
JAPAN DYNAMIC FUND

Société d'Investissement à Capital Variable

Audited Annual Report
as at March 31, 2019

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

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JAPAN DYNAMIC FUND

Table of Contents

Management and Administration	3
Directors' Report to Shareholders	4
Report of the Réviseur d'Entreprises Agréé	6
Statement of Net Assets	8
Statement of Operations and Changes in Net Assets	9
Changes in the Number of Shares	10
Statistics	11
Notes to the Financial Statements	12
Statement of Investments	16
Economic and Geographic Division of Investments	17
Information to Shareholders	18
Unaudited Information	19

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

Directors:

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

Germain GIRAUD Director, IFDC Limited

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
(until April 30, 2018) Chief of Finance and Risks, Banque Internationale à Luxembourg

Marcel LEYERS
(until December 31, 2018) 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

Ludovic FICHET
(from October 9, 2018) Head of Portfolio Management Non-Financial Assets

INVESTMENT MANAGER

IFDC Limited

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, 2019.

Performance

The Net Asset Value per share for Japan Dynamic Fund Class A shares stood at JPY 54,838 as of June 6, 2018 (last NAV calculation date for this share class), 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 41,514 as of March 31, 2019, compared with JPY 45,036 as of March 29, 2018. This represents a decrease of 7.82% for FY18.

The Net Asset Value per share for Japan Dynamic Fund Class B EUR Hedged shares stood at EUR 115.30 as of March 31, 2019, compared with EUR 126.15 as of March 29, 2018. This represents a decrease of 8.60% for FY18.

The Net Asset Value per share for Japan Dynamic Fund Class B GBP Hedged shares stood at GBP 180.21 as of March 31, 2019, compared with GBP 195.30 as of March 29, 2018. This represents a decrease of 7.73% for FY18.

The Net Asset Value per share for Japan Dynamic Fund Class C JPY shares stood at JPY 14,817 as of February 14, 2019 (last NAV calculation date for this share class), compared with JPY 16,237 as of March 29, 2018. This represents a decrease of 8.75% for the period.

The Net Asset Value per share for Japan Dynamic Fund Class C EUR Hedged shares stood at EUR 94.40 as of March 31, 2019, compared with EUR 102.60 as of March 29, 2018. This represents a decrease of 7.99% for FY18.

The Net Asset Value per share for Japan Dynamic Fund Class C USD Hedged shares stood at USD 124.95 as of March 31, 2019, compared with USD 131.99 as of March 29, 2018. This represents a decrease of 5.33% for FY18.

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 31, 2019	1,591.64	21,205.81
March 29, 2018	1,704.00	21,159.08
Increase (Decrease)	(6.59%)	0.22%

3QFY18 GDP growth was +1.9% annualised (+0.5% QoQ) recovering from the -2.4% annualised recorded in 2Q on the back of the natural disasters that hit Japan during that quarter after +1.9% annualised in 1Q. In 3Q, growth was driven by capex (+0.4% contribution to quarterly GDP growth), private consumption (+0.2%) and public demand (+0.1%) offsetting negative contributions from net exports (-0.3%). Official forecasts look for industrial production to advance +0.4% MoM in March finishing 4QFY18 -2.8% QoQ after rising +2.0% QoQ in 3Q, -1.4% QoQ in 2Q, and +1.2% in 1Q. In the labour market, unemployment fell -0.2% to 2.3% in February from the end of March 2018 equalling its lowest level since April 1993 whilst the job offer-to-applicant ratio rose +0.04 to 1.63x. In terms of prices, core CPI (excl. fresh food) rose +0.7% YoY in February slightly decelerating from +0.9% YoY at the end of FY17 whilst core prices excluding both energy and food rose +0.4% YoY in February from +0.5% YoY in March 2018.

In its April meeting, the BoJ left its monetary policy unchanged but removed the guidance regarding the timing to achieve the 2% CPI target (from previously during FY19). 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 policy, PM Abe confirmed the planned consumption tax hike to 10% (from current 8%) in October 2019 whilst the Cabinet approved a first supplementary budget for FY18 amounting to ¥936bn with most of the funds to be allocated to reconstruction of areas affected by recent natural disasters. In terms of politics, in September PM Abe won the Liberal Democratic Party leadership election for the third time and is set to become Japan's longest serving prime minister staying in power until 2021. The Japanese Yen depreciated in FY18 against the USD (to 110.9 from 106.3) but appreciated against the Euro (to 124.4 from

JAPAN DYNAMIC FUND

Directors' Report to Shareholders (continued)

131.0). JGB 10yr yields fell over FY18 to -0.08% from +0.05% at the end of March 2018 whilst US 10yr bond yields also fell to +2.41% from +2.74%.

Topix fell -6.59% in JPY over FY18 (from March 29, 2018), with a rise in 1HFY18 (+6.65%) followed by a fall in 2HFY18 (-12.41%). Average daily traded volumes fell -17% YoY in FY18. Proprietary traders (+USD 43.9bn till March 22nd) and business companies (+USD 26.0bn) were the main net buyers whilst foreign investors (-USD 50.1bn) and individual investors (-USD 26.2bn) were the main net sellers of Japanese equities. In the smaller markets, TSE Second Section (-5.4%) outperformed whilst JASDAQ (-12.4%) and Mothers (-19.4%) underperformed Topix. Best performing sectors were fisheries (+18.0%), precision instruments (+15.0%), land transport (+14.8%), electric power & gas (+13.2%) and warehousing (+3.9%). Worst performing sectors were marine transport (-26.3%), securities (-24.4%), metal products (-23.8%), non-ferrous metals (-20.3%) and mining (-18.2%). 9MFY18 results for all companies in Topix showed recurring profit increasing by +0.3% YoY after rising +15.1% in FY17.

Outlook

Whilst concerns on future economic trends (including a possible recession in the US and a sharp deceleration in growth in other major economies) resurfaced recently, global trends continue suggesting somewhat decelerating but overall steady growth. With policy makers already reacting to potential weaker growth ahead, the main scenario for the global economy remains one of moderate but steady growth.

In Japan, economists' consensus sees GDP growth decelerating slightly to +0.7% in CY19 from the +0.8% recorded in CY18.

On the corporate earnings front, expectations of ongoing growth are still in place with consensus forecasts looking for recurring profit growth to accelerate from +1.7% in FY18 to +8.4% in FY19.

Concerns on the impact of trade wars on economic growth, US recession risks ahead and downwardly revised earnings forecasts dampened sentiment towards the outlook for global equity markets. However, the investment case for Japanese equities remains constructive. With valuations at low historical levels (Topix PBR 1.17x, FY18 PER 13.9x, FY19 PER 12.6x) in a context of continuing earnings growth supported by domestic monetary policy committed to improve the inflationary outlook of the economy and a corporate sector embarked on a process of structural improvement in governance and shareholder returns, a timely and carefully applied stock picking strategy towards Japanese equities should deliver meaningful capital appreciation on a medium term investment horizon.

The Fund will continue to concentrate its investments on those companies offering attractive valuations as well as prospects of increased profit growth and shareholder returns.

March 31, 2019

The Board of Directors



KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L-1855 Luxembourg

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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

Report on the audit of the financial statements

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, 2019 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, 2019, 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 July 23, 2016 on the audit profession (“Law of July 23, 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 July 23, 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.

Emphasis of Matter

We draw attention to Note 2 (a) of these financial statements, which indicates the decision of the Board of Directors of the Fund to convene an extraordinary general meeting of shareholders on June 28, 2019 at which it will be proposed to the shareholders to decide on the dissolution and the liquidation of the Fund. These financial statements have therefore been prepared using a non-going concern basis of accounting. Our opinion is not modified in respect of this matter

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 July 23, 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 July 23, 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".
- 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, May 23, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé


Rushin Appadoo

JAPAN DYNAMIC FUND

Statement of Net Assets as at March 31, 2019

	Note	JPY
ASSETS		
Investments in securities at market value	(2c)	1,655,547,500
Cash at bank		67,567,782
Interest and dividends receivable, net		20,025,146
Unrealised gain on forward foreign exchange contracts	(8)	1,173,561
TOTAL ASSETS		1,744,313,989
LIABILITIES		
Aggregate fixed fee payable	(3a)	6,946,537
Performance fee payable	(3c)	98,156
Management company fee payable	(3b)	409,839
Taxes and expenses payable	(3d)	22,650,232
TOTAL LIABILITIES		30,104,764
TOTAL NET ASSETS		1,714,209,225
Net asset value per share		
B Class Shares		JPY 41,514
B Class Shares GBP Hedged		GBP 180.21 (JPY 25,993)
B Class Shares EUR Hedged		EUR 115.30 (JPY 14,330)
C Class Shares USD Hedged		USD 124.95 (JPY 13,829)
C Class Shares EUR Hedged		EUR 94.40 (JPY 11,732)
Number of shares outstanding		
B Class Shares		6,642
B Class Shares GBP Hedged		2,945
B Class Shares EUR Hedged		2,160
C Class Shares USD Hedged		35,681
C Class Shares EUR Hedged		71,387

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, 2019

	Note	JPY
NET ASSETS AT THE BEGINNING OF THE YEAR		3,026,880,298
INCOME		
Dividends, net	(2d)	52,483,523
Bank interest	(2d)	267,317
Other income		17,821
TOTAL INCOME		52,768,661
EXPENSES		
Aggregate fixed fee	(3a)	38,109,123
Performance fee	(3c)	98,155
Management company fee	(3b)	3,869,366
Accounting, compliance and transfer agent fees		64,337
Depository fees		7,558,706
Administrative expenses		230,883
Audit fees, printing and publishing expenses		1,977,840
Subscription tax	(4)	915,301
Bank charges and correspondent fees		98,617
Bank interest		472,969
Other charges		15,548,955
TOTAL EXPENSES		68,944,252
NET INCOME / (LOSS) FROM INVESTMENTS		(16,175,591)
Net realised gain / (loss) on sale of investments		(32,828,394)
Net realised gain / (loss) on forward foreign exchange contracts		(44,822,663)
Net realised gain / (loss) on foreign exchange currency		(1,711,809)
NET REALISED GAIN / (LOSS)		(95,538,457)
Change in net unrealised appreciation / (depreciation) on:		
- investments		(187,744,761)
- forward foreign exchange contracts		2,083,678
NET INCREASE / (DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS		(281,199,540)
EVOLUTION OF THE CAPITAL		
Issue of shares		102,190,541
Redemption of shares		(1,133,662,074)
NET ASSETS AT THE END OF THE YEAR		1,714,209,225

JAPAN DYNAMIC FUND

Changes in the Number of Shares for the Year ended March 31, 2019

A Class Shares	
Number of shares outstanding at the beginning of the year	310
Number of shares issued	-
Number of shares redeemed	(310)
Number of shares outstanding at the end of the year	-
B Class Shares	
Number of shares outstanding at the beginning of the year	9,602
Number of shares issued	91
Number of shares redeemed	(3,051)
Number of shares outstanding at the end of the year	6,642
B Class Shares GBP Hedged	
Number of shares outstanding at the beginning of the year	1,687
Number of shares issued	1,258
Number of shares redeemed	-
Number of shares outstanding at the end of the year	2,945
B Class Shares EUR Hedged	
Number of shares outstanding at the beginning of the year	13,083
Number of shares issued	115
Number of shares redeemed	(11,038)
Number of shares outstanding at the end of the year	2,160
C Class Shares	
Number of shares outstanding at the beginning of the year	38,956
Number of shares issued	964
Number of shares redeemed	(39,920)
Number of shares outstanding at the end of the year	-
C Class Shares USD Hedged	
Number of shares outstanding at the beginning of the year	35,681
Number of shares issued	-
Number of shares redeemed	-
Number of shares outstanding at the end of the year	35,681
C Class Shares EUR Hedged	
Number of shares outstanding at the beginning of the year	87,910
Number of shares issued	3,237
Number of shares redeemed	(19,760)
Number of shares outstanding at the end of the year	71,387

JAPAN DYNAMIC FUND

Statistics

JPY

Total net asset value

March 31, 2019	1,714,209,225
March 31, 2018	3,026,880,298
March 31, 2017	13,869,744,902

NAV per share at the end of the year

March 31, 2019

B Class Shares	JPY 41,514
B Class Shares GBP Hedged	GBP 180.21 (JPY 25,993)
B Class Shares EUR Hedged	EUR 115.30 (JPY 14,330)
C Class Shares USD Hedged	USD 124.95 (JPY 13,829)
C Class Shares EUR Hedged	EUR 94.40 (JPY 11,732)

March 31, 2018

A Class Shares	52,747
B Class Shares	45,036
B Class Shares GBP Hedged	GBP 195.30 (JPY 29,136)
B Class Shares EUR Hedged	EUR 126.15 (JPY 16,500)
C Class Shares	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	49,513
B Class Shares	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	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*	1,123,711

* J Class Shares was closed on November 28, 2017

JAPAN DYNAMIC FUND

Notes to the Financial Statements as at March 31, 2019

(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, (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 **"Investment 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, 2019, the Fund had 5 active share classes, B Class Shares, B Class Shares GBP Hedged, B Class Shares EUR Hedged, 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 and C Class Shares were fully redeemed during the current financial year.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles and with the legal reporting requirements applicable in Luxembourg relating to undertakings for collective investment, and further on to the intention to dissolve the Fund (refer to the paragraph below), established on a non-going concern basis.

On May 22, 2019, the Board of Directors of the Fund resolved to convene an extraordinary general meeting of shareholders on June 28, 2019 at which it will be proposed to the shareholders to decide on the dissolution and the liquidation of the Fund. Accordingly, these financial statements have been prepared on a non-going concern basis and a provision for liquidation cost of EUR 100,000 (JPY 12,428,536) has been recorded as at March 31, 2019. This provision has been recognised under the caption "other charges" in the statement of operations and changes in net assets and under the caption "taxes and expenses payable" in the statement of net assets as at March 31, 2019.

(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 29, 2019 were:

1 JPY = 0.008046 EUR

1 JPY = 0.006933 GBP

1 JPY = 0.009035 USD

JAPAN DYNAMIC FUND

Notes to the Financial Statements (continued) as at March 31, 2019

(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, 2019.

(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 March 31, 2019

(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, 2019 the following performance fees were payable:

Class	Performance Fees payable (in JPY)
B Class Shares	78,535
C Class Shares	19,621
TOTAL	98,156

The Performance Fees above were crystallized following redemptions that occurred during the 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 year ended March 31, 2019.

J Class Shares

There were no J Class Shares in issue for the year ended March 31, 2019.

JAPAN DYNAMIC FUND

Notes to the Financial Statements (continued) as at March 31, 2019

(3) Charges and Expenses (continued)

(d) Taxes and Expenses Payable

Subscription tax (note 4)	79,718
Accounting, compliance, rental and banking fees	7,208,856
Depository	1,291,250
Audit, legal and facility fees	1,641,872
Provision for liquidation (note 2(a))	12,428,536
TOTAL	22,650,232

(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, 2019.

(6) Transaction costs

Transaction costs are comprised of brokerage commissions amounting to JPY 1,246,415 for the year ended March 31, 2019. 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, 2019.

(8) Forward Foreign Exchange Contracts

As at March 31, 2019 the counterparty to forward foreign exchange contracts outstanding is RBC Investor Services Bank S.A..

As at March 31, 2019, the following forward foreign exchange contracts were outstanding:

Maturity Date	Currency	Purchase	Currency	Sales/ Commitment	Unrealised gain/(loss) (in JPY)
26/04/2019	EUR	6,951,374	JPY	863,558,090	510,606
26/04/2019	GBP	11,076	JPY	1,601,746	(5,496)
26/04/2019	GBP	523,245	JPY	76,130,557	(722,387)
26/04/2019	USD	4,471,072	JPY	492,438,013	1,390,838
					1,173,561

(9) Subsequent events

On May 22, 2019, the Board of Directors of the Fund resolved to convene an extraordinary general meeting of shareholders on June 28, 2019 at which it will be proposed to the shareholders to decide on the dissolution and the liquidation of the Fund

JAPAN DYNAMIC FUND

Statement of Investments as at March 31, 2019

(expressed in JPY)

Description	Quantity	Currency	Cost	Evaluation	% net assets
Transferable securities admitted to an official stock exchange listing					
Shares					
Japan					
Astellas Pharma Inc.	40,000	JPY	58,200,208	66,340,000	3.87
Denso Corp.	7,000	JPY	39,504,827	30,219,000	1.76
East Japan Railway Co.	7,000	JPY	67,700,609	74,760,000	4.36
Hitachi Ltd	30,000	JPY	89,701,221	107,550,000	6.27
Honda Motor Co. Ltd	15,000	JPY	55,091,181	44,925,000	2.62
Jig-saw Inc.	25,000	JPY	76,255,636	73,400,000	4.28
JTEKT Corp.	25,000	JPY	44,748,434	34,050,000	1.99
Kyocera Corp.	10,000	JPY	59,579,587	65,000,000	3.79
Locondo. Inc.	45,500	JPY	45,860,775	64,792,000	3.78
Matsuoka Corp	20,000	JPY	62,269,954	69,400,000	4.05
Mitsubishi Chemical Holdings Corp.	85,000	JPY	68,476,556	66,249,000	3.86
Mitsubishi Corp.	25,000	JPY	54,850,231	76,850,000	4.48
Mitsubishi Electric Corp.	60,000	JPY	80,888,035	85,350,000	4.98
Mitsubishi Heavy Industries	10,000	JPY	51,369,325	45,980,000	2.68
Mitsubishi UFJ Financial Group	235,000	JPY	161,664,184	129,250,000	7.54
Mitsui Fudosan Co.	15,000	JPY	35,611,320	41,737,500	2.44
Nippon Soda	28,000	JPY	81,196,535	81,872,000	4.78
NTT Corp.	15,000	JPY	66,587,796	70,545,000	4.12
NTT Domoco Inc.	22,000	JPY	52,264,674	53,933,000	3.15
Sekisui House Ltd	50,000	JPY	89,193,857	91,600,000	5.34
Seven & I Holdings Co. Ltd	20,000	JPY	85,596,202	83,520,000	4.87
Tokio Marine Holdings Inc.	10,000	JPY	42,656,201	53,620,000	3.13
Toyota Motor Corp.	15,000	JPY	106,920,036	97,305,000	5.68
User Local. Inc.	11,000	JPY	67,498,195	47,300,000	2.76
			1,643,685,579	1,655,547,500	96.58
Total Shares			1,643,685,579	1,655,547,500	96.58
Total Transferable securities admitted to an official stock exchange listing			1,643,685,579	1,655,547,500	96.58
TOTAL INVESTMENT PORTFOLIO			1,643,685,579	1,655,547,500	96.58

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, 2019

(expressed as percentage of net assets)

<u>Economic Division</u>		<u>Geographic Division</u>	
Electrical Machinery	15.04%	Japan	96.58 %
Communication	14.30%		96.58 %
Transport Equipment	10.06%		
Retail	8.65%		
Chemicals	8.64%		
Banks	7.54%		
Construction	5.34%		
Machinery	4.67%		
Wholesale	4.48%		
Land Transport	4.36%		
Textiles and Apparel	4.05%		
Pharmaceuticals	3.87%		
Insurance	3.13%		
Real Estate	2.43%		
	96.58%		

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 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. The financial year of the Management Company ending on December 31 each year, the remuneration below covers the period from January 1, 2018 to December 31, 2018:

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 1,338,179.

Total gross amount of the variable remunerations paid: EUR 214,300.

Number of beneficiaries: 20

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 842,862.

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 709,618.

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.