

LA REUNION MENSUELLE DU GSCGI

Mai 24, 2013/Genève: Japan and Abenomics: Will this time be different?

Tadayasu SUZUKI, C.M.A., Fund Manager, Banque Morval -- www.morval.ch

Mr. Tadayasu SUZUKI began his excellent and extremely in-depth presentation by drawing over the paperboard two simple words in Japanese: view of the atmosphere. It was an interesting way to highlight that the general mood has improved substantially since the end of 2012.

As everybody on the planet knows by now, the catalyst has been "Abenomics" (Nov. 16, 2012), or combining a bold monetary policy (*doubling the monetary base*) with a flexible fiscal policy and a growth strategy! The nation's currency plunged sharply, as a consequence, and equities surged (*66% as measured by the TOPIX*).

Prime Minister Shinzo Abe's new directions for the Japanese economy, more specifically his commitment to free the country from the deflationary stagnation (*new 2% inflation target*) that has been plaguing the country for almost two decades, have been inspiring the greatly improved overall outlook and investors' expectations.

Even the affluence of foreign tourists, especially from Western nations, surged quite substantially since the Japanese Yen depreciated following the huge "money printing" strategy newly implemented by the central bank (*Bank of Japan - BOJ*). Prime Minister Shinzo Abe plans to attract about 20 million visitors per year to Japan, which compares with the 10 million foreign tourists expected for the current year.

According to Mr. Tadayasu Suzuki, it is still time to play the current Japanese trend since, even after a 66% gain, the Japanese equities have lagged other market places, such as the S&P500, DAX and the MSCI World.

Natives, he said, have not yet approached in number the domestic equity market. Pension funds as well have currently very little exposure to Japanese equities. Japanese have historically been holding over 55% in cash of their disposable income available for financial investment. To put this figure into a proper perspective, it is worth recalling the 14% of the U.S. and the 36% of the European Union. Comparatively, Japanese have invested into equities only 3.8% against the 14% in the Euro area and the 32% in the United States.

The positive mix of growth strategies, coupled with expanding monetary policy and flexible fiscal policy, should remain in place until 2016, said Mr. Tadayasu Suzuki with a high level of confidence that Mr. Shinzo Abe will be able to lead the country for

the entire mandate based on the quite favorable approval rate that the Prime Minister currently enjoys.

Normally, equities (*as measured by the TOPIX index*) should prosper in a period of stable political environment if Prime Minister Shinzo Abe can hold on to power for the full mandate he was appointed to in November 2012. Interestingly, a glance at history unveils at least two other main periods when equities responded well to the nation's stable political environment.

The historic periods mentioned by Mr. Tadayasu Suzuki are:

– Nov. 1964 through July 1972: PM Eisaku Sato; TOPIX climbed about 220%;

– Nov. 1982 through Nov. 1987: PM Yasuhiro Nakasone; TOPIX climbed 222%.

Today, overall expectations remain absolutely positive for the Japanese companies in terms of topline growth and profitability. Mr. Tadayasu Suzuki appeared very confident that the new mix of Abe's government policy should positively influence the real economy.

He expects households to spend the increased income derived from healthy economic growth, resulting as well in a rejuvenated corporate earnings cycle. Hence, he expects Japanese corporate net profits to rise, year-on-year, as much as 52% in fiscal 2013, comparing to a 36% increase in fiscal 2012. Manufacturing companies will see their profit margin increase the most thanks to the important currency depreciation's impact.

He particularly mentioned some areas of the economy where Japan remains competitive on a global scale. Most of them are in the technology sector, namely ceramic capacitors for smart phones, small precision motors for PCs, carbon fiber for air plane, aluminum electrolytic capacitors for lithium-ion battery, photoresist for production process of semiconductors, electron beam mask writers, NAND flash memories, sand coating, touch panel film, areas in which Japan has innovated! Energy and construction are other areas of interest in Japan with innovation capability.



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Will a “wall of money” cure a chronic demographic decline, industrial overcapacity and weak external demand which have plagued the Japanese economy for so long? Mr. Tadayasu Suzuki’s answer to all these questions from today’s audience has been a frank “YES”.

Undoubtedly, the domestic economy remains dependent on how quickly the Japanese consumer will become accustomed to generally rising prices (*provided that ABE’s inflation target is achieved as quickly as possible!*) in order to buy sooner, rather than save in anticipation of falling prices, as has been the norm over the last two decades.

Yet, Mr. Tadayasu Suzuki added, it must not be ignored the contribution to a finally growing economy expected to come from the export segment, which should benefit from rising Asian consumption. Moreover, Japan’s active participation in the free trade “Trans-Pacific” partnership (*it includes North America, Latin America and South-East Asia -- altogether, the bloc is expected to represent 40% of world trade in 2015*) should further enhance the export sector in Japan.

Confronted with the question from the audience about the very “independency” of the central bank under PM’s Abe government, he candidly -- *yet, very diplomatically* -- admitted that, having failed with its policies over the last three decades, the Bank of Japan could not continue any longer to enjoy total independency.

I will conclude this commentary by highlighting that Mr. Tadayasu SUZUKI is currently the only “Japanese” Fund Manager in Switzerland who is Japanese! After the Japanese equity market bubble burst in 1990, fund managers have been decimated as very few could stand the pressure imposed by a structural crisis and a never-ending deflationary stagnation. That is also why Mr. Tadayasu Suzuki believes that, this time around, it is truly different and that the crowd has still to dip its feet into investing in Japanese equities.

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Mr. Tadayasu SUZUKI, graduated from Obirin University in March 1990 in Tokyo and holds a Bachelor of Economics. Afterwards, he joined Yamaichi Securities as an equity research broker, a position he maintained until 1998. The following year and up to 2011, he worked for RSI Securities in Geneva as an analyst first, then as a fund manager of various equity funds focusing on Japan investments.

Finally, he joined Banque Morval in 2011 where he manages the Willerequity Japan Fund. During his rich career, and specifically from 2005 through 2007, he received several awards from Lipper and Bilan for the excellence of his fund management ability.

Willerequity Japan



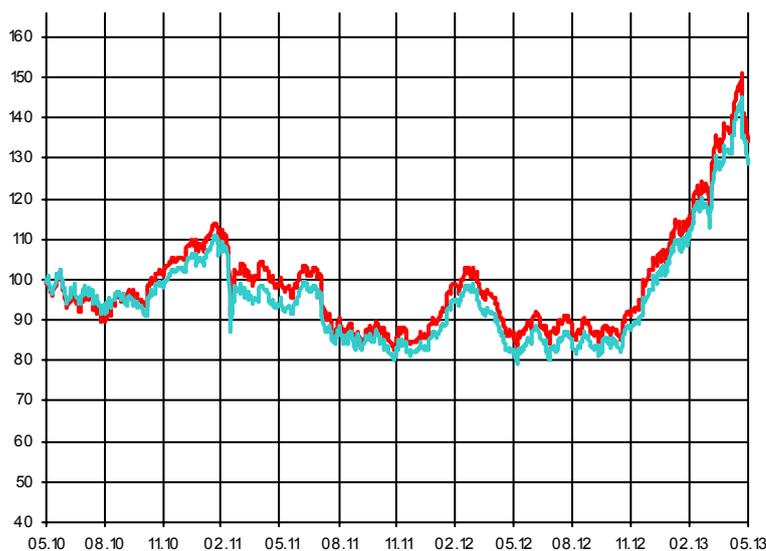
As at End of May 2013

Telekurs : 260 116

Isin : LU0051287653

Performance in JPY

— Willerequity Japan p
— Topix Index



Cumulative

1 month	1 year	3 years	5 years	since launch
-2.20%	56.34%	34.55%	-23.60%	-9.96%
-2.52%	57.86%	29.00%	-20.30%	-38.81%

Calendar year

Ytd 2013	2012	2011	2010	2009
31.65%	20.00%	-18.74%	2.76%	-0.13%
32.10%	18.01%	-18.94%	-0.97%	5.62%

The fund performance data does not take into account any commission or costs incurred upon issue or redemption of units.

Portfolio analysis

Top 5 Holdings

Top 5 Holdings	Sector	
TOYOTA MOTOR CORP	Cons. discretionary	5.7 %
MITSUBISHI UFJ FINAN	Financials	3.5 %
HONDA MOTOR CO LTD	Cons. discretionary	3.1 %
SUMITOMO MITSUI FINA	Financials	2.9 %
TOSHIBA CORP	Information tech.	2.5 %

Fund Facts

Objective

To provide long term capital growth by investing primarily in Japanese companies.

Currency and NAV

JPY 1'959.00

12 months High	2'195.0	22.05.2013
Low	1'205.0	04.06.2012
Entry Fees up to :	3.0 %	
Exit Fees up to :	1.0 %	
TER :	1.86%	
Launch :	01.11.1990	
Fund size :	JPY 5.8 bn	
EU SD Fund Status :	Out of Scope	
Taxable Income per Unit :	0.0	

Data

	Fund	Benchmark
Over 3 years :		
Volatility :	5.86 %	5.76 %
Sharpe Ratio :	0.35	0.28
Annualized Return :	10.40 %	8.86 %

Top 10 Concentration :	28.18 %
Median Market Cap :	445.57 bn
Average Market Cap :	1'700.00 bn
Average Dividend Yield :	1.16 %

Asset Allocation

Top 4 Sectors

Financials	28.48%
Information tech.	20.28%
Industrials, trading	17.66%
Cons. discretionary	14.97%
Cash	3.50%

Past performance is no guarantee of future performance. Investment involves risk. Please refer to Prospectus and Annual Report.

Willerequity Japan



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Fund Manager's report

With company FY3/13 forecasts currently assuming an average USD/JPY of ¥81.93, upcoming results announcements are likely to contain positive surprises. However, the Bank of Japan March Tankan indicates that FY3/14 company forecasts will be based on a conservative rate assumption of ¥85.22/USD. However, even if companies announce modest FY3/14 growth forecasts at upcoming results announcements, it is not necessarily going to disappoint investors. Instead, we think the market is likely to interpret such conservative forecasts as leaving plenty of room for upward revisions. Abenomics is not fully factored in yet. The impact of Abenomics has not yet spread to the domestic economy. In time a weaker yen and a reduction of corporate tax should bring more domestic investors to the market. The approval ratio of Abe's cabinet is almost 73%. We think that the Liberal Democratic Party (LDP) will get a majority in the Upper House election, and Abe's cabinet will continue longer. The stock market rallies and outperforms the US when administrations last a long time (Eisaku Sato 2798 days the Topix up 219.7%, the S&P500 up 27.6%; Junichiro Koizumi 1980 days 14.0%, 8.2%; Yasuhiro Nakasone 1806 days 222.5%, 85.7% in local currency respectively). We will continue to actively invest in exporters (auto, machinery, electrical, chemical and precision) as well as domestics (real estate, construction, financial and retail), excluding defensive stocks (food, pharmaceutical and utilities).

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Information for investors domiciled in Switzerland

This monthly report refers to a sub-fund of Willerfunds, an umbrella fund under part 1 of the Luxembourg law of 2010, UCITS IV compliant. It has been authorized for public distribution in Switzerland by FINMA (Federal Supervisory Authority of Financial Markets). As a consequence, its units can be offered or distributed in Switzerland or from Switzerland. The prospectus, the simplified prospectus as well as the latest annual and half-yearly reports can be obtained free of charge at the offices of the Swiss representative and paying agent, **Banque Morval** (addresses above). These same documents are also available on-line on www.willerfunds.com and www.fundinfo.com.

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