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# JAPAN DYNAMIC FUND

Société d'Investissement à Capital Variable

Unaudited Semi-Annual Report  
as at September 30, 2018

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

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# 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

### 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

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 unaudited semi-annual report to shareholders for the period ended September 30, 2018.

### Performance

The Net Asset Value per share for Japan Dynamic Fund Class A shares stood at JPY 54,838 as of June 6, 2018, compared with JPY 52,747 as of March 29, 2018. This represents an increase of 3.96% for the period.

The Net Asset Value per share for Japan Dynamic Fund Class B JPY shares stood at JPY 48,387 as of September 30, 2018, compared with JPY 45,036 as of March 29, 2018. This represents an increase of 7.44% for 1HFY18.

The Net Asset Value per share for Japan Dynamic Fund Class B EUR Hedged shares stood at EUR 135.25 as of September 30, 2018, compared with EUR 126.15 as of March 29, 2018. This represents an increase of 7.21% for 1HFY18.

The Net Asset Value per share for Japan Dynamic Fund Class B GBP Hedged shares stood at GBP 210.24 as of September 30, 2018, compared with GBP 195.30 as of March 29, 2018. This represents an increase of 7.65% for 1HFY18.

The Net Asset Value per share for Japan Dynamic Fund Class C JPY shares stood at JPY 17,502 as of September 30, 2018, compared with JPY 16,237 as of March 29, 2018. This represents an increase of 7.79% for 1HFY18.

The Net Asset Value per share for Japan Dynamic Fund Class C EUR Hedged shares stood at EUR 110.24 as of September 30, 2018, compared with EUR 102.60 as of March 29, 2018. This represents an increase of 7.45% for 1HFY18.

The Net Asset Value per share for Japan Dynamic Fund Class C USD Hedged shares stood at USD 143.43 as of September 30, 2018, compared with USD 131.99 as of March 29, 2018. This represents an increase of 8.67% for 1HFY18.

### 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
September 30, 2018	1,817.25	24,120.04
March 29, 2018	1,704.00	21,159.08
Increase (Decrease)	6.65%	13.99%

After growing +1.6% in FY17, 1QFY18 GDP continued expanding by +3.0% annualised (+0.7% QoQ). Contributions from capex (+0.5% to quarterly GDP growth) and private consumption (+0.4%) offset negative contributions from net exports (-0.1%) and private residential investment (-0.1%). In the latest monthly indicators, industrial production recovered to +0.7% MoM in August from -0.2% MoM in July. Official forecasts look for a further rise (+0.2% MoM) in September finishing 2QFY18 at -1.0% QoQ after +1.3% QoQ in 1QFY18. In the labour market, unemployment was 2.4% in August improving from 2.5% at the end of FY17 whilst the job offer to applicant ratio rose +0.04 over 1HFY18 to 1.63 in August, its highest level since January 1974. In terms of prices, core CPI (excl. fresh food) increased +0.9% YoY in August at the same pace as in March whilst core prices excluding both food and energy slightly decelerated to +0.4% YoY in August from +0.5% YoY at the end of FY17. In its April meeting, the BoJ left its monetary policy unchanged but removed the guidance regarding the timing to achieve the 2% CPI target (vs. "during FY19" previously). In its July monetary policy meeting, the BoJ expressed its intention to maintain the current low levels of short and long term interest rates for an extended period of time in order to achieve its 2% CPI inflation target whilst making adjustments to its policy such as allowing the 10 year JGB yield to trade in a range of + or -0.2% (vs. + or -0.1% previously) around its unchanged target of approximately 0% and increasing the purchases of ETFs tracking Topix. In terms of politics, PM Abe won the Liberal Democratic Party leadership election for the third time in September and is set to become Japan's longest serving prime minister staying in power until 2021.

The Japanese Yen depreciated over 1HFY18 both against the USD (to 113.7 from 106.3 at the end of March) and slightly against the Euro (to 131.9 from 131.0). JGB 10yr yields rose to +0.13% from +0.05% at the end of FY17 whilst US 10yr bond yields rose to +3.06% from +2.74%.

# JAPAN DYNAMIC FUND

## Directors' Report to Shareholders (continued)

Topix increased by +6.65% in 1HFY18 (from March 29, 2018) with rises in both 1QFY18 (+1.58%) and in 2QFY18 (+4.99%). In 1QFY18, Topix rose +4.30% in April as global equity markets recovered on receding trade friction concerns and North Korea risks. Then it fell -1.68% in May affected by global uncertainty such as the political situation in Italy, rising trade tensions and the postponement of the meeting between US and North Korea's leaders. In June, Topix fell -0.95% as US-China trade war fears intensified. In 2QFY18, Topix advanced +1.29% in July as US-EU trade war concerns eased and China announced a shift to a more expansionary monetary and fiscal policy. Topix fell -1.02% in August within a context of concerns on economic stability in emerging markets on the back of a strengthening USD then rose +4.72% in September with the Japanese Yen weakening both against the USD (to 113.7 from 110.0) and the Euro (to 131.9 from 128.8) and US equities reaching record high levels. Average daily traded volumes fell -19.6% YoY in 1HFY18 to 1.41bn shares reaching historically low levels. Proprietary traders (+USD 29.4bn till Sep 21st) and business companies (+USD 8.8bn) were the main net buyers of Japanese equities whilst individual investors (-USD 20.7bn) and foreign investors (-USD 16.3bn) were the main net sellers. The smaller markets (TSE Second Section +2.7%, Jasdaq -4.4%, Mothers -9.1%) underperformed Topix. Best performing sectors were oil & coal products (+39.7%) supported by industry consolidation and rising crude oil prices, fisheries (+17.7%), insurance (+17.2%) boosted by rising long term interest rates, precision instruments (+17.1%) and information & communication (+17.0%). Worst performing sectors were metal products (-7.2%) and rubber products (-4.6%) affected by concerns over the potential impact of trade wars on global economic growth as well as textiles (-5.1%), construction (-5.1%) undermined by concerns on shrinking margins and bid-rigging investigations and air transport (-3.8%) on rising jet fuel prices and lower growth in passenger numbers. On the corporate earnings front, 1QFY18 results for all companies in Topix showed strong recurring profit rising +13.4% YoY after increasing +15.1% in full FY17.

### Outlook

Recently released economic data showed solid data in the US along more mixed readings elsewhere. Whilst the current global economic expansionary phase remains in place and the cycle is slowly maturing, some deceleration in growth could take place at some point in coming quarters as the global monetary policy backdrop is gradually adjusted. However, with the policy stance still supportive, global economic growth could still remain solid, advancing at a moderate but steady pace in spite of lingering concerns (including trade wars, extent of the economic slowdown in China and other emerging markets, the outcome of Brexit and EU-Italy budget negotiations).

In Japan, economic trends remain positive on the back of strong capex growth and tightening labour markets. Economist's consensus sees GDP enjoying firm growth with +1.1% expected both for CY18 and CY19.

In terms of corporate results, most companies will start releasing their 1HFY18 results in the coming weeks which are expected to confirm the overall favourable environment. Consensus forecasts still look for solid recurring profit growth (+5.6%) in full FY18 that could be revised up considering recent global economic trends and the weakening Yen (as most companies assumed USD foreign exchange rate of 105-110 for FY18).

The prospective environment for Japanese equities remains constructive with most factors underpinning a favourable medium term view. Solid global and domestic economic growth support expanding corporate earnings and profitability improvement (that is not only the result of rising profits but also of better corporate governance). With PM Abe expected to remain in power until 2021 there are prospects for further reforms against a backdrop of political stability whilst the BoJ maintains its commitment to keep the current low levels of short and long term interest rates for an extended period of time and providing ongoing support through ETF purchases. With valuations at attractive levels (Topix PBR 1.35x, FY18 PER 15.1x) Japanese equities continue to offer attractive capital appreciation potential going forward through a timely and carefully applied stock picking strategy.

In this environment, the Fund will focus its investments on companies with attractive valuations and potential for improving profitability and shareholder returns.

September 30, 2018

The Board of Directors

# JAPAN DYNAMIC FUND

## Statement of Net Assets as at September 30, 2018

	Note	JPY
<b>ASSETS</b>		
Investments in securities at market value	(2c)	3,074,179,700
Cash at bank		123,857,505
Amounts receivable on sale of investments		2,162,847
Interest and dividends receivable, net		27,791,739
<b>TOTAL ASSETS</b>		<b>3,227,991,791</b>
<b>LIABILITIES</b>		
Unrealised loss on forward foreign exchange contracts	(6)	7,556,098
Aggregate fixed fee payable	(3a)	9,951,788
Performance fee payable	(3c)	14,703,941
Management Company fee payable	(3b)	879,347
Taxes and expenses payable	(3d)	17,037,542
<b>TOTAL LIABILITIES</b>		<b>50,128,716</b>
<b>TOTAL NET ASSETS</b>		<b>3,177,863,075</b>
<b>Net asset value per share</b>		
B Class Shares		JPY 48,387
B Class Shares GBP Hedged		GBP 210.24 (JPY 31,141)
B Class Shares EUR Hedged		EUR 135.25 (JPY 17,843)
C Class Shares		JPY 17,502
C Class Shares USD Hedged		USD 143.42 (JPY 16,291)
C Class Shares EUR Hedged		EUR 110.24 (JPY 14,544)
<b>Number of shares outstanding</b>		
B Class Shares		6,998
B Class Shares GBP Hedged		2,945
B Class Shares EUR Hedged		9,975
C Class Shares		38,199
C Class Shares USD Hedged		35,681
C Class Shares EUR Hedged		90,739

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

# JAPAN DYNAMIC FUND

## Changes in the Number of Shares for the Period ended September 30, 2018

<b>A Class Shares</b>	
Number of shares outstanding at the beginning of the period	310
Number of shares issued	-
Number of shares redeemed	(310)
Number of shares outstanding at the end of the period	-
<b>B Class Shares</b>	
Number of shares outstanding at the beginning of the period	9,602
Number of shares issued	-
Number of shares redeemed	(2,604)
Number of shares outstanding at the end of the period	6,998
<b>B Class Shares GBP Hedged</b>	
Number of shares outstanding at the beginning of the period	1,687
Number of shares issued	1,258
Number of shares redeemed	-
Number of shares outstanding at the end of the period	2,945
<b>B Class Shares EUR Hedged</b>	
Number of shares outstanding at the beginning of the period	13,083
Number of shares issued	115
Number of shares redeemed	(3,223)
Number of shares outstanding at the end of the period	9,975
<b>C Class Shares</b>	
Number of shares outstanding at the beginning of the period	38,956
Number of shares issued	433
Number of shares redeemed	(1,190)
Number of shares outstanding at the end of the period	38,199
<b>C Class Shares USD Hedged</b>	
Number of shares outstanding at the beginning of the period	35,681
Number of shares issued	-
Number of shares redeemed	-
Number of shares outstanding at the end of the period	35,681
<b>C Class Shares EUR Hedged</b>	
Number of shares outstanding at the beginning of the period	87,910
Number of shares issued	2,829
Number of shares redeemed	-
Number of shares outstanding at the end of the period	90,739

# JAPAN DYNAMIC FUND

## Notes to the Financial Statements as at September 30, 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 September 30, 2018, the Fund has issued 6 types of share classes, 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.

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 and J Class Shares have not yet been issued while A Class Shares were fully redeemed during the current financial year. However, A Class Shares can no longer be issued since January 1, 2004.

### (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 September 28, 2018 based on the last available market prices of the securities in which the Fund has invested, as of this date.

#### (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 September 28, 2018 were:

1 JPY = 0.007580 EUR

1 JPY = 0.006751 GBP

1 JPY = 0.008804 USD



# JAPAN DYNAMIC FUND

## Notes to the Financial Statements (continued) as at September 30, 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 September 28, 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**

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 September 30, 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.

#### **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 period ended September 30, 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 September 30, 2018

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

#### (d) Taxes and Expenses Payable

Subscription tax (note 4)	135,957
Accounting, compliance, rental and banking fees	9,035,703
Depository	1,600,559
Audit, legal and facility fees	6,265,323
<b>TOTAL</b>	<b>17,037,542</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 period ended September 30, 2018.

#### (6) Forward Foreign Exchange Contracts

As at September 30, 2018, the following forward foreign exchange contracts were outstanding:

Maturity Date	Currency	Purchase	Currency	Sales/Commitment	Unrealised gain/(loss) (in JPY)
31/10/2018	EUR	267,493	JPY	35,390,756	(94,614)
31/10/2018	EUR	11,044,761	JPY	1,467,051,310	(9,677,519)
31/10/2018	GBP	14,751	JPY	2,190,158	(7,316)
31/10/2018	GBP	602,165	JPY	89,655,814	(547,193)
31/10/2018	USD	122,288	JPY	13,821,692	35,939
31/10/2018	USD	4,977,585	JPY	561,323,250	2,734,605
					<b>(7,556,098)</b>

# JAPAN DYNAMIC FUND

## Statement of Investments as at September 30, 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.	50,000	JPY	72,750,260	99,100,000	3.12
Bestone.com Co. Ltd	1,800	JPY	18,136,062	18,360,000	0.58
Denso Corp.	15,000	JPY	84,653,200	89,985,000	2.83
East Japan Railway Co.	8,000	JPY	75,612,292	84,440,000	2.66
Geniee. Inc.	40,000	JPY	67,280,448	66,200,000	2.08
Hitachi Ltd	46,000	JPY	134,268,085	177,560,000	5.59
Honda Motor Co. Ltd	20,000	JPY	73,454,908	68,780,000	2.16
Jig-saw Inc.	30,000	JPY	91,304,370	103,650,000	3.26
JTEKT Corp.	40,000	JPY	71,597,495	66,520,000	2.09
Kyocera Corp.	25,000	JPY	148,948,968	170,500,000	5.37
Locondo. Inc.	50,300	JPY	50,698,835	86,717,200	2.73
Matsuoka Corp	25,000	JPY	77,680,902	81,000,000	2.55
Mitsubishi Chemical Holdings Corp.	148,000	JPY	119,229,770	160,950,000	5.06
Mitsubishi Corp.	45,000	JPY	98,730,414	157,545,000	4.96
Mitsubishi Electric Corp.	100,000	JPY	134,813,394	155,650,000	4.90
Mitsubishi Heavy Industries	20,000	JPY	102,738,650	87,740,000	2.76
Mitsubishi UFJ Financial Group	350,000	JPY	240,776,446	248,185,000	7.81
Mitsui Fudosan Co.	20,000	JPY	47,481,760	53,780,000	1.69
Nippon Soda	50,000	JPY	144,993,813	174,750,000	5.50
NTT Corp.	20,000	JPY	88,783,728	102,640,000	3.23
NTT Domoco Inc.	40,000	JPY	95,026,680	122,200,000	3.85
Sekisui House Ltd	65,000	JPY	116,670,493	112,612,500	3.54
Seven & I Holdings Co. Ltd	30,000	JPY	128,394,302	151,800,000	4.78
Sumitomo Electric Industries	30,000	JPY	53,378,973	53,460,000	1.68
Tokio Marine Holdings Inc.	15,000	JPY	63,984,301	84,555,000	2.66
Toyota Motor Corp.	20,000	JPY	142,560,048	141,900,000	4.47
User Local. Inc.	15,000	JPY	92,042,993	105,000,000	3.30
Value Golf Inc.	30,000	JPY	47,638,396	48,600,000	1.53
			<b>2,683,629,986</b>	<b>3,074,179,700</b>	<b>96.74</b>
<b>Total Shares</b>			<b>2,683,629,986</b>	<b>3,074,179,700</b>	<b>96.74</b>
<b>Total Transferable securities admitted to an official stock exchange listing</b>			<b>2,683,629,986</b>	<b>3,074,179,700</b>	<b>96.74</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>			<b>2,683,629,986</b>	<b>3,074,179,700</b>	<b>96.74</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 September 30, 2018

(expressed as percentage of net assets)

<u>Economic Division</u>		<u>Geographic Division</u>	
Electrical Machinery	15.86%	Japan	96.74 %
Communication	15.17%		<b>96.74 %</b>
Chemicals	10.56%		
Transport Equipment	9.46%		
Banks	7.81%		
Retail	7.51%		
Wholesale	4.96%		
Machinery	4.85%		
Construction	3.54%		
Pharmaceuticals	3.12%		
Services	2.66%		
Insurance	2.66%		
Land Transport	2.66%		
Textiles and Apparel	2.55%		
Real Estate	1.69%		
Nonferrous Metals	1.68%		
	<b>96.74%</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

## Additional Information

**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 is not in the scope of the publication requirements of SFTR. No transactions were carried out during the reporting period.