

# CC Japan Income & Growth Trust plc

ASSET MANAGEMENT LLP

CouplandCardiff

Commentary

January 2021

The Japanese equity market rose 0.2% during January, retreating modestly from a three year high of 1873 achieved in the middle of the month. The State of Emergency introduced on 8 January had some success in reducing the number of new infections however concerns over the ability of hospitals to cope with further increases in patient numbers resulted in the decision to extend the current conditions for a month. Combined with the suspension of the Government's 'Go To' support initiatives, this has resulted in a dampening effect on domestic consumption but less so on other areas of the economy. The overall impact is consequently likely to be much less severe than the first, and more restrictive, State of Emergency in April 2020.

Despite the operating challenges of the last 12 months, we remain encouraged by ongoing evidence that the commitment to corporate governance reform in Japan is undiminished. We see this first hand in meetings with company management and highlight the notable progress over the past 12 months from companies such as Fujitsu and Dip with regard to the stability of returns and the priorities for capital allocation which have resulted in both companies being introduced to the portfolio.

At an aggregate market level a recent report from Daiwa Securities highlights the fact that dividends have been considerably more robust than earnings during this period. Their analysis shows that the constituents of Topix 500 are likely to report a net income down over 20% in FY20 compared to FY19. Despite this the reduction in aggregate dividend is now forecast to be approx. 4.0%, a much lower level than their initial forecast. With companies such as NTT subsequently revising up their dividend payment for the year, we believe that the actual figure will be even closer to showing no material decline compared to the previous year.

Additionally, the pressures on management to conform are increasing. The Japanese Financial Services Agency has started the process of discussion on the upcoming revisions to the Corporate Governance code. Among the key topics are capital efficiency and fiduciary duty with the issues of parent-subsidary listings and cross-shareholdings featuring prominently. These unusual relationships have been heavily criticised and cited as one of the reasons for the inefficiencies of the individual companies and the stock market alike. For example the total number of shares held as cross-shareholdings was down by 30% in the five years since the Corporate Governance Code was first introduced, showing considerable progress has been made already. Further progress is expected as a result of these revisions and the proposed changes to the Tokyo Stock Exchange listing requirements which demonstrate very clearly that Prime Minister Suga has picked up the baton of corporate revitalization championed by his predecessor.

Fund Statistics		Investment Objective			Dividend (in GBP)					
Market Value	£207m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.			Ex date	16/17	17/18	18/19	19/20	20/21
No. Shares in issue	134,730,610				Jun/Jul	1.00	1.15	1.25	1.40	1.40
Launch date	Dec 2015				Jan/Feb	2.00	2.30	2.50	3.10	3.20
NAV per share cum Income GBP	153.75				<b>Total</b>	3.00	3.45	3.75	4.50	4.60
NAV per share ex Income GBP	149.89	Book Exposures			Discrete performance (%) full calendar years <sup>(1)</sup>					
Share Price GBP	139.000		No. Stks	%	Total Return	2020	2019	2018	2017	2016
Premium (Discount)	(9.6%)	Dividend Growth	35	98.1	Share Price	-9.09	10.79	-6.72	37.48	13.18
Dividends Paid	Aug & Mar	Special Situations	5	9.9	NAV (cum inc)	1.23	20.93	-10.96	30.49	21.13
Dividend Yield	3.31% <sup>(2)</sup>	Stable Yield	5	10.8	TOPIX TR in GBP	9.49	15.65	-8.89	15.50	23.63
Financial Calendar:		Total	0	118.8						
Year End	31 October	Cumulative performance (%) <sup>(1)</sup>								
Company Fees:		Total Return	1 mth	YTD	1 Yr	3 Yrs	5 Yrs	Inception		
Ongoing charges ratio (OCR) per year (31.10.20)	1.04% <sup>(3)</sup>	Share Price	0.72	0.72	-6.21	-9.64	54.33	55.10		
OCR includes Annual Management Fee:	0.75%	NAV (cum inc)	-2.17	-2.17	1.02	4.24	68.52	72.88		
AIFMD Exposure Calculation at 31.12.20		TOPIX TR in GBP	-1.83	-1.83	9.52	13.36	68.00	72.27		
Gross	118.4 (% nav)	Notes								
Commitment	118.0 (% nav)	(1) Source: Independent NAVs are calculated daily by PraxisIFM Fund Services (UK) Limited (by Northern Trust Global Services Limited pre 01.10.17.) From January 2021 Total Return performance details shown are net NAV to NAV returns (including current financial year revenue items) with gross dividends re-invested. Prior to January 2021 Total Return performance details shown were net NAV to NAV returns (excluding current financial year revenue items) with gross dividends re-invested. Share Price period returns displayed are calculated as Total Return on a Last price to Last 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. (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.								
Company Codes:										
ISIN	GB00BYSRM-H16									
Sedol	BYSRMH1 GB									
Bloomberg	CCJI LN									

Top 10 Holdings	
Holding	(%)
Shin-Etsu Chemical	5.5
Itochu Corp	5.2
Tokyo Electron	4.8
Nippon T&T	4.7
SoftBank Corp	4.7
Tokio Marine Holdings	4.4
SBI Holdings	4.2
GLP J-Reit	4.1
Sumitomo Mitsui Financial	3.6
Denso	3.5
<b>Total</b>	<b>44.7</b>

Top 10 Sectors	
Sector	(%)
Info & Communications	18.7
Chemicals	16.4
Services	14.5
Electrical Appliances	13.7
Real Estate	13.4
Wholesale	7.9
Banks	6.0
Insurance	5.4
Other Products	5.2
Sec & Comdty	4.2
<b>Total</b>	<b>105.4</b>

## 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	<a href="http://www.ccjapanincomeandgrowthtrust.com">www.ccjapanincomeandgrowthtrust.com</a>

## 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](http://www.ccjapanincomeandgrowthtrust.com).

All data as at 29.01.2021 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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