

JAPAN LEADS IN ROBOTICS AND AUTOMATION

Ask **the** PORTFOLIO MANAGER

What are the opportunities you see in Japan?

Transcript of a video recorded on May 17, 2018.

So, we've been moderately overweight Japanese equities for most of the last two years and the genesis of that overweight is really two-fold.

One, from a valuation perspective we were looking across the universe in late 2016 and in many of the technology and industrial industries that we're investing in, we were finding better relative value in Japan versus the opportunities we were finding in Europe and the U.S. So, comparing those opportunities, we were shifting some of our exposure towards that market, and that started to drive an overweight.

But one of the more significant reasons for that overweight towards Japanese equities is our belief in secular themes and the tailwinds they create for the businesses that we invest in, and one of those themes being the robotics and automation industry. This is a strong multi-year trend, multi-year theme, that we've been invested in and we find an above average number of these opportunities in Japan. In fact, over 60% of the automation and robotics companies are located in Japan and a lot of this has to do with the history of the Japanese economy. Coming out of World War II, there was a focus on manufacturing and engineering, and given the demographics and immigration issues in Japan, there had to be continued focus on innovation towards robotics and automation and being able to do more with less.

Moving forward to the current environment, you're seeing strong demand for these robotic and automation capex and materials and ultimately these Japanese companies are meeting that demand. And what's really interesting is the demand isn't only coming from developed market countries that are trying to automate their factories and do more with less, but a lot of that demand is coming from emerging economies like China, that are retooling their manufacturing sectors as they move up the supply chain and try to add more value within that supply chain through automation, robotics and advance capex equipment.



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Video recorded 5/17/18.

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