



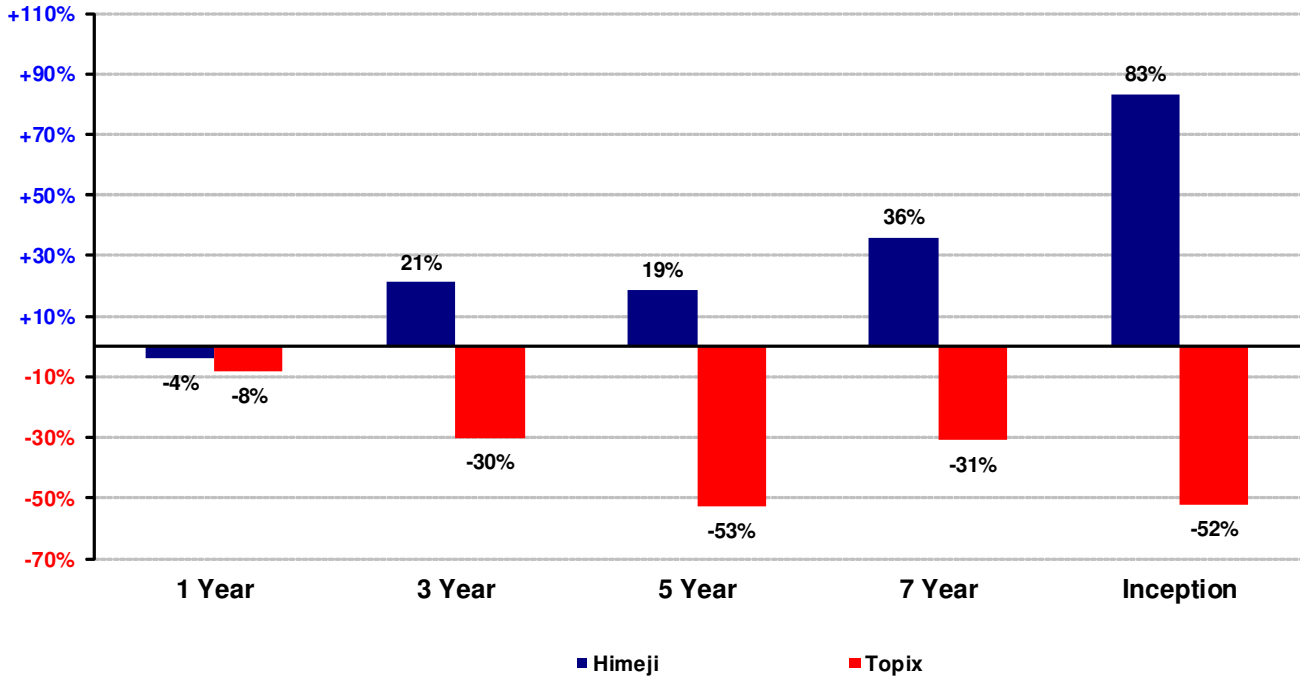
# HIMEJI FUND

## MONTHLY NEWSLETTER

### September 2011

24<sup>th</sup> October 2011

### Performance



Source: Northern Trust, Stratton Street Capital LLP. Based on Himeji A Class.

	Class A	Class B	Class C	Class D	Topix	EH JP LS	Sharpe	\$	¥
Sep-11	-0.43%	-0.44%	-0.47%	-0.42%	-1.22%	-0.74%		0.51	0.55
YTD	-8.03%	-8.01%	-8.05%	-7.66%	-15.31%	-0.75%	Sortino	1.03	1.24

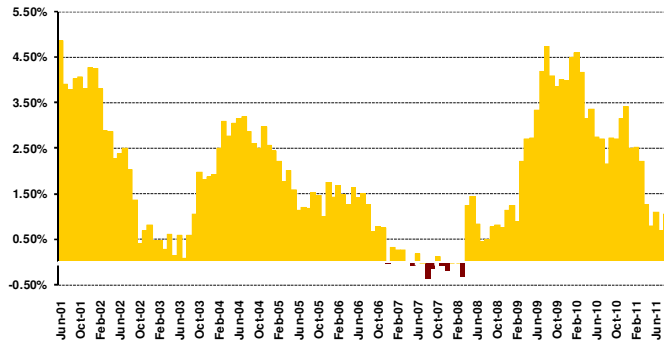
N.B. EH JP LS is the EurekaHedge Japan Long/Short Index  
 Source: Northern Trust, Bloomberg, Stratton Street Capital LLP

Full performance history in table at end of document

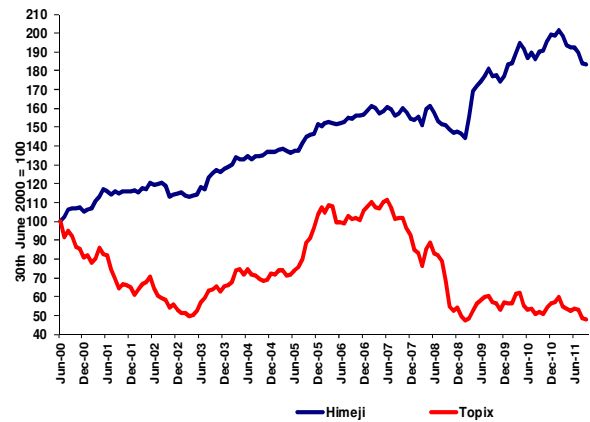
Since inception the A and B dollar classes have risen by 83%, the Yen class (launched Feb 03) has risen by 40%. A Sterling hedged class (Class D) was launched at the end of November 2010 and is currently recording a small decline of 6%. The Fund has always been run with a net long bias, averaging around 18% since launch in June 2000, and has achieved these gains despite the Japanese equity market being down 52%. Furthermore, the EurekaHedge Japan Long/Short Index has returned a smaller return of 58% over the life of the fund. Historic regression analysis of the Fund's returns against the index shows that the returns are uncorrelated to market direction ( $R^2$  of 0.02), with consistent positive returns generated through both bull and bear markets.

Issued by Stratton Street Capital LLP which is authorized and regulated by the Financial Services Authority. This document is for information only and does not constitute an offer or recommendation to buy or sell any investment, or subscribe to any investment management or advisory service. Past performance is not necessarily a guide to the future. Whilst all reasonable care has been taken to ensure that the stated facts are accurate and opinions are fair and reasonable neither Stratton Street Capital LLP nor any of its partners or employees shall be responsible in any way for the contents of this document. It is not, under any circumstances, intended for distribution to the general public. Distribution in the UK is restricted to those Investment Professionals defined under Articles 19 & 49 of Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 & Articles 14 & 22 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemption) Order 2001. This fund is an unregulated collective investment scheme. Recipients may pass on this document but only to others falling within those categories. – We confirm there are material terms in place for this fund which grants an investor portfolio transparency rights and notification of key personnel changes.

## Monthly Alpha - 12 Month Moving Average



Source: Northern Trust, Bloomberg, Stratton Street Capital LLP



This month's top positive contributions came from long positions in NTT, Tokyu Corp, and Aoyama Trading. Nabtesco, Yaskawa and Softbank produced positive returns on the short book.

## Commentary

The Japanese stock market has and continues to be dominated by overseas rather than domestic news. Therefore, there has been little coverage of the development of the third and most significant supplementary budget following the earthquake and tsunami earlier this year. Prime Minister Noda's cabinet finalised the details over the first weekend of October and it is now being consulted on with the opposition in the hope that the bill could pass the lower house by the end of the month. The proposed size of this budget is Y12 trillion and will be mostly financed by the issue of Y11.4 trillion reconstruction bonds. In order to reduce the burden on future generations the government is aiming to have repaid these bonds by fiscal year 2022. The funding for this will come from tax increases, cost cutting and the sale of government assets. The two assets specifically mentioned are shares in Japan Tobacco and Japan Post, and in the latter's case the DPJ's press release contains the following phrase "we will enact postal reform legislation at an early date, and having done so, with reference to the management conditions at Japan Post, sell government holdings in the company as soon as possible". The tax increases include a temporary 4% increase in income tax running to 2022, a three year 10% increase in corporation tax ending 2014 and a one Yen per cigarette increase in the tobacco tax.

Since the sell-off which began in early August our proprietary indices show that domestics and defensives have performed particularly well, whilst our indices for China related stocks and machine tools have underperformed markedly. There is some evidence that there has been a slower rate of growth in China with the latest GDP number for the quarter coming in at 9.1%, but it is worth remembering that in the financial crisis that followed the collapse of Lehman this dropped to 6.2%. Since many economists are relying on the emerging economies to provide around 80% of next year's global growth forecast it is important that we don't have a hard landing in China, we believe that the Chinese authorities will act to ensure that this isn't the case. Amongst domestic stocks retail shares have proved to be particularly resilient, it appears that the population has started spending money. The elder generations have realised they have more than enough savings to cover their life expectancy and so they have are buying again and giving money to their children and grand-children. There is further evidence of the cohesive effect that natural disaster can engender with the recent release of a survey showing that more single women wish to marry now than before March of this year. All of this suggests that domestic consumption is likely to benefit, as the practise of exchanging gifts is recovering.

The market continues to be heavily influenced by news concerning a double dip recession in the United States and the sovereign debt issue in Europe. On the first point it is worth turning to the Citi Economic Surprise Indicators, the index for United States has been on an uptrend for some months now and passed into positive territory the week beginning 10th October. These are complex indicators, however this does suggest to us that the US economy whilst experiencing a slowdown is not certain to enter a recession. The European debt issue is complicated by the various political considerations experienced by the leaders of the countries involved and their posturing ahead of any collective meeting, it is therefore difficult to separate the real message from the noise, however there does appear to be better commentary from European strategists that progress is being made on the issue.

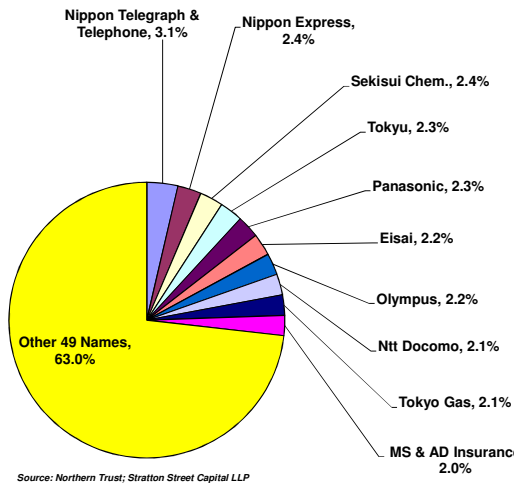
Turnover has currently shrunk to values normally associated with the week before calendar year end, foreigners had been net sellers of Japanese equities for eleven straight weeks in a row and it is reported that the price book ratio on the first section index hasn't traded below one for this length of time since 1965. If the worries fade the market is set for a rebound.

**Portfolio Data**

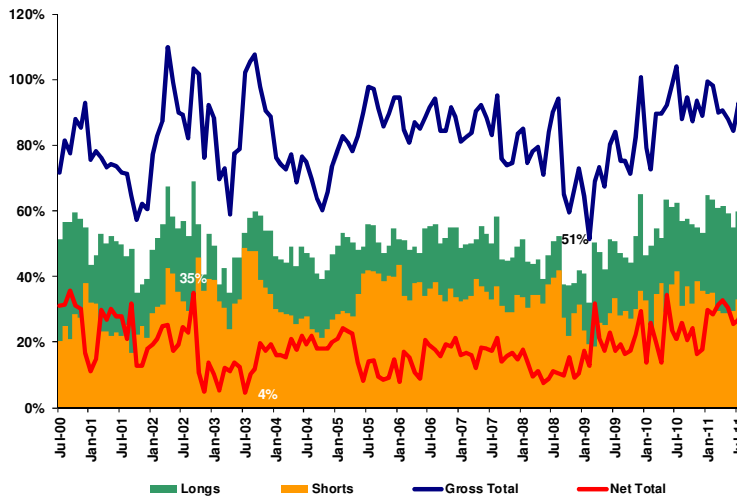
Net exposure at month end increased from 35% to 36%. Gross exposure increased from 84% to 86%.

The portfolio is concentrated in liquid investments, a recent quick analysis shows that in the event of total liquidation, 95% could be completed inside 15 minutes and 100% liquidation within 60 minutes.

**Top Ten Positions**



**Gross, Net, Long & Short Exposures**



	Longs	Shorts	Gross	Net
Consumer Discretionary	11.3%	4.2%	15.5%	7.1%
Consumer Staples	1.7%	2.6%	4.3%	-0.9%
Energy	0.0%	0.0%	0.0%	0.0%
Financials	9.0%	1.3%	10.3%	7.8%
Health Care	2.2%	3.9%	6.1%	-1.6%
Industrials	16.8%	4.9%	21.7%	11.9%
Information Technology	7.2%	2.7%	9.9%	4.5%
Materials	5.2%	4.3%	9.5%	0.9%
Telecommunication Services	5.2%	1.4%	6.7%	3.8%
Utilities	2.1%	0.0%	2.1%	2.1%
	<b>60.8%</b>	<b>25.2%</b>	<b>86.0%</b>	<b>35.7%</b>

Source: Northern Trust; Stratton Street Capital LLP

**D.J. McEwan**  
Fund Manager

	BLOOMBERG TICKER	SEDOL	ISIN Number	
Himeji Fund "A" Class	USD	JADJPNA Equity	0476021	KYG4590N1007
Himeji Fund "B" Class	USD	JADJPNB Equity	0476463	KYG1237B1196
Himeji Fund "C" Class	JPY	JADJPNC Equity	B1GK3X4	KYG500131043
Himeji Fund "D" Class	GBP	JADJPDP Equity	B3NH4Q2	KYG4590N1262

**For further information**

<p><b>STRATTON STREET</b> Capital LLP</p> <p>Alternative Investment Advisors</p>		<p>30 Charles II Street London SW1Y 4AE United Kingdom</p>	<p>Tel: +44 20 7766 0888 Fax: +44 20 7766 0860</p>
		<p>www.strattonstreet.com</p>	
<p><b>Andrew Clark</b> +44 20 7766 0820 <b>Andrew Main</b> +44 20 7766 0801</p>	<p>andrewclark@strattonstreet.com andrewmain@strattonstreet.com</p>		

Himeji Fund – September 2011 - Monthly Review

Appendix

A (USD)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
CY 2000							+ 2.30 %	+ 4.01 %	+ 0.47 %	- 0.28 %	+ 0.66 %	- 1.96 %	+ 5.20 %
CY 2001	+ 1.24 %	+ 0.28 %	+ 3.84 %	+ 1.80 %	+ 3.45 %	- 0.86 %	- 1.55 %	+ 1.67 %	- 0.78 %	+ 1.04 %	- 0.34 %	+ 0.17 %	+ 10.27 %
CY 2002	+ 0.26 %	- 0.77 %	+ 1.91 %	- 0.68 %	+ 3.25 %	- 0.91 %	+ 0.33 %	+ 0.50 %	- 1.58 %	- 4.81 %	+ 1.06 %	+ 0.53 %	- 1.12 %
CY 2003	+ 0.35 %	- 1.39 %	- 0.35 %	+ 0.62 %	+ 0.26 %	+ 3.51 %	- 0.85 %	+ 5.21 %	+ 1.87 %	+ 1.59 %	- 0.86 %	+ 1.34 %	+ 11.68 %
CY 2004	+ 0.62 %	+ 0.78 %	+ 3.00 %	- 0.82 %	+ 0.00 %	+ 1.51 %	- 1.11 %	+ 1.05 %	+ 0.07 %	+ 0.30 %	+ 1.26 %	+ 0.22 %	+ 7.03 %
CY 2005	+ 0.00 %	+ 0.88 %	+ 0.14 %	- 0.65 %	- 0.80 %	+ 0.73 %	+ 0.07 %	+ 2.91 %	+ 2.40 %	+ 0.55 %	+ 0.62 %	+ 3.48 %	+ 10.72 %
CY 2006	- 0.79 %	+ 1.13 %	+ 0.33 %	- 0.52 %	- 0.07 %	+ 0.20 %	+ 0.20 %	+ 1.70 %	- 0.39 %	+ 1.10 %	+ 0.13 %	+ 0.13 %	+ 3.16 %
CY 2007	+ 1.40 %	+ 1.64 %	- 0.62 %	- 1.81 %	+ 0.76 %	+ 1.39 %	- 0.87 %	- 2.07 %	+ 0.64 %	+ 1.91 %	- 1.62 %	- 2.03 %	- 1.40 %
CY 2008	- 0.45 %	+ 1.37 %	- 2.89 %	+ 5.55 %	+ 1.06 %	- 2.17 %	- 3.04 %	- 1.05 %	- 0.20 %	- 1.52 %	- 1.21 %	+ 0.27 %	- 4.47 %
CY 2009	- 0.68 %	- 1.43 %	+ 7.69 %	+ 8.68 %	+ 1.83 %	+ 1.16 %	+ 1.72 %	+ 2.20 %	- 2.21 %	+ 0.40 %	- 1.97 %	+ 1.72 %	+ 20.14 %
CY 2010	+ 3.50 %	+ 0.16 %	+ 3.16 %	+ 2.64 %	- 1.23 %	- 2.81 %	+ 1.61 %	- 1.79 %	+ 2.20 %	+ 0.16 %	+ 2.62 %	+ 1.84 %	+ 12.47 %
CY 2011	- 0.20 %	+ 1.36 %	- 1.44 %	- 2.57 %	- 0.57 %	- 0.16 %	- 1.25 %	- 3.00 %	- 0.43 %				- 8.03 %

Up months	83	61.48%		<b>Largest trough to peak</b>	+ 27.01 %		<b>Best any 12 month return period</b>	+ 27.22 %
Dn months	52	38.52%		<b>Largest continuous drawdown</b>	- 8.86 %		<b>Worst any 12 month return period</b>	- 7.32 %

C class (JPY)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
CY 2003		- 1.40 %	- 0.52 %	+ 0.58 %	+ 0.15 %	+ 3.02 %	- 0.81 %	+ 4.51 %	+ 1.80 %	+ 1.50 %	- 1.03 %	+ 1.24 %	+ 9.24 %
CY 2004	+ 0.55 %	+ 0.82 %	+ 2.91 %	- 0.97 %	- 0.13 %	+ 1.64 %	- 1.42 %	+ 0.99 %	- 0.09 %	+ 0.02 %	+ 1.40 %	+ 0.10 %	+ 5.89 %
CY 2005	- 0.08 %	+ 0.81 %	+ 0.16 %	- 0.88 %	- 0.91 %	+ 0.62 %	- 0.01 %	+ 2.42 %	+ 2.25 %	+ 0.32 %	+ 0.49 %	+ 3.20 %	+ 8.62 %
CY 2006	- 1.28 %	+ 0.84 %	- 0.06 %	- 1.28 %	+ 0.13 %	- 0.15 %	- 0.14 %	+ 1.51 %	- 0.61 %	+ 0.73 %	- 0.18 %	- 0.05 %	- 0.55 %
CY 2007	+ 0.98 %	+ 1.29 %	- 0.96 %	- 1.35 %	+ 0.43 %	+ 1.08 %	- 1.16 %	- 2.57 %	+ 0.27 %	+ 1.83 %	- 2.09 %	- 2.32 %	- 4.60 %
CY 2008	- 0.69 %	+ 1.13 %	- 2.74 %	+ 5.79 %	+ 1.19 %	- 2.76 %	- 3.27 %	- 1.18 %	- 0.29 %	- 1.87 %	- 1.29 %	+ 0.21 %	- 5.93 %
CY 2009	- 0.73 %	- 1.60 %	+ 7.74 %	+ 9.43 %	+ 1.76 %	+ 1.16 %	+ 1.64 %	+ 2.05 %	- 2.15 %	+ 0.38 %	- 1.87 %	+ 1.79 %	+ 20.64 %
CY 2010	+ 3.37 %	+ 0.16 %	+ 3.31 %	+ 2.66 %	- 1.21 %	- 2.76 %	+ 1.52 %	- 1.76 %	+ 2.21 %	+ 0.13 %	+ 2.72 %	+ 1.78 %	+ 12.55 %
CY 2011	- 0.21 %	+ 1.36 %	- 1.51 %	- 2.53 %	- 0.53 %	- 0.20 %	- 1.19 %	- 3.00 %	- 0.47 %				- 8.05 %

Up months	55	52.88%		<b>Largest trough to peak</b>	+ 27.67 %		<b>Best any 12 month return period</b>	+ 27.87 %
Dn months	49	47.12%		<b>Largest continuous drawdown</b>	- 10.22 %		<b>Worst any 12 month return period</b>	- 8.30 %

D Class (GBP)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
CY 2010												+ 1.80 %	+ 1.80 %
CY 2011	- 0.20 %	+ 1.38 %	- 1.46 %	- 2.46 %	- 0.51 %	- 0.13 %	- 1.09 %	- 2.98 %	- 0.42 %				- 7.66 %

Source: Northern Trust, Stratton Street Capital LLP