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# JAPAN DYNAMIC FUND

Société d'Investissement à Capital Variable

Audited Annual Report  
as at March 31, 2018

R.C.S. Luxembourg: B-21 694

# JAPAN DYNAMIC FUND

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# JAPAN DYNAMIC FUND

## Management and Administration

### REGISTERED OFFICE

11-13, Boulevard de la Foire, L-1528 Luxembourg.

### BOARD OF DIRECTORS

#### Chairman:

Albert ABEHSERA Chairman, International Finance Development Company S.A., Luxembourg, and IFDC Limited, London

#### Directors:

Jean BODONI Director, International Finance Development Company S.A., Luxembourg

Germain GIRAUD Director, IFDC Limited, London

Michel HARDY Director, International Finance Development Company S.A., Luxembourg

Keisuke MURATSU President, Activity International Inc., Tokyo

### MANAGEMENT COMPANY

#### BIL Manage Invest S.A.,

42, rue de la Vallée, L-2661 Luxembourg (since March 6, 2018).

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Hans-Peter BORGH Head of Wealth Management, Banque Internationale à Luxembourg

Martin FREIERMUTH Head of Products & Solutions, Banque Internationale à Luxembourg

Pierre MALEVEZ Chief of Finance and Risks, Banque Internationale à Luxembourg

Marcel LEYERS Chief of Corporate and Institutional Banking, Banque Internationale à Luxembourg

Jan-Stig RASMUSSEN Independent Director

### CONDUCTING OFFICERS OF THE MANAGEMENT COMPANY

Alain BASTIN Chief Executive Officer

Robert MUNDAY Head of Non-Financial Assets

Mathieu BOUR Head of Risk Management

Giulio SENATORE Head of Portfolio Management

### INVESTMENT MANAGER

#### IFDC Limited, London,

3 Wimpole Street, London, W1G 9SQ, United Kingdom.

### INVESTMENT ADVISER

#### IFDC (H.K.) Limited,

16th Floor, Suite C, On Hing Building, 1-9 On Hing Terrace, Central, Hong Kong.

### DEPOSITARY, REGISTRAR AND TRANSFER AGENT, DOMICILIARY, ADMINISTRATIVE, CORPORATE AND CURRENCY HEDGING AGENT

RBC Investor Services Bank S.A.

14, Porte de France, L-4360 Esch-sur-Alzette

### AUDITOR

KPMG Luxembourg, Société coopérative

39, Avenue John F. Kennedy, L-1855 Luxembourg.

### LEGAL ADVISERS

Elvinger Hoss Prussen

2, Place Winston Churchill, L-1340 Luxembourg.

# JAPAN DYNAMIC FUND

## Directors' Report to Shareholders

We are pleased to present our audited annual report to shareholders for the year ended March 31, 2018.

### Performance

As of March 29, 2018, the Net Asset Value per share for Japan Dynamic Fund Class A shares stood at JPY 52,747 compared with JPY 49,513 as of March 31, 2017. This represents an increase of 6.53% for FY17.

The Net Asset Value per share for Japan Dynamic Fund Class B JPY shares stood at JPY 45,036 as of March 29, 2018, compared with JPY 42,486 as of March 31, 2017. This represents an increase of 6.00% for FY17.

The Net Asset Value per share for Japan Dynamic Fund Class B EUR Hedged shares stood at EUR 126.15 as of March 29, 2018, compared with EUR 120.32 as of March 31, 2017. This represents an increase of 4.85% for FY17.

The Net Asset Value per share for Japan Dynamic Fund Class B GBP Hedged shares stood at GBP 195.30 as of March 29, 2018, compared with GBP 160.62 as of March 31, 2017 (the share class was dormant from January 25, 2018 to March 23, 2018). This represents an increase of 21.59% for over the period.

The Net Asset Value per share for Japan Dynamic Fund Class C JPY shares stood at JPY 16,237 as of March 29, 2018, compared with JPY 15,240 as of March 31, 2017. This represents an increase of 6.54% for FY17.

The Net Asset Value per share for Japan Dynamic Fund Class C EUR Hedged shares stood at EUR 102.60 as of March 29, 2018, compared with EUR 97.60 as of March 31, 2017. This represents an increase of 5.12% for FY17.

The Net Asset Value per share for Japan Dynamic Fund Class C USD Hedged shares stood at USD 131.99 as of March 29, 2018, compared with USD 122.46 as of March 31, 2017. This represents an increase of 7.78% for FY17.

The Net Asset Value per share for Japan Dynamic Fund Class J JPY shares stood at JPY 1,288,207 as of November 27, 2017, compared with JPY 1,123,711 as of March 31, 2017. This represents an increase of 14.64% for the period.

### Investment Background and Outlook

#### Background

The market's performance as reflected by the Tokyo Stock Exchange Price Index (TOPIX) and Nikkei 225 index during the period under review is shown in the table below:

	TOPIX	NIKKEI 225
March 29, 2018	1,704.00	21,159.08
March 31, 2017	1,512.60	18,909.26
Increase (Decrease)	12.65%	11.90%

Economic growth remained strong in Japan as the economy expanded in the last eight consecutive quarters (+1.7% GDP growth in CY17 after +0.9% in CY16). Revised 3QFY17 GDP growth was +1.6% annualised (+0.4% QoQ) boosted mainly by private consumption (+0.3% contribution to quarterly growth), capex (+0.2%) and private inventories (+0.1%) offsetting negative contributions from housing investment (-0.1%). In the monthly statistics, after falling -6.8% MoM in January, industrial production rose +4.1% MoM in February. Official forecasts look for a +0.5% MoM gain in March finishing 4QFY17 -2.0% QoQ after +1.8% QoQ in 3QFY17, +0.4% QoQ in 2QFY17 and +2.1% in 1QFY17. In the labour market unemployment fell -0.3% to 2.5% in February from 2.8% as at the end of FY16 (reaching its lowest level since August, 1993 at 2.4% in January, 2018). The job offer-to-applicant ratio increased significantly by +0.13 to 1.58 in February from 1.45 at the end of FY16 (reaching its highest level since January, 1974 at 1.59 in January, 2018). In terms of prices, core CPI (excl. fresh food) increased +1.0% YoY in February 2018 from +0.2% YoY in March 2017; core prices excluding both fresh food and energy also accelerated to +0.5% YoY in February 2018 vs -0.1% as of the end of FY16. In terms of policy, the Diet confirmed the appointment of Governor Kuroda for a new 5 year tenure as head of the BoJ from April. In its July meeting the BoJ left monetary policy unchanged and postponed the projected timing of core CPI reaching 2% to FY19 from FY18. On the political front, PM Abe's Liberal Democratic Party and its coalition partner won a clear mandate to continue with his Abenomics program to revive and restructure the Japanese economy, gaining more than a 2/3 majority of the Lower House (313 out of 465 seats) in the 22nd October election. The Japanese Yen appreciated in FY17 against the USD (to 106.3 from 111.4) but

# JAPAN DYNAMIC FUND

## Directors' Report to Shareholders (continued)

depreciated against the Euro (to 131.0 from 118.7). JGB 10yr yields were largely unchanged over FY17 to +0.05% from +0.07% at the end of March 2017 whilst US 10yr bond yields increased to 2.74% from 2.39%.

In FY17 (till March 29, 2018), Topix rose +12.65% in JPY with rises in both 1HFY17 (+10.72%) and 2HFY17 (+1.75%). Average daily traded volumes fell -16%. Proprietary traders (+USD 24.4bn till March 23rd) and business companies (+USD 14.9bn) were the main net buyers whilst individual investors (-USD 35.2bn), banks (-USD 7.3bn) and foreign investors (-USD 7.1bn) were the main net sellers of Japanese equities. In the smaller markets, Jasdaq (+31.0%) and TSE Second Section (+19.5%) outperformed whilst Mothers (+10.7%) underperformed Topix. Best performing sectors were other products (+38.6%) on better than expected sales for Nintendo's new console game, services (+23.7%) on the stronger domestic economy, air transport (+20.8%) underpinned by firm inbound tourism as well as chemicals (+20.7%) and electrical machinery (+20.7%) which benefited from the overall positive global economic environment. Worst performing sectors were marine transport (-13.5%) and iron & steel (-3.4%) on concerns of trade wars and increasing tariffs, insurance (+0.2%) and banks (+0.5%) undermined by flat domestic long term yields as well as electric power & gas (+0.7%).

### Outlook

Recent global economic data suggested some moderation from the strong growth of recent quarters. Although some economies could experience a deceleration going forward as they are gradually returning to more normal growth cycles and trade frictions and geopolitical risks present downside risks, the global economy is expected to remain on a positive growth trajectory still underpinned by supportive monetary and fiscal policy against a backdrop of low inflation.

In Japan, growth is expected to remain solid with economists expecting GDP to advance +1.3% in CY18 and +1.0% in CY19.

In terms of corporate earnings, most companies in Topix will start announcing from late April their full FY17 results and FY18 forecasts. Current consensus forecasts look for +14.7% recurring profit growth in FY17 and +6.9% in FY18. Whilst initially the forecasts for FY18 could be revised down as companies tend to err on the conservative side at the beginning of the fiscal year and the Japanese Yen could provide some headwinds, recurring profit growth is expected to remain strong in coming quarters against a favourable global economic backdrop.

Topix fell in March for the second consecutive month reflecting the correction in global equity markets undermined by increased protectionism in the US and ensuing trade war concerns. Whilst both economic indicators and global equity markets recently reflected a more subdued investor sentiment, the overall outlook for Japanese equities should continue benefiting from overall favourable conditions. Valuations remain at attractive levels (Topix PBR 1.28x, FY17 PER 14.7x and FY18 PER 14.4x) in a context of ongoing earnings growth, support from the domestic policy environment and improving corporate practices in terms of governance and focus on shareholder returns.

Although equity prices could remain volatile in the short term as trade war concerns remain elevated and the Japanese Yen is under upward pressure, Japanese equities should regain an uptrend in coming quarters on the back of a solid fundamental situation and provide meaningful investment opportunities on a selective stock picking basis with potential for substantial capital appreciation in the medium term.

The Fund will continue focussing on attractively valued companies which provide the best prospects for earnings growth together with increased shareholder returns.

March 31, 2018

The Board of Directors



KPMG Luxembourg, Société coopérative  
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To the Shareholders of  
JAPAN DYNAMIC FUND  
11-13, Boulevard de la Foire  
L-1528 Luxembourg

## REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

### *Opinion*

We have audited the accompanying financial statements of Japan Dynamic Fund ("the "Fund"), which comprise the statement of net assets and the statement of investments as at March 31, 2018 and the statement of operations and changes in net assets for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Japan Dynamic Fund as at March 31, 2018, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### *Basis for opinion*

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the Audit of the Financial Statements » section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other information*

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.



## REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ (continued)

### *Responsibilities of Board of Directors of the Fund for the financial statements*

The Board of Directors of the is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### *Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the financial statements*

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

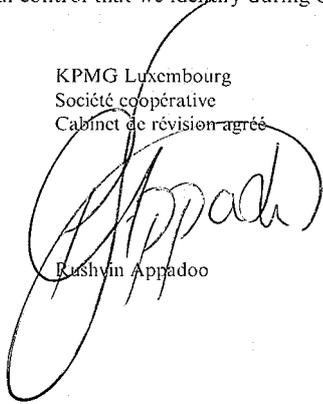
As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, 23 May 2018

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé



Kushvin Appadoo

# JAPAN DYNAMIC FUND

## Statement of Net Assets as at March 31, 2018

	Note	JPY
<b>ASSETS</b>		
Investments in securities at market value	(2c)	2,999,160,000
Cash at bank		48,079,933
Interest and dividends receivable, net		34,920,050
<b>TOTAL ASSETS</b>		<b>3,082,159,983</b>
<b>LIABILITIES</b>		
Unrealised loss on forward foreign exchange contracts	(8)	910,117
Aggregate fixed fee payable	(3a)	10,589,891
Performance fee payable	(3c)	26,392,525
Management Company fee payable	(3b)	287,692
Taxes and expenses payable	(3d)	17,099,460
<b>TOTAL LIABILITIES</b>		<b>55,279,685</b>
<b>TOTAL NET ASSETS</b>		<b>3,026,880,298</b>
<b>Net asset value per share</b>		
A Class Shares		JPY 52,747
B Class Shares		JPY 45,036
B Class Shares GBP Hedged		GBP 195.30 (JPY 29,136)
B Class Shares EUR Hedged		EUR 126.16 (JPY 16,500)
C Class Shares		JPY 16,237
C Class Shares USD Hedged		USD 131.99 (JPY 14,037)
C Class Shares EUR Hedged		EUR 102.60 (JPY 13,419)
<b>Number of shares outstanding</b>		
A Class Shares		310
B Class Shares		9,602
B Class Shares GBP Hedged		1,687
B Class Shares EUR Hedged		13,083
C Class Shares		38,956
C Class Shares USD Hedged		35,681
C Class Shares EUR Hedged		87,910

The accompanying notes form an integral part of these financial statements.

# JAPAN DYNAMIC FUND

## Statement of Operations and Changes in Net Assets for the Year ended March 31, 2018

	Note	JPY
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>		<b>13,869,744,902</b>
<b>INCOME</b>		
Dividends, net	(2d)	191,265,301
Bank interest	(2d)	109,868
<b>TOTAL INCOME</b>		<b>191,375,169</b>
<b>EXPENSES</b>		
Aggregate fixed fee	(3a)	47,408,535
Performance fee	(3c)	26,392,525
Management Company fee	(3b)	287,692
Accounting, compliance and transfer agent fees		969,723
Depository fees		20,480,210
Audit fees, printing and publishing expenses		2,159,630
Subscription tax	(4)	1,760,569
Bank charges and correspondent fees		133,558
Bank interest		591,171
Other charges		20,886,903
<b>TOTAL EXPENSES</b>		<b>121,070,516</b>
<b>NET INCOME / (LOSS) FROM INVESTMENTS</b>		<b>70,304,653</b>
Net realised gain / (loss) on sale of investments		2,372,249,036
Net realised gain / (loss) on forward foreign exchange contracts		35,075,149
Net realised gain / (loss) on foreign exchange currency		3,673,921
<b>NET REALISED GAIN / (LOSS)</b>		<b>2,481,302,759</b>
Change in net unrealised appreciation / (depreciation) on:		
- investments		(875,684,266)
- forward foreign exchange contracts		(5,820,442)
<b>NET INCREASE / (DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>		<b>1,599,798,051</b>
<b>EVOLUTION OF THE CAPITAL</b>		
Issue of shares		2,099,783,257
Redemption of shares		(14,542,445,912)
<b>NET ASSETS AT THE END OF THE YEAR</b>		<b>3,026,880,298</b>

# JAPAN DYNAMIC FUND

## Changes in the Number of Shares for the Year ended March 31, 2018

<b>A Class Shares</b>	
Number of shares outstanding at the beginning of the year	310
Number of shares issued	-
Number of shares redeemed	-
Number of shares outstanding at the end of the year	310
<b>B Class Shares</b>	
Number of shares outstanding at the beginning of the year	32,589
Number of shares issued	200
Number of shares redeemed	(23,187)
Number of shares outstanding at the end of the year	9,602
<b>B Class Shares GBP Hedged</b>	
Number of shares outstanding at the beginning of the year	3,974
Number of shares issued	1,687
Number of shares redeemed	(3,974)
Number of shares outstanding at the end of the year	1,687
<b>B Class Shares EUR Hedged</b>	
Number of shares outstanding at the beginning of the year	28,747
Number of shares issued	12,495
Number of shares redeemed	(28,159)
Number of shares outstanding at the end of the year	13,083
<b>C Class Shares</b>	
Number of shares outstanding at the beginning of the year	56,570
Number of shares issued	1,126
Number of shares redeemed	(18,740)
Number of shares outstanding at the end of the year	38,956
<b>C Class Shares USD Hedged</b>	
Number of shares outstanding at the beginning of the year	96,901
Number of shares issued	35,615
Number of shares redeemed	(96,835)
Number of shares outstanding at the end of the year	35,681
<b>C Class Shares EUR Hedged</b>	
Number of shares outstanding at the beginning of the year	20,000
Number of shares issued	67,910
Number of shares redeemed	-
Number of shares outstanding at the end of the year	87,910
<b>J Class Shares</b>	
Number of shares outstanding at the beginning of the year	8,500
Number of shares issued	223
Number of shares redeemed	(8,723)
Number of shares outstanding at the end of the year	-

# JAPAN DYNAMIC FUND

## Statistics

JPY

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### Total net asset value

March 31, 2018	3,026,880,298
March 31, 2017	13,869,744,902
March 31, 2016	18,648,217,128

### NAV per share at the end of the year

#### March 31, 2018

A Class Shares	JPY 52,747
B Class Shares	JPY 45,036
B Class Shares GBP Hedged	GBP 195.30 (JPY 29,136)
B Class Shares EUR Hedged	EUR 126.16 (JPY 16,500)
C Class Shares	JPY 16,237
C Class Shares USD Hedged	USD 131.99 (JPY 14,037)
C Class Shares EUR Hedged	EUR 102.60 (JPY 13,419)

#### March 31, 2017

A Class Shares	JPY 49,513
B Class Shares	JPY 42,486
B Class Shares GBP Hedged	GBP 160.62 (JPY 22,381)
B Class Shares EUR Hedged	EUR 120.32 (JPY 14,340)
C Class Shares	JPY 15,240
C Class Shares USD Hedged	USD 122.46 (JPY 13,646)
C Class Shares EUR Hedged	EUR 97.60 (JPY 11,632)
J Class Shares*	JPY 1,123,711

#### March 31, 2016

A Class Shares	JPY 41,466
B Class Shares	JPY 35,766
B Class Shares GBP Hedged	GBP 137.75 (JPY 22,253)
B Class Shares EUR Hedged	EUR 103.12 (JPY 13,208)
C Class Shares USD Hedged	USD 102.86 (JPY 11,561)
J Class Shares*	JPY 928,921

\* J Class Shares was closed on November 28, 2017

# JAPAN DYNAMIC FUND

## Notes to the Financial Statements as at March 31, 2018

### (1) General

Japan Dynamic Fund (the "Fund") is an open-ended investment company organised as a "Société Anonyme" under the laws of Luxembourg and qualifies as Société d'Investissement à Capital Variable ("SICAV") under the Luxembourg law of December 17, 2010 on Undertakings for Collective Investment as amended (the "Law of 2010"). It is registered with the Registre de Commerce et des Sociétés (the "RCS") of Luxembourg under number B-21694 and has its registered office at 11-13, boulevard de la Foire, L-1528 Luxembourg.

The Board of Directors has appointed BIL Manage Invest S.A. as the Management Company (the "**Management Company**") pursuant to an agreement (the "**Management Company Agreement**") effective as of March 6, 2018

The Management Company has appointed IFDC Limited, London (the "Investment Manager") as Investment Manager in charge of the day-to-day management of the investments of the Fund pursuant to an agreement (the "**Portfolio Management Agreement**") effective as of March 6, 2018. There has been no change in the Investment Manager as compared to the prior financial year.

The Investment Manager has appointed IFDC (H.K.) Limited, Hong Kong (the "Investment Adviser") to act as the investment adviser to the Investment Manager. There has been no change in the Investment Adviser as compared to the prior financial year.

The purpose of the Fund is to provide its shareholders with an investment vehicle through which they can participate in a diversified portfolio of Japanese securities. The Fund offers investors an opportunity to participate in the stock market of one of the world's most advanced economies.

Shares may be issued and redeemed on each day which is a bank business day in Luxembourg and in Japan ("Valuation Day") at a price based on the value of the net assets attributable to each class.

The issue and redemption prices are available daily at the registered office of the Fund and are published on Bloomberg and in any other information source selected by the Board of Directors.

As at March 31, 2018, the Fund has issued 7 types of share classes, A Class Shares, B Class Shares, B Class Shares GBP Hedged, B Class Shares EUR Hedged, C Class Shares, C Class Shares USD Hedged and C Class Shares EUR Hedged. However, A Class Shares can no longer be issued since January 1, 2004.

C Class Shares, I Class Shares and J Class Shares are reserved to institutional investors within the meaning of article 174 of the Law of 2010 ("Institutional Investors"). I Class Shares have not yet been issued while J Class Shares were fully redeemed during the current financial year.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The accounting policies of the Fund comply with Luxembourg legal and regulatory requirements applicable to collective investment undertakings. The financial statements reflect the Net Asset Values as calculated on March 29, 2018 based on the last available market prices of the securities in which the Fund has invested, as of this date. March 30, 2018 (which was a Friday) was a bank holiday in Luxembourg and no NAV was calculated on this date. Had the securities closing market prices as of March 30, 2018 been used to calculate the NAV, then the NAV would not have been significantly different from the one disclosed in the financial statements.

#### (b) Foreign Currencies

The Fund's capital is expressed in Japanese Yen and its financial statements are expressed in that currency. Transactions in other currencies are recorded in Japanese Yen based on the exchange rates in effect at the date of the transaction. Those assets and liabilities that are denominated in other currencies are adjusted for changes in the exchange rate at the end of each financial year. Unsettled forward foreign exchange transactions are revalued at year-end rates applicable for the period remaining to final maturity. Any resulting gains or losses are reflected in the operating results of the Fund.

The exchange rates applied as at March 31, 2018 were:

1 JPY = 0.007646 EUR

1 JPY = 0.006703 GBP

1 JPY = 0.009403 USD

# JAPAN DYNAMIC FUND

## Notes to the Financial Statements (continued) as at March 31, 2018

### **(2) Summary of Significant Accounting Policies (continued)**

#### **(c) Investment Securities**

Investment securities, all of which are quoted, are stated at market value determined on the basis of the closing prices quoted on March 29, 2018.

#### **(d) Dividend and Interest Income**

Dividend income is recognised on the ex-dividend date of the relevant security, net of any withholding taxes. Interest income is recognised on an accrual basis, net of withholding taxes.

#### **(3) Charges and Expenses**

The principal continuing charges and expenses are:

##### **(a) Aggregate Fixed Fee**

The Investment Manager and the Investment Adviser are entitled to an Aggregate Fixed Fee described hereafter, which is payable to the Investment Manager and the Investment Adviser. The annual Aggregate Fixed Fee is payable quarterly in arrears of 1.25% for A Class Shares, 1.75% for B Class Shares, 1.25% for C Class Shares and 0.875% for I Class Shares based on the average net assets attributable to the relevant Class during the relevant calendar quarter. The Investment Manager shall be entitled to obtain two thirds of such Aggregate Fixed Fee and the Investment Adviser shall be entitled to the remaining portion.

No Aggregate Fixed Fee shall be payable by the Fund in respect of J Class Shares.

There has been no change in the Aggregate Fixed Fee as compared to the prior financial year.

##### **(b) Management Company Fee**

Since March 6, 2018, the Management Company is entitled to a Management Company fee payable quarterly in arrears of 0.05% of the net asset value of the Fund per annum, with a minimum of EUR 27,500 until December 31, 2018 and EUR 40,000 from January 1, 2019.

##### **(c) Performance Fee**

The Investment Manager and the Investment Adviser may also be entitled to a performance fee payable to the Investment Manager and the Investment Adviser, split in such proportion that the Investment Manager shall be entitled to obtain two thirds of such performance fee and the Investment Adviser shall be entitled to the remaining portion.

#### **A Class Shares**

The Fund will pay a yearly performance fee to the Investment Manager and the Investment Adviser in relation to A Class Shares, only if the net asset value per share of such Class records a minimum capital gain of 20% over the relevant fiscal year. Thus, if the capital gain of the net asset value per share is over 20%, the rate of performance fee applicable to the average net assets under management over the year will be, for A Class Shares, equal to 10% of the difference between the capital gain recorded and the above mentioned level of 20%. The Fund will pay to the Investment Manager and the Investment Adviser a performance fee equal to this rate of performance fee multiplied by the average net assets under management in relation to A Class Shares during the relevant year.

If the net asset value per share records a negative performance over a given year, this negative performance will be carried forward to the next fiscal year before the calculation of the performance of the net asset value per share for the current year. If following this calculation, the net asset value per share still records a cumulative negative performance, the negative performance will be carried forward systematically to the following years until such cumulative negative performance is eliminated.

At every calculation of the net asset value per share, if the performance is in excess of an annual rate of 20% from the beginning of the fiscal year, the Fund will set up an aggregate provision equal to the average net assets under management in relation to A Class Shares since that date multiplied by a rate equal to 10% of such excess, in anticipation of the payment of the performance fee at the end of the year.

Any performance fee paid at the end of the year is not refundable and is definitively retained by the Investment Manager and the Investment Adviser. If investors ask for their Shares to be redeemed before the end of the fiscal year, the total outstanding performance fee accrued for such Shares will be paid to the Investment Manager and the Investment Adviser at the end of that fiscal year.

# JAPAN DYNAMIC FUND

## Notes to the Financial Statements (continued) as at March 31, 2018

### (3) Charges and Expenses (continued)

#### B Class Shares and C Class Shares

The Fund will pay a yearly performance fee to the Investment Manager and the Investment Adviser in relation to B Class Shares and C Class Shares, only if the net asset value per share of such Classes records a minimum capital gain of 10% over the relevant fiscal year. Thus, if the capital gain of the net asset value per share is over 10%, the rate of performance fee applicable to the average net assets under management over the year will be, for B Class Shares and C Class Shares, equal to 15% of the difference between the capital gain recorded and the above mentioned level of 10%. The Fund will pay to the Investment Adviser a performance fee equal to this rate of performance fee multiplied by the average net assets under management in relation to B Class Shares and C Class Shares during the relevant year.

If the net asset value per share records a negative performance over a given year, this negative performance will be carried forward to the next fiscal year before the calculation of the performance of the net asset value per share for the current year. If following this calculation, the net asset value per share still records a cumulative negative performance, the negative performance will not be carried forward to the following year but will be eliminated.

At every calculation of the net asset value per share, if the performance is in excess of an annual rate of 10% from the beginning of the fiscal year, the Fund will set up an aggregate provision equal to the average net assets under management in relation to B Class Shares and C Class Shares since that date multiplied by a rate equal to 15% of such excess, in anticipation of the payment of the performance fee at the end of the year.

Any performance fee paid at the end of the year is not refundable and is definitively retained by the Investment Manager and the Investment Adviser. If investors ask for their Shares to be redeemed before the end of the fiscal year, the total outstanding performance fee accrued for such Shares will be paid to the Investment Manager and the Investment Adviser at the end of that fiscal year.

For the year ended March 31, 2018 the following performance fees were payable:

Class	Performance Fees payable (in JPY)
B Class Shares	10,212,495
C Class Shares	16,180,030
<b>TOTAL</b>	<b>26,392,525</b>

Performance Fees crystallized following redemptions that occurred during the fiscal exercise. As of March 31, 2018, the Performance Fees balances are nil.

#### I Class Shares

The Fund will pay a quarterly performance fee to the Investment Manager and the Investment Adviser in relation to I Class Shares, only if the net asset value per share of such Class records a cumulative percentage return over the relevant quarter in excess of the cumulative percentage return of the Topix Net Total Return (Bloomberg Ticker: TPXNTR) (the "Excess Return"). Thus, if the Excess Return over the relevant quarter is positive, the rate of performance fee applicable to the average net assets under management over such quarter will be, for I Class Shares, equal to 15% of the Excess Return. The Fund will pay to the Investment Manager and the Investment Adviser a performance fee equal to this rate of performance fee multiplied by the average net assets under management in relation to I Class Shares during the relevant quarter.

If the Excess Return over a given quarter is negative, such Excess Return will be carried forward to the next quarter before the calculation of the performance for the current quarter. If following this calculation, the Excess Return is still negative, such negative Excess Return will be carried forward systematically to the following quarter until such negative Excess Return is eliminated. At no time shall the performance fee be less than zero.

At every calculation of the net asset value per share, if the Excess Return is positive from the beginning of the quarter, the Fund will set up an aggregate provision equal to the average net assets under management in relation to I Class Shares since that date multiplied by a rate equal to 15% of such Excess Return, in anticipation of the payment of the performance fee at the end of the quarter.

Any performance fee paid at the end of the quarter is not refundable and is definitively retained by the Investment Manager and the Investment Adviser. If investors ask for their Shares to be redeemed before the end of any given quarter, the total outstanding performance fee accrued for such Shares will be paid to the Investment Manager and the Investment Adviser at the end of that quarter.

There were no I Class Shares in issue for the year ended March 31, 2018.

#### J Class Shares

No performance fee is payable by the Fund in respect of J Class Shares.

# JAPAN DYNAMIC FUND

## Notes to the Financial Statements (continued) as at March 31, 2018

### (3) Charges and Expenses (continued)

#### (d) Taxes and Expenses Payable

Subscription tax (note 4)	374,627
Accounting, compliance, rental and banking fees	6,294,014
Depository	1,626,502
Audit, legal and facility fees	8,804,317
<b>TOTAL</b>	<b>17,099,460</b>

#### (4) Taxation

##### – The Fund

As of the date hereof, under Luxembourg law, the Fund is not subject to any tax on income, capital gains tax or wealth tax.

The Fund's net assets are subject to a subscription tax of 0.05% per annum, payable at the end of each quarter and calculated on the basis of the Fund's total net assets at the end of the relevant quarter. Such tax rate is reduced to 0.01% in respect of the net assets attributable to such Classes of Shares, if any, which are reserved for institutional investors as defined from time to time by the Luxembourg Supervisory Authority. To the extent that the assets of the Fund are invested in collective investment undertakings established in Luxembourg, no such tax is payable.

##### – Shareholders

According to legislation and current practice in Luxembourg, Shareholders, other than those domiciled, residing or permanently established in Luxembourg, are not liable to pay any Luxembourg tax on income, capital gains, withholding, estate, inheritance or other taxes in Luxembourg.

However, it is incumbent upon any purchasers of Shares in the Fund to inform themselves about the relevant legislation and tax regulations applicable to the acquisition, holding and sale of Shares with regard to their residence qualifications and nationality.

#### (5) Dividends

The Directors of the Fund do not propose to recommend the payment of a dividend in respect of the year ended March 31, 2018.

#### (6) Transaction costs

Transaction costs are comprised of brokerage commissions amounting to JPY 20,865,920 for the year ended March 31, 2018. Those costs are incorporated directly in the dealing prices of investments and are not reported as a separate line in the statement of operations.

#### (7) Global Exposure

The global risk on derivatives has been determined according to the commitment approach during the financial year ended March 31, 2018.

#### (8) Forward Foreign Exchange Contracts

As at March 31, 2018 the counterparty to forward foreign exchange contracts outstanding is RBC Investor Services Bank S.A.

As at March 31, 2018, the following forward foreign exchange contracts were outstanding:

Maturity Date	Currency	Purchase	Currency	Sales/ Commitment	Unrealised gain/(loss) (in JPY)
27/04/2018	EUR	328,209	JPY	43,075,180	(138,459)
27/04/2018	EUR	10,321,316	JPY	1,353,637,499	(3,391,161)
27/04/2018	GBP	318,877	JPY	47,669,235	(128,254)
27/04/2018	GBP	9,970	JPY	1,492,850	(6,489)
27/04/2018	USD	145,762	JPY	15,460,123	16,906
27/04/2018	USD	4,554,782	JPY	480,888,922	2,737,340
					<b>(910,117)</b>

# JAPAN DYNAMIC FUND

## Statement of Investments as at March 31, 2018

(expressed in JPY)

Description	Quantity	Currency	Cost	Evaluation	% net assets
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Shares</b>					
<b>Japan</b>					
Astellas Pharma Inc.	85,000	JPY	123,675,442	137,360,000	4.54
Denso Corp.	15,000	JPY	84,267,573	86,730,000	2.87
East Japan Railway Co.	12,000	JPY	113,418,439	118,464,000	3.91
Hitachi Ltd	250,000	JPY	145,943,571	190,775,000	6.30
Honda Motor Co. Ltd	20,000	JPY	73,454,908	72,820,000	2.41
Itochu Corp.	25,000	JPY	31,818,502	51,287,500	1.69
JTEKT Corp.	40,000	JPY	71,597,495	61,520,000	2.03
Kyocera Corp.	22,000	JPY	129,408,663	130,394,000	4.31
Mitsubishi Chemical Holdings Corp.	125,000	JPY	96,678,591	127,500,000	4.21
Mitsubishi Corp.	45,000	JPY	98,730,414	127,147,500	4.20
Mitsubishi Electric Corp.	100,000	JPY	134,813,394	169,950,000	5.61
Mitsubishi Heavy Industries	30,000	JPY	154,107,975	121,770,000	4.02
Mitsubishi UFJ Financial Group	275,000	JPY	187,923,512	191,482,500	6.33
Mitsui Fudosan Co.	30,000	JPY	71,222,640	75,960,000	2.51
Nippon Soda	270,000	JPY	156,143,614	160,920,000	5.32
NTT Corp.	20,000	JPY	88,783,728	98,040,000	3.24
NTT Domoco Inc.	45,000	JPY	106,905,015	121,027,500	4.00
Okuma Corp.	5,000	JPY	22,440,679	30,600,000	1.01
Orix Corp.	40,000	JPY	76,282,588	75,140,000	2.48
Sekisui House Ltd	90,000	JPY	161,543,759	173,880,000	5.74
Seven & I Holdings Co. Ltd	33,000	JPY	141,233,732	149,556,000	4.94
Sky Perfect Jsat Holdings Inc	200,000	JPY	95,234,053	95,000,000	3.14
Sumitomo Electric Industries	50,000	JPY	88,964,955	80,325,000	2.65
Sumitomo Mitsui Financial Group	30,000	JPY	129,884,487	133,530,000	4.41
Tokio Marine Holdings Inc.	17,000	JPY	72,515,541	81,141,000	2.68
Toyota Motor Corp.	20,000	JPY	142,560,048	136,840,000	4.52
			<b>2,799,553,318</b>	<b>2,999,160,000</b>	<b>99.07</b>
<b>Total Shares</b>			<b>2,799,553,318</b>	<b>2,999,160,000</b>	<b>99.07</b>
<b>Total Transferable securities admitted to an official stock exchange listing</b>			<b>2,799,553,318</b>	<b>2,999,160,000</b>	<b>99.07</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>			<b>2,799,553,318</b>	<b>2,999,160,000</b>	<b>99.07</b>

A detailed schedule of portfolio changes is available free of charge upon request at the registered office of the Fund.

# JAPAN DYNAMIC FUND

## Economic and Geographic Division of Investments as at March 31, 2018

(expressed as percentage of net assets)

<u>Economic Division</u>		<u>Geographic Division</u>	
Electrical Machinery	16.22%	<u>Japan</u>	<u>99.07 %</u>
Banks	10.74%		<b>99.07 %</b>
Communication	10.37%		
Transport Equipment	9.79%		
Chemicals	9.53%		
Machinery	7.07%		
Wholesale	5.89%		
Construction	5.74%		
Retail	4.94%		
Pharmaceuticals	4.54%		
Land Transport	3.91%		
Insurance	2.68%		
Nonferrous Metals	2.65%		
Real Estate	2.51%		
Miscellaneous Finance	2.49%		
	<b>99.07%</b>		

# JAPAN DYNAMIC FUND

## Information to Shareholders

Unaudited semi-annual reports and annual audited reports are made available at the registered office of the Fund and posted to the holders of registered shares and, in the case of audited reports, at least 16 days before the Annual General Meeting.

Payment of dividends to holders of registered shares is made to such shareholders at their addresses on the Register of Shareholders. Payment of dividends to holders of bearer shares is made against tender of the relevant coupons to the Fund, to RBC Investor Services Bank S.A., Esch-sur-Alzette, as Registrar and Transfer Agent or to such other Coupon Paying Agents as may from time to time be appointed by the Fund as notified in the dividend announcements.

The Fund's financial year ends on March 31. The Annual General Meeting of the shareholders is held each year at the registered office of the Fund in Luxembourg - or at such other place as may be specified in the Notice of the Meeting on the last Friday in the month of June, or, if any such day is not a business day in Luxembourg, on the following business day. Notices of General Meetings, including agenda, attendance, quorum and majority requirements, will be published in the RESA (Recueil électronique des sociétés et associations), in the "Luxemburger Wort" and/or such other newspapers as the Directors may from time to time determine.

The consolidated Articles of Incorporation in their present form, are deposited with the "Registre de Commerce et des Sociétés" of Luxembourg, where they are available for inspection and where copies thereof may be obtained.

# JAPAN DYNAMIC FUND

## Unaudited Information

### **Information concerning the remuneration policy**

European Directive 2014/91/EU amending Directive 2009/65/EC on undertakings for collective investment in transferable securities, which is applicable to Japan Dynamic Fund, came into force on March 18, 2016. It is implemented in national law under the Luxembourg Law of December 17, 2010, as amended. Due to these new regulations, the UCITS is required to publish information relating to the remuneration of identified employees within the meaning of the Law in the annual report.

The remuneration policy of the current Management Company, BIL Manage Invest S.A., may be obtained upon request and free of charge at the registered office.

BIL Manage Invest S.A. has paid the following amounts to its staff for the financial year:

Total gross amount of the fixed remunerations paid (excluding the payments or benefits that may be deemed to-form part of a general and non-discretionary policy and having no incentive effect on risk management): EUR 1,161,172.

Total gross amount of the variable remunerations paid: EUR 154,632.

Number of beneficiaries: 17

Aggregate amount of the remunerations, broken down between the senior management and the members of staff of the Management Company whose activities have a significant impact on the risk profile of the UCITS.

The systems of BIL Manage Invest S.A. do not allow such amounts to be identified per UCITS managed. The figures below therefore show the aggregate amount of the remunerations at the overall level of BIL Manage Invest S.A..

Aggregate amount of the remunerations of the senior management: EUR 769,667.

Aggregate amount of the remunerations of the members of staff of BIL Manage Invest S.A. whose activities have a significant impact on the risk profile of the UCITS of which it is the Management Company (excluding the senior management): EUR 546,137.

### **Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")**

At the date of the financial statements, the Fund does not have any transaction in the scope of the publication requirements of SFTR. No transactions were carried out during the reporting period.