

CC Japan Income & Growth Trust plc

ASSET MANAGEMENT LLP

CouplandCardiff

Commentary

June 2020

The Topix index fell 0.3% in June, peaking in the early part of second week of the month but then drifting lower thereafter as expectations for the domestic economy, with the state of emergency lifted, were offset by concerns over the further spread of the coronavirus around the world. This may well remain the dilemma for investors during the second half of the year.

The Tokyo Stock Exchange released its aggregate share ownership survey for Japan equities for the fiscal Year 2019 (ending in March 2020). Despite capturing some of the Covid-19 inspired selling at the end of the year, the survey showed that foreigners increased their ownership to 29.6%, up 0.5% y/y, to become the largest single category of shareholder. This is modestly below the peak achieved in 2014 and reflects the promising trends in Japan prior to the coronavirus pandemic. The survey also highlights that share buybacks reached an all time high of Y7.3trn in FY19, increasing the overall treasury stock by 0.4% to 4.0%. The pace of buybacks in FY20 so far is however well below the run rate in the previous year reflecting a more prudent approach to managing liquidity in the current uncertain environment. This reinforces the view that the majority of companies in Japan are now seeking to prioritize dividends (estimated Y14.1trn) in their approach to shareholder return.

The security of dividends has become a key concern for equity investors worldwide with many high profile European companies, in particular, announcing significant cuts to or even the complete cancellation of their annual payments. The share prices of Japanese companies with similar business profiles appear to have also been penalised despite our confidence that their financial strength and the commitment of their management will ensure that shareholder returns are at least stable during this period of operational stress. A recent report from Nomura titled 'Investing for Income: Look East' focuses on many of the attributes of companies in Japan that we believe are relevant in the hunt for yield and have become evident in the evolving attitudes of corporate management. The report highlights both the superior historical growth compared to other major regions over the past 10 years, the valuation attraction and opportunities for further enhancements based upon the healthy financial position and the high levels of dividend cover. The portfolio of holdings within the CC Japan Income & Growth Trust reflect these characteristics and consequently we believe is in a strong position to generate income for its investors in the near term. We also retain the confidence that the companies that are able to demonstrate this profile consistently will continue to generate attractive total returns for investors over the medium term as conditions normalise.

Fund Statistics		Book Exposures			Dividend (in GBp)				
Market Value	£ 187m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.			Ex date	2016/17	2017/18	2018/19	2019/20
No. Shares in issue	134,730,610				Jun/July	1.00	1.15	1.25	1.40
Launch date	Dec 2015				Jan/Feb	2.00	2.30	2.50	3.10
NAV per share cum Income GBp	138.64				Total	3.00	3.45	3.75	4.50
NAV per share ex Income GBp	135.63	Investment Objective			Discrete performance (%) full calendar years ⁽¹⁾				
Share Price GBp	118.00		No. Stks	%	Total Return	2019	2018	2017	2016
Premium (Discount)	(14.9%)	Dividend Growth	32	94.9	Share Price	10.79	-6.72	37.48	13.18
Dividends Paid	Aug & Mar	Special Situations	3	7.8	NAV	20.75	-11.34	30.64	19.28
Dividend Yield	3.81% ⁽²⁾	Stable Yield	5	12.2	TOPIX GBP	15.65	-8.89	15.50	23.63
Financial Calendar:		Total	40	114.9	Cumulative performance (%) ⁽¹⁾				
Year End	31 October	Total Return		YTD	1 Yr	2yr	3yr	Inception	
Company Fees:		Share Price		-22.74	-20.20	-23.48	-6.69	32.70	
Ongoing charges ratio (OCR) per year (31.10.19)	1.06% ⁽³⁾	NAV		-10.39	-3.47	-8.33	12.29	53.01	
OCR includes Annual Management Fee:	0.75%	TOPIX GBP		0.88	7.90	5.33	15.55	61.67	
AIFMD Exposure Calculation at 31.12.19		Notes							
Gross	122.4 (% nav)	(1) Source: Independent NAVs are calculated daily by PraxisIFM Fund Services (UK) Limited (by Northern Trust Global Services Limited pre 01.10.17.) Total return performance details shown are net NAV to NAV returns with gross income re-invested. Share price total return is on a mid to mid price basis. You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. All figures are in GBP or Sterling adjusted. Inception date 15th December 2015. Investments denominated in foreign currencies expose investors to the risk of loss from currency movements as well as movements in the value, price or income derived from the investments themselves and some of the investments referred to herein may be derivatives or other products which may involve different and more complex risks as compared to listed securities. CC Japan Income & Growth Trust plc (the Company) does not currently intend to hedge the currency risk. Share Price period returns displayed are calculated as Total Return. (2) The yield is calculated using the actual dividends declared during the past 12 months and the closing share price as at the date of this factsheet. This is rounded to 2 decimal places. (3) Source: OCR is calculated by PraxisIFM Fund Services (UK) Limited. This is rounded to 2 decimal places.							
Commitment	119.7 (% nav)								
Company Codes:									
ISIN	GB00BYSRM-								
Sedol	BYSRMH1 GB								
Bloomberg	CCJI LN	1/3							

Top 10 Holdings	
Holding	(%)
Shin-Etsu Chemical	5.5
Itochu Corp	5.4
Nippon T&T	5.1
GLP J-Reit	4.6
Tokio Marine Holdings	4.6
West Holdings	4.2
Softbank Corp	4.0
SBI Holdings	4.0
Tokyo Electron	3.9
Sumitomo Mitsui Financial	3.7
Total	45.0

Top 10 Sectors	
Sector	(%)
Info & Communications	20.9
Services	18.1
Real Estate	14.2
Chemicals	12.3
Electrical Appliances	9.4
Wholesale	8.2
Banks	6.3
Other Products	5.2
Insurance	4.6
Sec & Commodity	4.0
Total	103.2

Company Information

Launch date	15 December 2015
AIC sector	Japan
Fund manager	Richard Aston
Directors	Harry Wells (Chairman), Kate Cornish-Bowden, John Scott, Mark Smith, Peter Wolton.
Share buy back	The Company has authority to purchase up to 14.99% of issued share capital (as at 31.01.17) or cancellation/to hold in treasury.

Contact Details

Address	Coupland Cardiff Asset Management LLP 5th Floor, 31-32 St. James's Street London, SW1A 1HD.
Company Secretary	PraxisIFM Fund Services (UK) Limited
Stockbroker	Peel Hunt
Market makers	Peel Hunt, Winterflood Securities.
Website	www.ccjapanincomeandgrowthtrust.com

Key Risks

Liquidity risk – The Company may encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

Credit and counterparty risks – the Company may be exposed to credit and counterparty risks in relation to the securities and counterparties it invests in and with whom it transacts.

Concentration risk – This Company holds a limited number of investments. If one of these falls in value, it can have a greater impact on the Company's value than if the Company held a larger number of investments.

Currency risk – Investing in assets in a currency other than your own exposes the value of your investment to exchange rate fluctuations. Changes in the exchange rate between Sterling and Yen may lead to a depreciation in the value of the Company assets as expressed in Sterling.

Derivatives – the Company may use derivatives as investments or to manage the risk profile of the Company. Their use may increase the risk of losses as well as enhance potential gains as compared to funds that do not use derivatives.

The Company prospectus gives you further details about all the risks for this fund – see under “Important Information” for how to obtain a copy.

Important Information

The Key Information Document and the latest prospectus of the Company are available on the Company's website:

www.ccjapanincomeandgrowthtrust.com.

All data as at 30.06.2020 unless stated otherwise. All information is sourced from CCAM unless stated otherwise.

This factsheet is to provide you summary information about the Company and should not be taken as advice or a recommendation to buy or sell its shares. If you are unsure of the suitability of this product for your investment needs, please contact a financial adviser.

The value of the Company's shares will fluctuate. The price of shares in the Company is determined by market supply and demand. The share price may be different to the net assets of the Company.

The Company may enter into long only contracts for difference or equity swaps for gearing and efficient portfolio management purposes. It may also use borrowing to seek to enhance investment returns. This will exaggerate market movements both up and down. Generally gearing, through borrowings and/or entering into long only contracts for difference or equity swaps, will not exceed the net asset value by more than 20% at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. Where the Company utilises such instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default.

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Shareholders should read the Company's product documentation before investing, including the latest Report and Accounts, the Alternative Investment Fund Managers Directive Disclosure Document and the latest prospectus of the Company as they contain important information regarding the Company, including charges, tax and specific risk warnings and will form the basis of the investment.

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