

# Fundamental Active Group PM's Monthly Insights

## Authors



**Masashi KAMOHARA, CMA**  
Group Leader &  
Senior Portfolio Manager



**Hideyuki TANIUCHI, CMA/CFA**  
Senior Portfolio Manager

## Market Outlook

We expect the stock market to be firm for November. Whoever wins the US presidential election, the next leader should devote his energy to boosting economic recovery and stock prices. Economic activity is improving in Japan as the domestic government reopened its border for business travellers from some countries after implementing “Go To” campaigns.

Economic indicators are likely to turn positive on a year-on-year (YoY) basis from this month, given consumer spending has been sluggish for a year since it plunged in reaction to the buying rush ahead of the consumption tax hike in October last year. For example, domestic auto sales for October increased 29% from the same month last year. The earnings season for the July-September quarter is still underway, but we already confirmed improvements in corporate earnings. We believe stock prices will bounce back along with upgrades of earnings forecasts by analysts.

Seventy four percent of companies that close books on 28 February or 31 March finished their earnings announcements by 6 November. According to data aggregated by Mizuho Securities, operating income and net income declined by 24% and 26% (YoY) respectively for the June-August/July-September quarter, suggesting decline rates narrowed from 38% and 55% for the previous quarter. The latest earnings results have steadily improved from the previous quarter, particularly considering companies enjoyed high profitability in the same quarter the year before, thanks to the rush demand ahead of the consumption tax hike. We can even expect earnings growth for the October-December quarter on a YoY basis, given the low income level in the same quarter the year before and a decline in resource procurement costs including crude oil prices.

We have already seen stock price rallies of those that announced better-than-expected earnings forecasts. An increasing number of companies announced share buyback programs as external environments come back to normal. It may not be outrageous for us to predict the Nikkei 225 to beat the intra-day peak in the last three years, the 24,448 mark soon.

## Investment Strategy

Overweight sectors (largest shown first):	Underweight sectors (largest shown first):
Information technology	Industrials
Materials	Consumer Staples
Consumer Discretionary	Healthcare

Sectors shown are TOPIX 17 industries

We will take overweight positions in IT, Financials, Materials and Consumer Discretionary while taking underweight positions in Industrials and Consumer Staples. We will further increase the overweight range of IT by accumulating IT Solution providers on the back of a recovery in their orders.

## Masashi KAMOHARA, CMA

### Senior Portfolio Manager and Group Leader, Fundamental Active Group, Equity Management Department

Mr Kamohara is the Lead Portfolio Manager of the Fundamental Active product. He started his career with Daiwa Securities in 1987 and transferred to Daiwa Institute of Research the following year to become a Japanese equity analyst. He was seconded to their Frankfurt office (between November 1992 and February 1995) and Hong Kong office (between February 1995 and March 1997) as an analyst for European and Asia equities respectively. He transferred to Daiwa International Capital Management, the former entity of Daiwa SB Investments, in 1998 to become a fund manager of international equities.

He became a Japanese equity portfolio manager in October 2000 and has managed the Fundamental Active product since its inception in October 2003.

Mr Kamohara graduated from Kyoto University with a BA degree in Educational Administration (1987).

## Hideyuki TANIUCHI, CFA/CMA

### Senior Portfolio Manager

Mr Taniuchi supports Mr Kamohara in managing the Fundamental Active product. He started his career with Yamaichi Securities in 1996. He moved to Nikko Asset Management the following year as a trader of equities, convertible bonds and FX. He became a senior portfolio manager of Japanese equity specialising in Growth stocks. He joined Daiwa SB Investments in June 2008 to support Mr Kamohara in managing the Fundamental Active product.

Mr Taniuchi graduated from Tokyo University of Science with BS/Engineering in Industrial Administration (1996).

## Disclosures

Issued by Sumitomo Mitsui DS Asset Management (UK) Limited. Registered in England and Wales

Registered office 5 King William Street, London, EC4N 7JA; registered number 1660184. Authorised and regulated by the Financial Conduct Authority.

**Past performance is not a reliable indicator of future performance and may not be repeated. An investment's value and the income deriving from it may fall, as well as rise, due to market fluctuations. Investors may not get back the amount originally invested.**

The data contained in this document is for information purposes only. It is correct to the best of our knowledge at the date of issue and may be subject to change. The client legal agreement will take precedence over this document. This document is not legally binding and no party shall have any right of action against Sumitomo Mitsui DS Asset Management (UK) Limited, in relation to the accuracy or completeness of the information contained in it or any other written or oral information made available in connection with it. Nothing in this document or any related presentation shall be deemed to constitute investment advice, nor shall we be deemed to be an investment advisor unless formally appointed as such, or as discretionary investment manager, by way of written agreement.

The information contained in this presentation is to be used by the professional client that this document is issued to only.

This document may not be copied, redistributed or reproduced in whole or in part without prior written approval from Sumitomo Mitsui DS Asset Management (UK) Limited.

## Contact Details

Business Development and Client Relations

Takahiro UENO +44 (0)20 7507 6431

Jennifer SANDS +44 (0)20 7507 6424

Email: [uksales@smd-am.co.jp](mailto:uksales@smd-am.co.jp)

Sumitomo Mitsui DS Asset Management (UK) Limited  
5 King William Street, London, EC4N 7DA  
United Kingdom  
[www.smd-am.co.uk](http://www.smd-am.co.uk)