

# CHIKARA CC JAPAN INCOME & GROWTH TRUST PLC

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## COMMENTARY

December 2023

The NAV of the CC Japan Income & Growth Trust rose 3.5% in GBP during December, keeping pace with the performance of the Japanese equity market. The Topix Total Return index fell 0.23% in local currency but the returns in foreign currencies were boosted by a strengthening of the Yen.

Despite failing to break through the 33 year high hit on 19th September by year end, the Topix NTR index rose 27.8% in Yen during the calendar year and recorded its strongest gains since 2013, when the aggressive monetary and fiscal easing policies of former Prime Minister Abe first raised optimism of a turnaround in the economy. The fact that the market has rallied in 2023 at a time when the discussion has shifted to a reversal of some of these abnormal monetary policies is very meaningful. We believe that the primary drivers for the recent market performance - the consequences of a non-deflationary outlook and continuing improvements to corporate governance - remain the most relevant considerations for investors heading into 2024.

The inflationary challenge facing Japan is somewhat different from other regions of the world and looking back at 2023, it is clear to us that some of its negative connotations, such as impact on real wages combined with conservative behaviour entrenched by years of falling prices, have restricted the full recovery of the domestic economy to date. During the year, we have heard many examples of companies raising prices of goods in particular and we believe that management are now more willing and able to consider strategies to raise product prices going forward in a manner not seen for decades in Japan. Service price increases have remained more muted and wage increases have been a sticking point. On the basis of discussion with corporate managers the tight labour market is one of the main concerns looking forward and wage levels are beginning to rise. The Bank of Japan expect the growth of income to exceed inflation during 2024 and the positive real income and wealth effect should have favourable implications as the year progresses.

This Trust was established in the early phase of the corporate governance transformation in Japan to focus specifically on the benefits this would bring in terms of capital efficiency and returns to shareholders. The Stewardship Code and Corporate Governance Codes have been the foundation for the improvements to date and investors in Japan have been significant beneficiaries of the focus and discipline these have brought. Further initiatives such as those from Tokyo Stock Exchange, firstly reconstructing the main indices and more recently demanding greater attention to capital cost, have accelerated developments in this respect. We are confident that the momentum behind this progression continues. We are encouraged by news that the government has begun a review of the domestic pension fund industry with the goal, amongst others, of raising the transparency and accountability of corporate pension schemes who in aggregate are large holders of Japanese equities and can provide considerable further impetus for corporate change.

FUND STATISTICS		INVESTMENT OBJECTIVE	BOOK EXPOSURES			No. Stocks		%		
Market Value	£251m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.	Dividend Growth		31	95.4				
No. Ordinary Shares in issue	134,730,610		Special Sits.		5	10.5				
Launch date	Dec 2015		Stable Yield		4	11.5				
NAV per Ordinary Share cum Income GBP	186.66		Total		40	117.4				
NAV per Ordinary Share ex Income GBP	182.71	<b>DIVIDEND (IN GBP)</b>								
Ordinary Share Price GBP	177.00	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
Premium (Discount)	(5.2%)	Jun/Jul	1.55	1.40	1.40	1.40	1.40	1.25	1.15	1.00
Dividends Paid	Aug & Mar	Jan/Feb		3.50	3.35	3.20	3.10	2.50	2.30	2.00
Dividend Yield	2.85% <sup>(2)</sup>	Total	1.55	4.90	4.75	4.60	4.50	3.75	3.45	3.00
Active Share	80.6% <sup>(3)</sup>	<b>DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR <sup>(1)</sup></b>								
Financial Calendar Year End	31 October	Total Return	2023	2022	2021	2020	2019	2018		
Company Fees:		Ord Share Price	23.01	1.79	12.39	-9.09	10.79	-6.72		
Ongoing charges ratio (OCR) per year (31.10.23)	1.06% <sup>(4)</sup>	NAV (cum inc)	17.39	-0.51	10.79	1.23	20.93	-10.96		
Annual Management Fee	0.75%	TOPIX TR in GBP	12.76	-4.60	2.22	9.49	15.65	-8.89		
AIFMD Exposure Calculation (30.11.23):		<b>CUMULATIVE PERFORMANCE (%) <sup>(1)</sup></b>								
Gross	118.83 (% nav)	Total Return	1 month	YTD	1 year	3 years	5 years	Inception		
Commitment	118.55 (% nav)	Ord Share Price	2.76	23.01	23.01	41.14	42.38	118.09		
Company Codes:		NAV (cum inc)	3.48	17.39	17.39	29.76	69.56	132.52		
ISIN - Ordinary Share	GB00BYSRMH16	TOPIX TR in GBP	3.25	12.76	12.76	9.97	39.25	89.37		
Sedol - Ordinary Share	BYSRMH1 GB	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.								
Bloomberg - Ordinary Share	CCJI LN									

TOP 10 HOLDINGS	
Holding	(%)
Sumitomo Mitsui Financial	6.8
Mitsubishi UFJ Financial	6.4
Shin-Etsu Chemicals	5.7
Itochu Corp	5.0
Softbank Corp	4.4
Sompo Holdings	4.2
Hitachi Ltd	4.2
Nippon Telegraph and Telephone	4.1
SBI Holdings	3.9
Tokio Marine	3.6
<b>Total</b>	<b>48.3</b>

TOP 10 SECTORS	
Sector	(%)
Chemicals	18.0
Electrical Appliances	14.1
Info & Communications	13.7
Banks	13.2
Wholesale	8.2
Services	7.9
Insurance	7.8
Other Financial Business	7.2
Retail Trade	5.8
Sec&Cmnty	3.9
<b>Total</b>	<b>99.8</b>

## 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, John Charlton-Jones.

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

## 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: S&P Capital IQ Pro
- (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](http://www.ccjapanincomeandgrowthtrust.com).

All data as at 29.12.2023 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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