

Pathfinder Investment Outlook

For the week ending March 28th, 2025

Meeting Management in Japan: Tokyo Electron Ltd

As mentioned in our previous PIO, we recently attended the Daiwa Securities Conference in Japan. During the trip, we met more than 15 companies and had the opportunity to have a site visit to Tokyo Electron (TEL), a company we already hold in our international fund.

Founded in 1963, TEL was established as a technology-focused trading firm specializing in the import and sale of semiconductor production equipment (SPE). Through numerous acquisitions and sustained R&D investment, it evolved and became a SPE manufacturer in the 1980s. Now, TEL is one of the four dominant global players in the SPE industry, with a dominant market position in photoresist coater/developer, and leading position in etching, deposition, and cleaning. The company's products are crucial in enabling leading-edge semiconductor production.

We visited TEL's flagship Miyagi factory, which focuses on plasma etch systems used in the production of CPUs, memory (i.e. DRAM, NAND), and power chips. We hold TEL as part of our semiconductor investment thesis. We believe secular trends—digitization, automation, AI, and IoT—will continue to drive robust demand for semiconductors and the machines used to make them. After the site visit and management meeting, our conviction in TEL's long-term prospects has strengthened, based on three main reasons:

- 1) **Continued Investment in Innovation:** TEL is building a third R&D center at Miyagi site, which will be 1.5x the combined capacity of the existing two centers. This new facility is set to open in Apr 2025 and underscores the company's focus on innovation-led growth.
- 2) **Smart manufacturing & Automation:** TEL is transitioning towards smart, automated manufacturing. Production of plasma etching increasingly adopts automated guided vehicles (AGVs) and robotic systems. Miyagi's new manufacturing facility, targeted for completion by Mar 2027, will incorporate a fully automated logistics system. Management targets annual cost savings of 10bn Yen from the efficiency gains.
- 3) **Competitive Positioning and Market Share Gains:** TEL continues to gain traction in segments such as 3D NAND (Channel Hole Etch) and DRAM (Dielectric Vertical Deposition Etch). Management highlighted recent customer wins beyond its traditional base and expressed confidence in further market share gains.

"This means that" the company will remain one of the larger holdings in the International Fund. We believe that Japanese stocks in general offer good value and in particular TEL remains one of the most important "pick-and-shovels" positions in our Tech Value Chain theme. The Investment Team at Pathfinder will continue to proactively meet hundreds of companies a year to gain proprietary insights and source new investment ideas.

Fang Zhou, CFA | Portfolio Manager



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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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