

CHIKARA CC JAPAN INCOME & GROWTH TRUST PLC

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COMMENTARY

October 2023

The NAV of the CC Japan Income & Growth Trust was down 3.0% in GBP terms during October as the Topix index fell for the second consecutive month. Global equity markets were weaker due to ongoing concerns regarding monetary policy and the outbreak of hostilities in the Middle East.

The Yen has remained weak against global currencies and this downward trend has continued despite the Bank of Japan making a further adjustment to its monetary policy at the latest meeting at the end of October. The change to Yield Curve Control was only small with a 1% yield now being treated as reference rather than a hard ceiling for 10 year government bond yields. The short term policy interest rate was maintained at -0.1% and it is this differential to other regions, that have now exited the negative or low interest rate era, which is creating the downward pressure on the Yen.

Corporate governance has made significant progress since the Ito Review of Competitiveness and Incentives for Sustainable Growth was first published in 2014. The Tokyo Stock Exchange has played an important role in its evolution and implementation, being jointly responsible, with the Financial Services Agency, for the Corporate Governance Code, as well as announcing the major reorganization of market structure and most recently the initiative to raise awareness of cost of capital and corporate value. We have opportunity to hear about developments and share our views through regular meetings with representatives of the exchange based in Europe and also in Japan. The topics highlighted in our discussion this month were broad and covered material subjects such as ESG disclosure, the appropriateness of different indices, retail participation in the equity market and, pertinently, ways to measure the effectiveness of the corporate value initiatives announced in March this year. We were reminded that the policy objectives are not just for low PBR stocks, and that there is a responsibility for all companies to seek greater capital efficiency.

With this in mind, it was very encouraging to read the interim results announcement from Zozo, Japan's leading online fashion retailer and, one of our portfolio holdings. Citing the Tokyo Stock Exchange requests, the company stated that "maintaining the current level of consolidated dividend payout ratio will lower capital efficiency in the future". As a consequence of a comprehensive review of financial status, business performance and investment plans, the policy to return surplus funds to shareholders is set to increase from a 50% dividend target to 70%. This is consistent with the opinions we have expressed to the management of the company in past meetings and will raise the projected dividend for the current fiscal from Y71 to Y98. We believe it also highlights the capacity for further improvements in capital efficiency and corporate governance across the market that have been a major contributor to the share price gains in Japan over the last 10 years.

FUND STATISTICS		INVESTMENT OBJECTIVE			BOOK EXPOSURES		No. Stocks	%					
Market Value	£235m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.			Dividend Growth	31	98.1						
No. Ordinary Shares in issue	134,730,610				Special Sits.	5	9.6						
Launch date	Dec 2015				Stable Yield	4	11.2						
NAV per Ordinary Share cum Income GBP	174.51				Total	40	118.9						
NAV per Ordinary Share ex Income GBP	170.69	DIVIDEND (IN GBP)			Dividends Declared	YE Oct 2023	YE Oct 2022	YE Oct 2021	YE Oct 2020	YE Oct 2019	YE Oct 2018	YE Oct 2017	YE Oct 2016
Ordinary Share Price GBP	162.50	Jun/Jul	1.55	1.40	1.40	1.40	1.40	1.40	1.25	1.15	1.00		
Premium (Discount)	(6.9%)	Jan/Feb		3.50	3.35	3.20	3.10	2.50	2.30	2.00			
Dividends Paid	Aug & Mar	Total	1.55	4.90	4.75	4.60	4.50	3.75	3.45	3.00			
Dividend Yield	3.11% ⁽²⁾	DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR ⁽¹⁾											
Active Share	80.9% ⁽³⁾	Total Return	2022	2021	2020	2019	2018	2017					
Financial Calendar Year End	31 October	Ord Share Price	1.79	12.39	-9.09	10.79	-6.72	37.48					
Company Fees:		NAV (cum inc)	-0.51	10.79	1.23	20.93	-10.96	30.49					
Ongoing charges ratio (OCR) per year (30.04.23)	1.05% ⁽⁴⁾	TOPIX TR in GBP	-4.60	2.22	9.49	15.65	-8.89	15.50					
Annual Management Fee	0.75%	CUMULATIVE PERFORMANCE (%) ⁽¹⁾											
AIFMD Exposure Calculation (31.10.23):		Total Return	1 month	YTD	1 year	3 years	5 years	Inception					
Gross	120.04 (% nav)	Ord Share Price	-5.66	12.93	20.87	49.64	23.88	100.22					
Commitment	118.54 (% nav)	NAV (cum inc)	-3.01	9.75	18.94	39.33	35.78	117.39					
Company Codes:		TOPIX TR in GBP	-3.64	5.35	11.97	13.36	21.77	76.94					
ISIN - Ordinary Share	GB00BYSRMH16	Source: Independent NAVs are calculated daily by Apex Listed Companies 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. Ordinary Share Price period returns displayed are calculated as Total Return on a Last price to Last price basis. Past performance may not be a reliable guide to future performance. 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 based on a midday FX rate consistent with the valuation point. 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.											
Sedol - Ordinary Share	BYSRMH1 GB												
Bloomberg - Ordinary Share	CCJI LN												

TOP 10 HOLDINGS	
Holding	(%)
Mitsubishi UFJ Financial	8.4
Sumitomo Mitsui Financial	8.0
Nippon Telegraph and Telephone	5.2
Itochu Corp	4.9
Shin-Etsu Chemicals	4.5
SBI Holdings	4.2
Sompo Holdings	4.2
Hitachi Ltd	4.1
Softbank Corp	4.1
Noevir Holdings	3.7
Total	51.3

TOP 10 SECTORS	
Sector	(%)
Chemicals	17.1
Banks	16.4
Electrical Appliances	13.7
Info & Communications	12.1
Wholesale	8.4
Insurance	7.8
Other Financial Business	7.5
Services	7.1
Real Estate	5.0
Retail Trade	5.0
Total	100.1

COMPANY INFORMATION

Launch date	15 December 2015
AIC sector	Japan
Fund manager	Richard Aston
Directors	Harry Wells (Chairman), June Aitken, Craig Cleland, Kate Cornish-Bowden, Peter Wolton.

CONTACT DETAILS

Address	Chikara Investments LLP 5th Floor, 31-32 St. James's Street London, SW1A 1HD.
Company Secretary	Apex Listed Companies Services (UK) Limited
Stockbroker	Peel Hunt
Market makers	Peel Hunt, Winterflood Securities.
Website	www.ccjapanincomeandgrowthtrust.com

NOTES

- (1) 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 Ordinary Share price as at the date of this factsheet. This is rounded to 2 decimal places.
- (3) Source: Refinitiv Eikon
- (4) Source: OCR is calculated by Apex Listed Companies Services (UK) Limited. This is rounded to 2 decimal places.

KEY RISKS

Liquidity risk – The Fund 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 Fund 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 Fund holds a limited number of investments. If one of these falls in value, it can have a greater impact on the Fund's value than if the Fund 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.

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

Emerging market risk – Investment in emerging markets may be considered speculative. Commonly legal and accounting regimes can offer less protection to investors than in developed markets.

Sustainability Risk - Environmental, social and governance events or conditions could occur that have an adverse impact on the value of the Fund's investments, either directly, or by contributing to the impact or materiality of other risks.

The Fund 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 31.10.2023 unless stated otherwise. All information is sourced from Chikara 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 ordinary and subscription shares will fluctuate. The price of the ordinary shares in the Company is determined by market supply and demand. The price of the ordinary shares 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.

This document and its contents are confidential and must not be copied or otherwise circulated to any other person. Certain assumptions may have been made in the calculations and analysis in this document which have resulted in returns detailed herein.

This document is based upon information which Chikara Investments LLP (Chikara) considers reliable, but no representation is made that it is accurate or complete and nor should it be relied upon as such. Past performance is no guarantee of future performance. You should note that your capital is at risk with this investment and you may get back less than you invested.

All information and research material provided herein is subject to change and this document does not purport to provide a complete description of the funds, securities or other investments or markets referred to or the performance thereof. All expressions of opinion are subject to change without notice.

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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