
JAZZY FUND

(10 min Presentation)

October 2024

MCP Asset Management Company Limited (“Investment Manager”)

MCP Asset Management (Japan), Inc. (“Investment Advisor”)

Summary

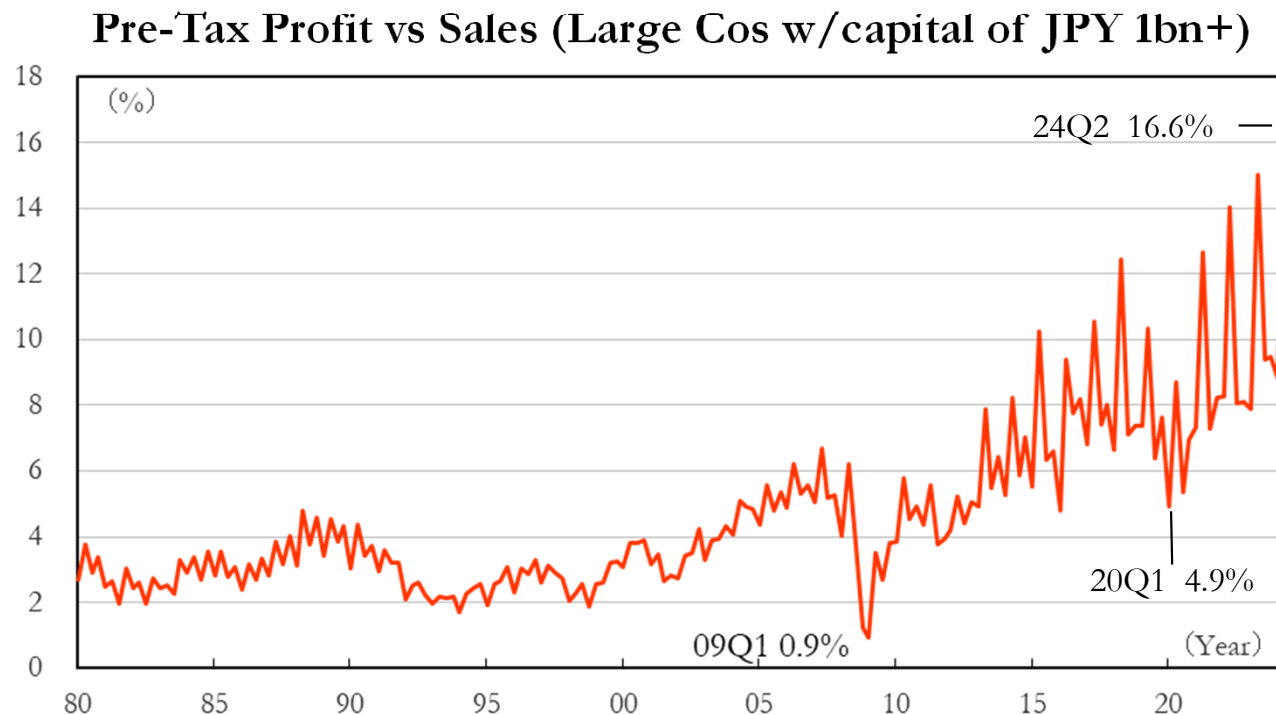
- **Why Japan? NO LONGER A VALUE TRAP**
- **Why Jazzy Fund? TRACK RECORD**
 - *51 months of stable, exceptional returns on average AUM of US\$275mil.
(from Jun '11 to Dec '13)
- **What makes us Different? UNIQUE INSIGHT**
 - Ability to Assess **Market Sentiment** through analysis of the **CREDIT Cycle**
- **Who are we? GREAT TEAM** (at Investment Advisor**)
 - Complimentary skills, background, and relationships
 - 3 core strategies
 - Event Driven
 - Long / Short
 - Tactical Trading

*The track record set forth herein are for illustrative and informational purposes only, is of funds with the same or comparable strategies which the team previously engaged in the funds as shown in the Appendix 1 hereof and is not for Jazzy Fund.

**MCP Asset Management (Japan), Inc.

Sneaky Good Trend

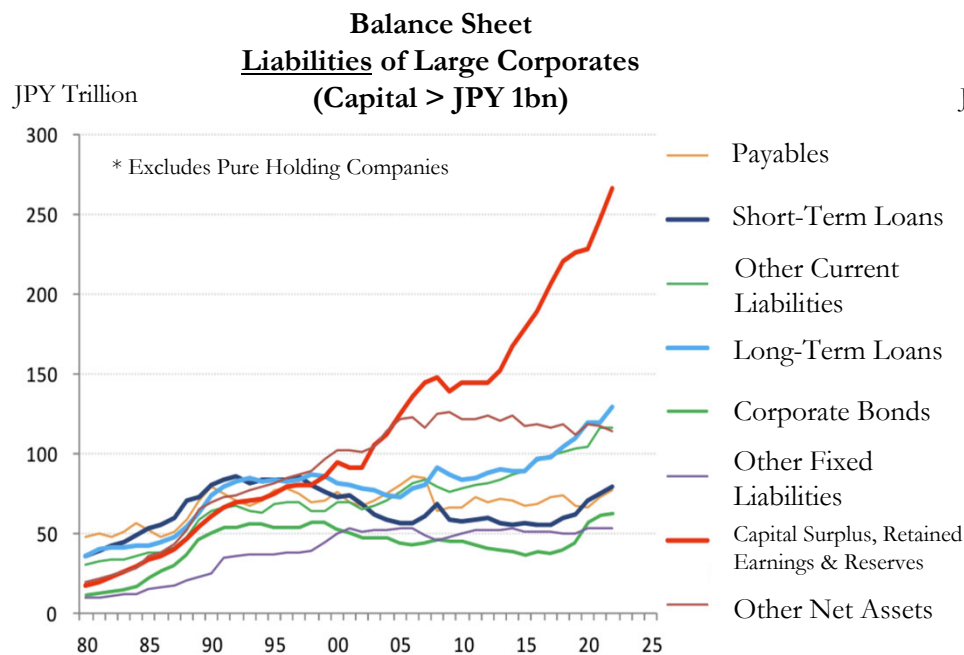
- Corporate profit margins* (pre-tax profit vs sales) have steadily improved during the LOST back-to-back decades
- AND have DOUBLED in the last decade



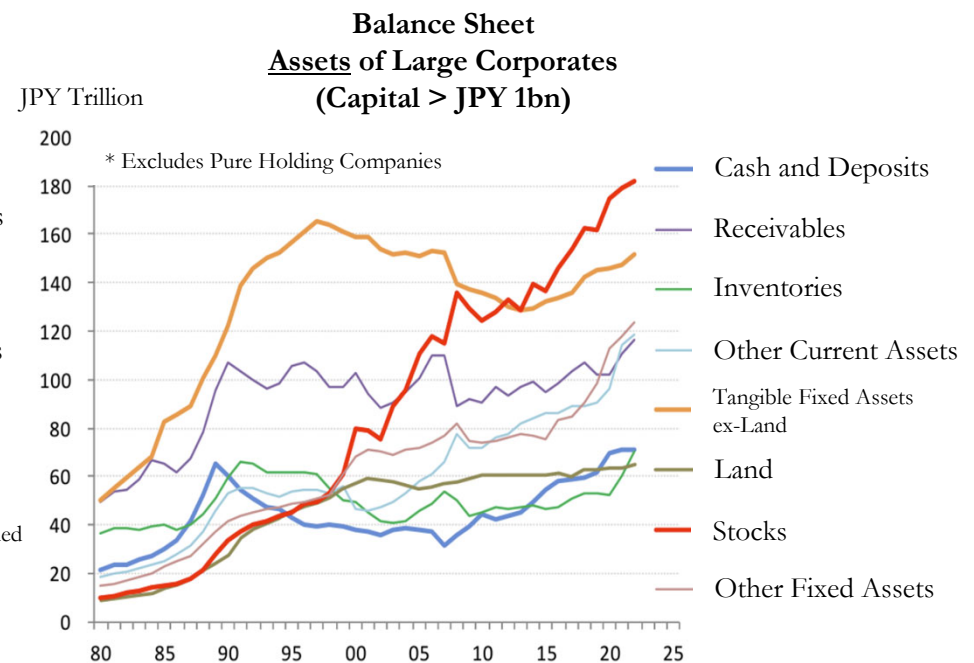
* Excludes Financials and Insurance; Data from Ministry of Finance

Best Balance Sheet Ever

- Shareholder equity has grown faster than all other items on the balance sheet
- On the asset side, valuation gains have caused equity investments, largely consisting of cross share-holdings, to grow faster than other components



Source: Daiichi Life Research Institute using data from Ministry of Finance (English labels inserted)



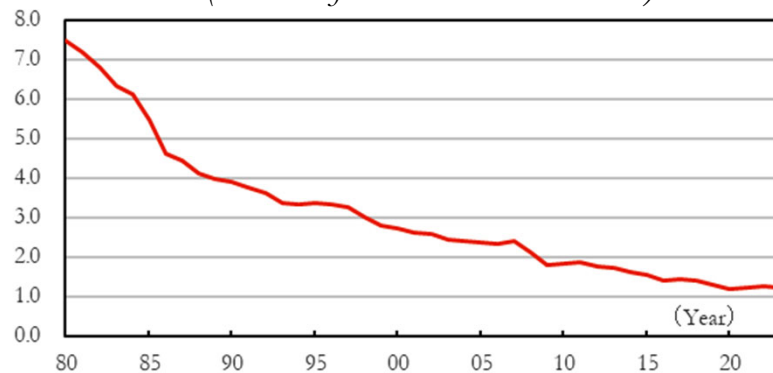
Source: Daiichi Life Research Institute using data from Ministry of Finance (English labels inserted)

Today's Opportunity

Too much Capital, Pressure to Hustle More **NOW**

	Opportunity	Target	Asset to Sales Ratio	Players
IN	Unlocking value from excess assets	Over-capitalized	High	Activists
OUT	Distressed	Under-capitalized	Not necessarily High	Vulture Funds

Total Asset Turnover Ratio (Sales/Asset)
(Inverse of Asset to Sales Ratio)



Data from Ministry of Finance

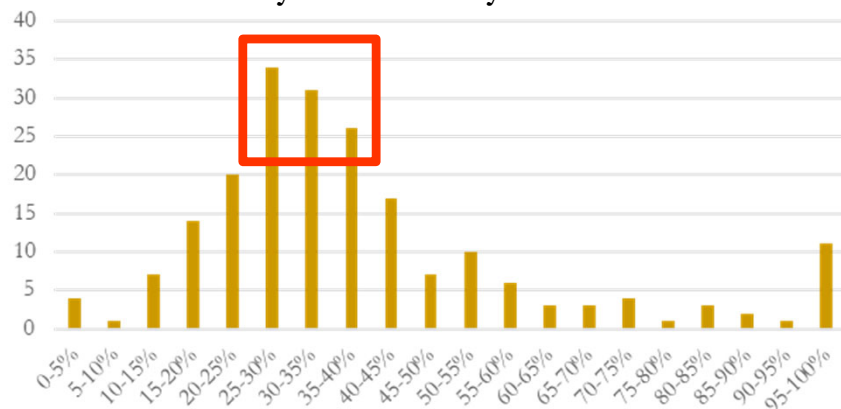
*Excludes Financials and Insurance

**Large Corporates (Capital above JPY 1bn)

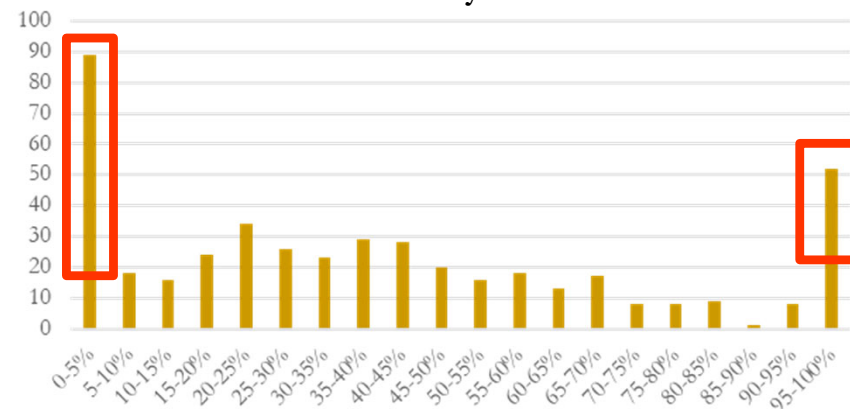
- **Corporate Governance Reform:** FSA's Corporate Governance Action Program is in effect, with the latest update released in June 2024. The goal is to improve corporate value by enhancing transparency, accountability, and efficient use of capital, while encouraging better governance practices, including the unwinding of cross-shareholdings, to foster long-term growth and benefit both shareholders and the broader economy.
- **TOPIX Index Rule Change:**
 - Phase 1: Elimination of stocks with free-float adjusted market cap of JPY 10bn is under way, scheduled for completion in January 2025
 - Phase 2: New rules that will be aligned with liquidity and stricter capital use has been announced. Stocks excluded from the newly constructed index will face significant pressure during the implementation period between October 2026 and October 2028.
- **Activist and Shareholder Engagement:** Increased activism and shareholder engagement are driving Japanese companies to enhance efficiency and shareholder returns.
- **Inflationary Pressure**

Further Opportunities

Number of Companies in the Nikkei 225 by Dividend Payout Ratio



Number of Companies in the S&P 500 by Dividend Payout Ratio



* Source: KK Strategic Advisors using data from QUICK

- In Japan, many companies have a dividend payout ratio of around 30%. There is a strong tendency to follow what others are doing, with many companies believing that maintaining a dividend payout ratio of 30% plus a 20% share buyback, resulting in a total shareholder return ratio of about 50%, is sufficient. Unlike in the U.S., the alignment of capital policy with corporate finance status appears insufficient. This represents a clear **“WORK IN PROGRESS,”** presenting further **OPPORTUNITIES** for investors.

Feb-14	Stewardship Code (SS Code)	Promotes sustainable growth of companies through engagement between investors and companies
Aug-14	Ito's Report	Sets a goal of 8% ROE to enhance corporate value
Jun-15	Corporate Governance Code (CG Code)	Encourages substantive corporate initiatives
May-17	Revised Stewardship Code	Improves effectiveness through measures like conflict of interest management and disclosure of voting results
Jun-18	Revised Corporate Governance Code	Revises CEO appointment/dismissal descriptions to ensure diversity, and reduction of cross shareholdings
Mar-20	Second Revision to Stewardship Code	Expands scope of application, including disclosure of reasons for voting in favor or against proposals
Jun-21	Second Revision to Corporate Governance Code	Adds disclosure requirements regarding human capital
Mar-23	TSE Request for 'Capital Cost-Aware Management'	Requests companies to manage in a way that considers capital costs and stock prices, addressing companies with a PBR below 1
Oct-23	Publication of List of Compliant Companies	Decision to publish a list of companies addressing the above request
Feb-24	Publication of Case Studies	Publication of list of companies disclosing compliance efforts

Live Event – Activism Pressure on Sapporo Holdings (2501)

- **Activist Pressure:** In February 2024, 3D Investment Partners (16% stake) urged Sapporo Holdings to divest its underperforming real estate, estimating this could boost market capitalization by JPY 280 billion (64%)
- **Strategic Shift:** On July 8, 2024, Sapporo announced a refocus on its core beer business, with plans to expand the Sapporo brand internationally
- **Divestment Plan:** Sapporo is considering spinning off key properties like Yebisu Garden Place through a tax-qualified structure and selling others outright
- **Major Announcement:** On September 19, 2024, Sapporo began soliciting external proposals for real estate divestment, marking a significant restructuring step



Market Reaction: The stock surged up to 40% following 3D's proposal, reflecting investor optimism about restructuring efforts



Team (at Investment Advisor)

Event Driven + Tactical Trading Portfolio is expected to have **low correlation** with the Long / Short Portfolio

Event Driven + Tactical Trading

Long / Short

Expert Azuma

(Derivatives + Prop/Program Trading)

Taps Opportunities +
Hunts down **BIG MOVES**

Expert Matsui

(Program Trading at Domestic Shops)

Understands **PAINPOINTS**,
where capitulation and squeezes occur

Expert Kondo

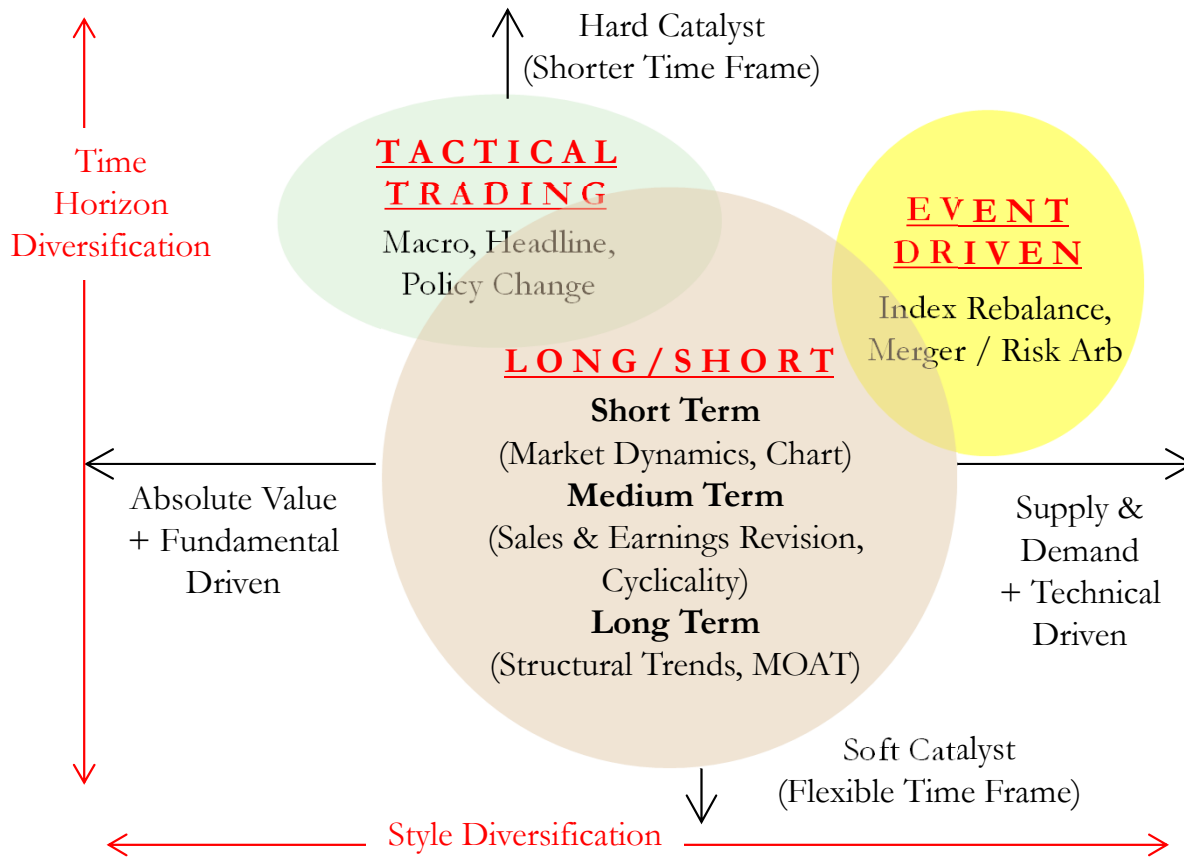
(Credit Trading + Real Estate)

Plays **BAD COP** +
Does the dirty work

Market Analysis, Research and Specialist
Access, Idea Generation

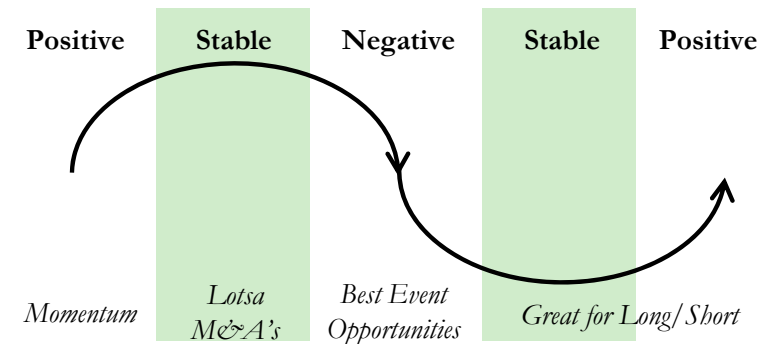
Strategies

Time + Style Diversification



Assessment of Sentiment

1. Assess Credit Cycle



Pricing Anomalies are especially abundant when credit cycle turns negative

2. Assess Other Macro Factors

3. Assess Micro Factors

Unlike typical Long/Short and Macro Funds: Expertise in credit markets provide better insights to corporate behavior, risk assessment and market sentiment

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TOPIX including dividend: Japanese equity