

Pathfinder Investment Outlook

For the week ending September 27th, 2024

Meeting Management in Japan: Yakult Honsha

As we outlined on our previous [Outlook](#), the Investment Team at Pathfinder meets with hundreds of management teams over the course of a year. One of the companies we recently met on our research trip in Japan was a company called Yakult Honsha. Some of you may be familiar with the Yakult drink which is available in various Asian supermarkets.

Yakult is an almost 100-year-old Japanese company that makes a sweet yogurt beverage that is packaged in an iconic 65ml container. These drinks are particularly popular amongst children across Asia. Yakult was founded in 1930 by Japanese microbiologist Minoru Shirota. Shirota identified a strain of lactic acid bacteria which is now called *Lactobacillus casei* Shirota, which appeared to help contain the growth of harmful bacteria in the gut. Gut bacteria was a major concern at the time given the prevalence of foodborne illnesses. Over time, Yakult expanded to Taiwan in 1964, Hong Kong in 1969, and Thailand, Korea, Philippines and Singapore in the 1970s and evolved from being a “health product” to becoming an everyday staple for millions of consumers. Today, three generations in most Asian countries have consumed the same drink and the company is now seeing significant adoption in the US, particularly amongst Mexican and Asian populations.

There were two important learnings from our meeting. First is the importance of direct distribution. Yakult is unique amongst large beverage companies in that they distribute over 50% of their product directly via what are known as “Yakult Ladies” who go door-to-door, often developing long-term relationships with their customers. Second is the major impact product innovation is having on Yakult’s results. In 2018, Yakult introduced a new version of Yakult known as Yakult 1000 which contained 4x the bacterial content of the original Yakult. While this was the first major product innovation in over 20 years, Yakult was able to leverage its direct distribution to make this product a massive success. In Japan, Yakult was able to grow the volume of product sold while increasing the average selling price per bottle by 76%. Coming out of our meeting, we believe Yakult has significant opportunities to roll this product out outside of Japan into other Asian markets and eventually to North America.

“This means that” the Investment Team at Pathfinder will continue to proactively meet hundreds of companies to gain proprietary insights and source new investment ideas.

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Sources: Bloomberg, Pathfinder Asset Management Limited

Disclosure

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Changes in Leverage. We are increasing the asset ceiling to 2.0 times the market value of equity for [Pathfinder International Fund](#) and [Pathfinder Conviction Fund](#) to be consistent with [Pathfinder Partners' Fund](#) and [Pathfinder Resource Fund](#).

For more information, please follow the links above to review the fund term sheets.

*All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund and Pathfinder Real Fund are presented based on the master's series of each fund. The Pathfinder North American Equity Portfolio and The Pathfinder North American Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder Chairman (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder North American Equity Portfolio (January 2011), Pathfinder North American High-Income Portfolio (October 2012) Pathfinder Partners' Fund (April 2011), Pathfinder Real Fund (April 2013), and Pathfinder International Fund (November 2014).

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