PRESENTER: Joining me now is Yuichi Murao, who is head of investment, Japanese Equity for Nomura Asset Management. So, Yuichi, it's good to have you with us today. So I want to start by Abenomics. Now, it's the sixth year of Abe's reforms, so what's the situation at the moment? YUICHI MURAO: Well Mr Abe was elected as the leader for the LDP and confirmed as a prime minister for his third term. And we believe this is basically positive because the policy framework, including the monetary policy and fiscal policy and also other reforms, it's going to be maintained, because these reforms actually helped the Japanese corporate sector to recover and also supported the Japanese economy. And especially the policy by the Bank of Japan, we have aggressive monetary easing, had quite a positive impact through the depreciation of the currency. And also the notable [unclear 0:01:01] introduction with the corporate governance code, which also boosted the return on equity of the Japanese corporations. And the continuity of the policy itself is quite positive under the current situation where everywhere in the world we see some answer to [unclear 0:01:18] policies. So we can probably say that Japan has the least political risk at the moment amongst the growth markets. PRESENTER: But growth in Japan is still slow so why should we focus on Japan? YUICHI MURAO: Well the Japanese GDP growth rates remains around 1%, which is certainly a very low; however, we are now seeing quite notable changes in the structure in the economy. Japanese potential growth rate continues to decline since '90s from 4% to 1%. And then we are now seeing some stabilisation and it's started to stop falling. And the reason is that we are seeing more inputs from the labour force and also some more capital investments in the Japanese economy. And it sounds like a contradictory because we have Asian population structure but now we are seeing more participation of female workers and elderly workers, and also in order to deal with the shortage of the capacity, many companies are investing in the capital expenditure to raise the productivity. And further, despite this improvement in the potential growth rate, we are already seeing the positive output gap. And we are experiencing quite a shortage across the region and new division of the capacity is at the highest level since '90s and the employment rate has also fallen to 2.4%, which is actually the lowest over the last two decades. So we need more inputs to raise our growth rates. So there are some initiatives by the government to ease the policies for the migration to invite more foreign workers, and also encourage corporations to do a replacement of the obsolete capital bases and so introduce new technologies to raise the productivity. PRESENTER: Well in this industry we are seeing a trend as investors shift to passes because of costs. So do you think your fund has a sensible approach to Japanese equities? YUICHI MURAO: Well, we believe so. Japan is probably a good case for active investment, because we have 2,000 stocks listed in Tokyo markets, and with the long tail of the small companies, micro companies, with a variable level of quality. So in order to have access or exposure to good quality companies, we really have to be very active. And in our philosophy, we define quality as the sustainable return on equity, which leads to the accumulation of, steady accumulation of the shareholders equity, which again leads to the appreciation of the share price in line with the gross rate of the book per share. So basically Japan has a very broad market with diversified components and the entire market's expected return would be maybe single digit; however, by having some concentration or active selection of the corporations, you can benefit from very high growth from investing in Japan. And that is also, you can see that the Japanese corporate profits has doubled almost over the last five years despite the stagnant economic conditions. So what's really driving these changes are the changes in the improvements of the corporate returns, and this has really played out on the stock level, and some companies are driving the changes in the new technologies and also they are some forerunners of the new technological developments in the environmental regulation and integration with the Asian economies. And they're lots of benefits for this cyclical, not the long-term theme, we can find lots of good Japanese corporations and this is a [unclear 0:05:14] for the Japanese sector manager to contribute to the investors. PRESENTER: And what do you think makes your fund unique from others? YUICHI MURAO: We have an approach that is really a high conviction concentrated portfolio, and our focus as I mentioned is the sustainability of the return equity. Simply investing in the company with a high level return on equity doesn’t really work, because you want to see return equity start to fall, will experience the contraction of the valuation. So what really we have to do is to have a sustainable return on equity, companies with the consistent performance return on equity so that we can benefit from accumulation of the shareholders equity for a long-term period. And in order to do that, we will really have to have a thorough understanding of the corporations. And then Nomura as a top firm in Japan, we have one of the leading research teams, and our analysts and their portfolio managers are very highly motivated and recognise as they are industry experts and we actually have a longest experience in this market. So we believe that we know the Japanese market much more than other people. PRESENTER: So the Japan High Conviction Fund, why does conviction matter? YUICHI MURAO: With fewer names, we think that the portfolio managers can develop their deeper understanding of the companies or investment, and there are many managers actually have a lot of skill to select good companies, but sometimes these managers are reluctant to have a concentrated high conviction portfolio because they believe that the concentration might be at odds with the risk averse investors. So sometimes in this case they cannot really reveal their skills in the market. So, by having a concentrated portfolio, we think that we can deliver our expertise and by being selective, we can provide opportunities for our investors to avoid investing that is simply done to follow the index. PRESENTER: Now the Japan High Conviction Fund has done well over the years, so what kind of market do you really do well in? Well these products actually can perform very well in a variety range of the market conditions. And despite these factors, high growth factor and quality factor, we have actually seen quite a steady return in market conditions where the growth factor was out of favour. Basically this product is our best idea in the Japanese equity markets, with a strong and sustainable growth rate with a high return on equity, and we have the capacity to choose the right stocks. So instead of having the diversified portfolio, the investors can exploit the benefit of this growing strong company. PRESENTER: Yuichi, thank you. YUICHI MURAO: Thank you very much.