/(discount) (borrowings at fair value)	4.0%	(6.1%)	8.9%	(8.8%)
Premium/(discount) (borrowings at par value)	4.8%	(5.2%)	7.5%	(9.8%)

\* See Glossary of Terms on page 16 for definition of terms.

## Five Year Performance

(figures rebased to 100 at 29 February 2012)



Past performance is not a guide to future performance.

## Interim Management Report

Over the six months to February 2017 the NAV of the Trust rose by 13.3% to 605.8p, after deducting borrowings at fair value, whilst the benchmark index appreciated by a marginally higher 13.6%. Sterling appreciated slightly against the yen during the period. The growth stocks which make up the bulk of the portfolio were out of favour in this period, as more cyclical companies did well, but the gearing supported performance. Longer term performance remains very strong and the NAV and share price reached new highs. The share price moved from a discount to a premium to NAV during the six months and rose by 19%.

In sterling terms, the Japanese stock market has performed very similarly to global indices recently, as optimism about global deflation has returned. The yield on 10 year Japanese Government Bonds, negative last summer, meaning that investors paid to own bonds, has now risen to a low positive level, a more normal situation. As the Bank of Japan has pledged to keep these yields near zero, the policy, which was irrelevant when originally announced, should begin to have more traction as longer dated bond yields increase. Reported inflation levels have also started to rise and the labour market in Japan is tightening further, with shortages in several industries as employment levels increase and the labour force shrinks. It seems possible that a clear exit from deflation, with the huge change in mind-set that should accompany that, could occur in 2017.

There were strong share price performances from a variety of individual stocks such as Start Today, the online fashion retailer which has exceeded sales expectations, Yaskawa Electric, one of the robotics holdings where orders are growing, two of our trading companies, Toyota Tsusho and Itochu, as well as Disco, which provides cutting equipment for semiconductor manufacturing. The stocks that disappointed were equally mixed: Rakuten Japan's largest e-commerce company, M3 the online medical portal and Sysmex the world leading haematology company were three of the growth stocks that lagged. The two car manufacturers with large exports to the US, Fuji Heavy Industries, soon to change its name to Subaru, and Mazda, were weak as fears about increased tariffs affected sentiment.

Past performance is not a guide to future performance.

The distribution of the portfolio by Growth Sector Distribution is shown on page 3 along with the historic changes since we adopted this method of describing the split of holdings. As can be seen, the proportion of secular growth stocks has increased, helped by generally strong performance and the number of new attractive holdings in this area. In this reporting period we have added Cyberdyne, a company that makes advanced mind-controlled exo-skeleton robots to help rehabilitate those suffering from spinal injury or from strokes. This company is still at an early stage of development but already has agreements for treating patients in Germany and Saudi Arabia as well as Japan. We also took a holding in Keyence, which produces sensors and is one of the leading factory automation companies in Japan. We have sold holdings in Hamakyorex, where it was not possible to have a significant holding given the Trust's current size, Otsuka and Modec, where current prospects seemed fully priced into shares, and Mitsui to reinvest in existing holdings.

With recent changes in the rules of the Liberal Democratic Party, Prime Minister Abe, already in office for over four years, could still be there at the time of the 2020 Olympics. His run in charge may give Japan relative political stability among the developed countries. The economy, whilst not growing rapidly, has been steadily expanding for over a year and there has been a continuity in policy-making that may allow Japan to escape deflation. This would be beneficial for equities, which are inherently inflation-protected versus other forms of investment, and most of Japanese domestic savings are held in cash or bonds. Corporate governance changes are continuing in Japan: more independent directors have been appointed, and dividends and share-buy backs have increased. Against this background, in December an additional ¥1.5bn was drawn down under an existing loan facility. Gearing stands at 16%.

The principal risks and uncertainties facing the Company are set out on the inside front cover of this report.

See Glossary of Terms on page 16 for definition of terms.

# Historic Growth Sector Distribution and Recent Portfolio Activity

Portfolio Allocation %													28 February 2017	New buys	Complete sales						
Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415	Q116	Q216	Q316	Q416	<b>Secular Growth</b> 60.5%	Cyberdyne Keyence				
																			<b>Growth stalwarts</b> 7.2%		Hamakyorex
																			<b>Cyclical Growth</b> 24.0%		

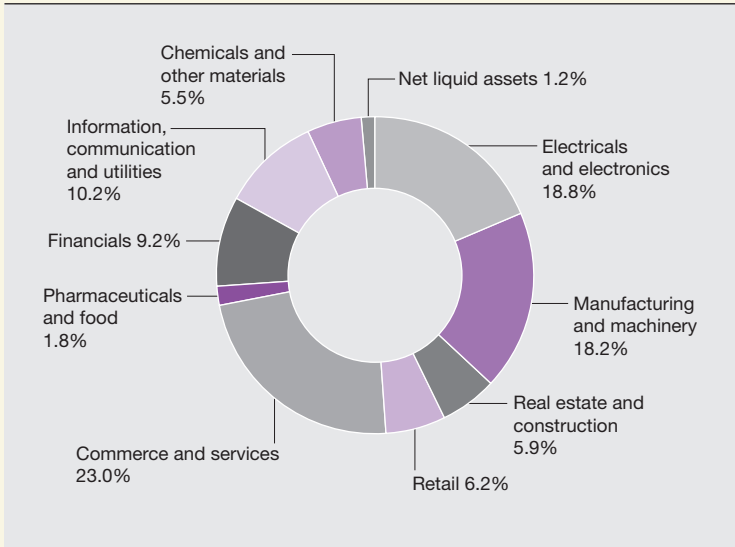
Past performance is not a guide to future performance.

## Twenty Largest Holdings at 28 February 2017

Name	Business	Value £'000	% of total * assets
SoftBank	Telecom operator and technology investor	19,111	3.4
Temp Holdings	Employment and outsourcing services	14,901	2.6
Start Today	Internet fashion retailer	14,009	2.5
Yaskawa Electric	Robots and factory automation	13,613	2.4
Rakuten	Internet retail and financial services	13,482	2.4
Sysmex	Medical equipment	13,201	2.3
Misumi Group	Precision machinery parts distributor	13,163	2.3
Itochu	Trading conglomerate	13,142	2.3
Cyberagent	Internet advertising and content	12,470	2.2
GMO Internet	Internet conglomerate	12,112	2.2
Pigeon	Baby care products	12,047	2.1
M3	Online medical database	11,791	2.1
Fuji Heavy Industries	Subaru cars	11,682	2.1
Sony	Consumer electronics, films and finance	11,441	2.0
SBI	Online broker and venture capital investor	11,403	2.0
Tokyo Tatemono	Property leasing and development	11,103	2.0
SMC	Pneumatic control equipment	11,003	2.0
Don Quijote	Discount store operator	10,777	1.9
Kubota	Agricultural machinery	10,540	1.9
Toyo Tire & Rubber	Tyre manufacturer	10,475	1.9
<b>Grand Total</b>		<b>251,466</b>	<b>44.6</b>

\* Before deduction of bank loans.

## Distribution of Total Assets\* at 28 February 2017



\* Before deduction of bank loans.

## Income Statement (unaudited)

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Gains on sales of investments  
Changes in investment holding gains  
Currency gains/(losses)  
Income from investments and interest receivable  
Investment management fee  
Other administrative expenses

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### **Net return before finance costs and taxation**

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Finance costs of borrowings

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### **Net return on ordinary activities before taxation**

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Tax on ordinary activities

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### **Net return on ordinary activities after taxation**

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**Net return per ordinary share** (note 5)

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The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.



For the six months ended 28 February 2017			For the six months ended 29 February 2016		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	5,902	<b>5,902</b>	–	1,272	<b>1,272</b>
–	46,759	<b>46,759</b>	–	7,085	<b>7,085</b>
–	1,588	<b>1,588</b>	–	(8,811)	<b>(8,811)</b>
4,075	–	<b>4,075</b>	3,256	–	<b>3,256</b>
(1,477)	–	<b>(1,477)</b>	(1,201)	–	<b>(1,201)</b>
(262)	–	<b>(262)</b>	(297)	–	<b>(297)</b>
2,336	54,249	<b>56,585</b>	1,758	(454)	<b>1,304</b>
(802)	–	<b>(802)</b>	(663)	–	<b>(663)</b>
1,534	54,249	<b>55,783</b>	1,095	(454)	<b>641</b>
(407)	–	<b>(407)</b>	(302)	–	<b>(302)</b>
<b>1,127</b>	<b>54,249</b>	<b>55,376</b>	<b>793</b>	<b>(454)</b>	<b>339</b>
<b>1.43p</b>	<b>68.90p</b>	<b>70.33p</b>	<b>1.04p</b>	<b>(0.59p)</b>	<b>0.45p</b>

## Balance Sheet (unaudited)

	At 28 February 2017 £'000	At 31 August 2016 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	557,379	498,419
<b>Current assets</b>		
Debtors	1,196	1,930
Cash and cash equivalents	7,101	2,473
	8,297	4,403
<b>Creditors</b>		
Amounts falling due within one year:		
Bank loans (note 7)	(32,321)	(22,145)
Other creditors	(1,269)	(2,531)
	(33,590)	(24,676)
<b>Net current liabilities</b>	(25,293)	(20,273)
<b>Total assets less current liabilities</b>	532,086	478,146
<b>Creditors</b>		
Amounts falling due after more than one year:		
Bank loans (note 7)	(51,713)	(53,149)
<b>Net assets</b>	<b>480,373</b>	<b>424,997</b>
<b>Capital and reserves</b>		
Called up share capital	3,937	3,937
Share premium	89,123	89,123
Capital redemption reserve	203	203
Capital reserve	389,977	335,728
Revenue reserve	(2,867)	(3,994)
<b>Shareholders' funds</b>	<b>480,373</b>	<b>424,997</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at fair value)	<b>605.8p</b>	<b>534.6p</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at par value)	<b>610.1p</b>	<b>539.8p</b>
<b>Ordinary shares in issue</b> (note 8)	<b>78,734,925</b>	<b>78,734,925</b>

## Statement of Changes in Equity (unaudited)

### For the six months ended 28 February 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2016	3,937	89,123	203	335,728	(3,994)	<b>424,997</b>
Net return on ordinary activities after taxation	–	–	–	54,249	1,127	<b>55,376</b>
<b>Shareholders' funds at 28 February 2017</b>	<b>3,937</b>	<b>89,123</b>	<b>203</b>	<b>389,977</b>	<b>(2,867)</b>	<b>480,373</b>

### For the six months ended 29 February 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2015	3,756	73,272	203	251,739	(5,817)	<b>323,153</b>
Shares issued (note 8)	141	12,298	–	–	–	<b>12,439</b>
Net return on ordinary activities after taxation	–	–	–	(454)	793	<b>339</b>
<b>Shareholders' funds at 29 February 2016</b>	<b>3,897</b>	<b>85,570</b>	<b>203</b>	<b>251,285</b>	<b>(5,024)</b>	<b>335,931</b>

\* The Capital Reserve balance at 28 February 2017 includes investment holding gains on investments of £282,078,000 (29 February 2016 – gains of £147,301,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 28 February 2017 £'000	Six months to 29 February 2016 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	55,783	641
Net gains on investments	(52,661)	(8,357)
Currency (gains)/losses	(1,588)	8,811
Finance costs of borrowings	802	663
Overseas withholding tax	(350)	(255)
Changes in debtors and creditors	(559)	(729)
<b>Cash from operations</b>	1,427	774
Interest paid	(764)	(646)
<b>Net cash inflow from operating activities</b>	663	128
<b>Cash flows from investing activities</b>		
Acquisitions of investments	(27,528)	(26,262)
Disposals of investments	21,166	12,690
Exchange differences	(115)	333
<b>Net cash outflow from investing activities</b>	(6,477)	(13,239)
Shares issued	–	12,439
Bank loans drawn down	10,360	–
<b>Net cash inflow from financing activities</b>	10,360	12,439
<b>Increase/(decrease) in cash and cash equivalents</b>	4,546	(672)
Exchange movements	82	973
Cash and cash equivalents at 1 September	2,473	8,742
<b>Cash and cash equivalents at 28 February*</b>	<b>7,101</b>	<b>9,043</b>

\* Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

## Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 28 February 2017 comprise the statements set out on the previous pages together with the related notes on pages 11 and 12. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 28 February 2017 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 August 2016, which included the early adoption of Amendments to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland – fair value hierarchy disclosures'.

### Going Concern

Having considered the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities, and projected income and expenditure, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. In accordance with the Company's Articles of Association, shareholders have the right to vote annually at the Annual General Meeting on whether to continue the Company. The next continuation vote will be in November 2017. The Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 August 2016 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified and did not contain statements under sections 498(2), (3) or (4) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on not less than 6 months' notice, or on shorter notice in certain circumstances. The annual management fee is 0.95% on the first £50 million of net assets and 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.
- 4 No interim dividend will be declared.

	Six months to 28 February 2017 £'000	Six months to 29 February 2016 £'000
<b>5 Net return per ordinary share</b>		
Revenue return on ordinary activities after taxation	<b>1,127</b>	793
Capital return on ordinary activities after taxation	<b>54,249</b>	(454)

Net return per ordinary share is based on the above totals of revenue and capital and on 78,734,925 ordinary shares (29 February 2016 – 76,593,122), being the weighted average number of ordinary shares in issue during each period. There are no dilutive or potentially dilutive shares in issue.

## Notes to the Condensed Financial Statements (unaudited)

### 6 Fair Value

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

The fair value of listed investments is the last traded price which is equivalent to the bid price on Japanese markets.

The financial assets designated as valued at fair value through profit or loss are all categorised as Level 1 in the above hierarchy. None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

All of the Company's investments fall into level 1 for the periods reported.

- 7 Bank loans of £84.0 million (¥11.7 billion) have been drawn down under yen loan facilities which are repayable between November 2017 and August 2020 (31 August 2016 – £75.3 million (¥10.2 billion)). The revolving loan facilities are shown under short term creditors as the current drawn downs are repayable within one year.
- 8 The Company has the authority to issue shares/sell treasury shares at a premium to net asset value as well as to buy back shares at a discount to net asset value. During the period, no shares (29 February 2016 – 2,813,175) were issued at a premium to net asset value (29 February 2016 – £12,439,000). Between 1 March 2017 and 23 March 2017, the Company issued a further 575,000 shares at a premium to net asset value raising proceeds of £3,688,000.
- 9 Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sales proceeds, as appropriate. During the period, transaction costs on purchases amounted to £9,000 (29 February 2016 – £10,000) and transaction costs on sales amounted to £12,000 (29 February 2016 – £7,000).

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

## Further Shareholder Information

Baillie Gifford Japan Trust's shares are traded on the London Stock Exchange. They can be bought through a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles.

### Baillie Gifford's Investment Trust Share Plan

You can invest from £250 or from £30 per month. The plan is designed to be a cost-effective way of saving on a regular or lump sum basis.

### Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £100 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

### Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £100 or from £25 per month.

### Online Management Service

You can open and manage your Share Plan, Children's Savings Plan\* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at [www.bailliegifford.com/oms](http://www.bailliegifford.com/oms). As well as being able to view the details of your plan online, the service also allows you to:

- obtain current valuations;
- make lump sum investments, except where there is more than one holder;
- switch between investment trusts, except where there is more than one holder;
- set up a direct debit to make regular investments, except where there is more than one holder;
- sell part or all of your holdings, except where there is more than one holder; and
- update certain personal details e.g. address and telephone number.

\* Please note that a Bare Trust cannot be opened via OMS. A Bare Trust application form must be completed.

The information about the ISA, Share Plan and Children's Savings Plan has been approved by Baillie Gifford Savings Management Limited ('BGSM'). BGSM is the ISA Manager, the Manager of the Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice.

### Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, The Baillie Gifford Japan Trust PLC is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, The Baillie Gifford Japan Trust PLC will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders

<https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

## Further Shareholder Information

### Risk Warnings

Past performance is not a guide to future performance.

Baillie Gifford Japan is a listed UK company. As a result, the value of its shares and any income from those shares can fall as well as rise and investors may not get back the amount invested.

As Baillie Gifford Japan invests in overseas securities, changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Baillie Gifford Japan has borrowed money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any borrowings will increase the amount of this loss.

Baillie Gifford Japan can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Investment in smaller companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.

Baillie Gifford Japan invests in Japan and exposure to a single market and currency may increase risk.

Baillie Gifford Japan can make use of derivatives which may impact on its performance. Currently the Company does not make use of derivatives.

The aim of the Trust is to achieve capital growth and it is unlikely that the Company will provide a steady, or indeed any, income.

Charges are deducted from income. Where income is low, the expenses may be greater than the total income received, meaning the Trust may not pay a dividend and the capital value would be reduced.

Shareholders in Baillie Gifford Japan have the right to vote at the Annual General Meeting on whether to continue the Company, or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances. The favourable tax treatment of ISAs may change.

Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

Details of other risks that apply to investment in the savings vehicles are contained in the product brochures.

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at [www.japantrustplc.co.uk](http://www.japantrustplc.co.uk), or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed in this document are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co and does not in any way constitute investment advice.



## Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

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Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

# Glossary of Terms

## Total Assets

Total assets less current liabilities, before deduction of all borrowings.

## Net Asset Value

Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

## Net Asset Value (Borrowings at Fair Value)

Borrowings are valued at an estimate of their market worth. The Company's yen denominated loan is fair valued with reference to a Japanese Government bond of composite yield and maturity.

## Net Asset Value (Borrowings at Par Value)

Borrowings are valued at their nominal par value. The Company's yen denominated loan is valued at its sterling equivalent.

## Discount/Premium

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

## Total Return

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex dividend.

## Ongoing Charges

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

## Gearing

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets. Gearing is the Company's borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

## Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

## Active Share

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

## Directors

Chairman:  
Nick AC Bannerman

Paul S Dimond CMG  
J Keith R Falconer  
David P Kidd  
Martin H Paling

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## Further Information

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