

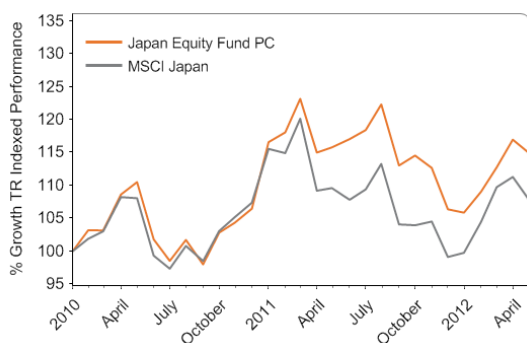
Japan Equity Fund PC

Investment objective

To achieve long-term capital growth through investment primarily in the stockmarkets of Japan. The Fund will focus on the quality and attractiveness of individual companies rather than the outlook for particular markets. The Investment Manager is also permitted to invest in securities traded in other markets where the underlying companies derive a significant proportion of their earnings from Japan. This Fund is also available as a sterling feeder fund.*



Performance



Growth (%)	Fund	MSCI Japan
YTD	8.52	7.79
1 Yr	-2.54	-3.14
since launch	14.90	7.75
Volatility (%)	Fund	MSCI Japan
since launch	14.06	14.22
Ratios	Beta	Sharpe
1 Yr	0.92	-0.03
since launch	0.95	0.44

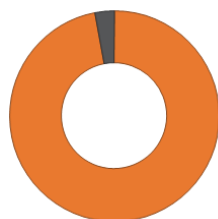
Annual average compound rate of return: **5.91%**

Benchmark: MSCI Japan. Source: Morningstar.

Strategy

Sector Weightings (%)	Ashburton Weighting	Benchmark	Over/under weight vs Benchmark
Info Technology	24.44	12.58	11.86
Cash	3.26	0.00	3.26
Industrials	22.73	20.50	2.23
Energy	2.68	1.65	1.03
Financials	18.15	17.73	0.42
Health Care	5.87	6.14	-0.27
Utilities	2.30	3.49	-1.19
Con Discretionary	16.15	20.24	-4.09
Con Staples	2.09	6.28	-4.19
Telecom Services	0.00	4.19	-4.19
Basic Materials	2.33	7.20	-4.87

Geographical Weightings (%)



Currency Weightings (%)



Largest Holdings (%)

Sector	%	Sector	%
Sumitomo Mitsui Fg	3.29	Tdk Corp	2.94
Nihon Kohden Corp	3.21	Toyota Motor Corp	2.92
Mitsubishi Ufj Fin	3.08	Ngk Spark Plug Co	2.89
Advantest	3.08	Marubeni Corp	2.80
Aica Kogyo Co	3.01	Sumitomo Electric	2.71

Fund Facts



Lead Fund Manager
Jonathan Schiessl

Launch Date	01/12/09
Fund Size	\$60.79m
Fund Currency	USD
Sell Price	2.2523
Buy Price	2.3649
Yield	0.0000
Minimum Investment	£10,000 or foreign currency equivalent
Initial Charge	5%
Annual Mgmt Fee	1.5%
Total Expense Ratio	1.87%
Dealing Day	Daily
ISIN No	GB0002278876
Sedol No	0227887
Dividend Distribution Dates	15 April and 15 October
Manager	Ashburton Fund Managers Limited
Investment Manager	Ashburton (Jersey) Limited
Custodian	RBC Fund Services (Jersey) Limited
Reporting Fund	Yes
FSA Recognised	Yes
ISA/PEP Eligible	Yes
Authorised For Public Sale In	Jersey, Guernsey, UK, Sweden, Australia and South Africa

Regulation:

Collective Investment Funds (Jersey) Law 1988 (as amended). Operated in accordance with C.I.F. (Recognised Funds) (Rules) (Jersey) Order 2003. (UK FSA Recognised under section 270 of the UK Financial Services & Markets Act 2000).

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Commentary highlights

- The portfolio continued its run of outperformance, beating the benchmark MXJP Index by 2.04% on a relative basis in April. In reality, very little has changed in the month with regards to the overall macro picture for global financial markets.
- We took a short position out representing 10% of the portfolio towards the end of March, and closed half of this short mid-month, and booked more profits on the short at the end of April.
- We expect that the coming months will continue to offer opportunities to outperform the market, and as we move through the current earnings season, we expect to identify companies providing good valuation and in line with our strategic thoughts.

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*To see the performance of the feeder fund please go to www.ashburton.com/performance.

Japan Equity Fund PC

Commentary

Review

The portfolio continued its run of outperformance, beating the benchmark MXJP Index by 2.04% on a relative basis in April. In reality, very little has changed in the month with regards to the overall macro picture for global financial markets. On the one hand, markets are boosted by encouraging US employment data, only to be pared back with troubling demand figures from Europe for example. This to-ing and fro-ing has persisted for an extended period, and we do not foresee a resolution to this back and forth in the near term.

Hope springs eternal for Japanese equity holders, and that hope was clinging to the expectation that the Bank of Japan (BoJ) would further extend their asset purchase program on 27 April. However, as many long-term follower of Japanese politics and monetary policies will testify, you just never know what you can expect. The BoJ actually scaled back some of the liquidity enhancement measures announced in February, after a lack of demand which was also reflected in weak industrial production and household spending as it missed its targets.

However, one target that one can expect to be met soon, if we are to believe the BoJ, is that the 1% inflation target is coming into sight. Whilst some believe inflation in Japan will herald in a new era of domestic spending supported by wage inflation, it will obviously also put unwanted pressure on the well-publicised debt situation. With interest rates ultimately creeping up, this will lead to Japan's worst nightmare, rampant hyperinflation, and leave Japan looking similar in some regards to how we view Greece today.

Activity

The Fund has seen relatively low activity for the month, largely for the reasons outlined in the opening paragraph above. With markets swayed on noise, we have been carefully analysing the results coming through, as well as managing the exposure of the Fund with some short index futures positions.

We took a short position out representing 10% of the portfolio towards the end of March, and closed half of this short mid-month, and booked more profits on the short at the end of April. We felt that the Japanese market had performed very well against other global markets in the opening quarter, and indicators were showing overbought signals, and that the markets were looking to ease off. We were also cognisant of the strong starts Japanese equities had made in the opening quarters of the previous two years, only to disappoint in the second quarter.

It should be noted that the Fund rarely uses index futures to reduce the net exposure of the Fund, however, a number of factors led to our use in futures this time. One reason is that Japanese companies typically go ex-dividend in the final week of March, and September, therefore we did not wish to sell down holdings prior to the ex-dividend date, yet we wanted to reduce exposure, and using futures is the easiest way to do this.

Our themes remain consistent with previous months, with an overweight in information technology, industrials and financials, all providing positive contribution on the month. Our underweight of materials and consumer discretionary stocks has also worked in favour of the Fund during April.

Outlook

With the yen heading back to 79/80 level against the US dollar, exporters will again begin moaning about the strength of the yen, and how this negatively impacts their income statements when consolidating overseas revenues. We would not anticipate the yen strengthening much more from here, and would expect it to settle in the low 80s range against the US dollar. Companies such as Toyota and Canon will be hoping for a weakening in the yen, with overseas sales being a significant proportion of their sales. We shall have to wait and see what the BoJ and the government decide to do in terms of applying pressure on the currency.

With Japan entering the summer months we can expect talk about the restarting of nuclear plants to dominate the headlines. With all reactors now in shutdown, all eyes are on the Oi nuclear plant owned by Kansai Electric Power, which has had two reactors passed in the Safety Test I. The government, regulator and locals are forcing the utility company to put the reactors through STII, and the completion and outcome of these tests are as yet unknown. This is putting additional pressure on the government as it battles with the prospect of power shortages and ultimately production reductions due to reduced energy availability through the summer months. We are closely following the situation, and expect the government to force through the required bills in the coming months.

We expect that the coming months will continue to offer opportunities to outperform the market, and as we move through the current earnings season, we can expect to identify companies providing good valuation and in line with our over-riding strategic thoughts.

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The way we see things



Japan Equity Fund PC
Crane created using yen notes, 10 pens, 3 biros, 2 elastic bands, 2 Japanese newspapers, 39 lids, 1 pair of scissors, 14 sticky pads.