

CHIKARA CC JAPAN INCOME & GROWTH TRUST PLC

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COMMENTARY

May 2024

The NAV of the CC Japan Income & Growth Trust fell 1.2% in May. Although equity market indices in Japan rose over the month, the further weakness of the Yen against Sterling resulted in the modest NAV decline. Notably the exchange rate breached Y200/£ for the first time since 2008.

Concern about the persistent weakness of the currency forced the Ministry of Finance to intervene in the foreign exchange market during the month for the first time since October 2022. Authorities in Japan continue to emphasize the belief that excessively weak levels are driven more by speculation rather than fundamentals and that this has potentially negative consequences for the economy as a whole. Currency risk remains an important consideration within the analysis of individual stocks in the portfolio.

The fiscal year earnings season has concluded and Nomura Securities have made some preliminary observations about the improvement in shareholder returns over the last twelve months. Aggregate dividends of all listed companies will total approximately Y20trn, an increase of 9.9% over the previous year. This constitutes another record year which is set to be exceeded again in FY24 taking into consideration the assumptions in company forecasts. The Trust's portfolio gives particular attention to dividend progression and there were a number of highlights in the recent results. The major banking groups, Mitsubishi UFJ Holdings and Sumitomo Mitsui Financial Group, both reported strong results for 2023 but indicated confidence in the future with substantial dividend increases forecast for 2024 and to higher levels than were generally anticipated. The dividend payment will rise by approximately 22% year-on-year for both these companies in the current year. Mitsubishi Corp will raise its dividend by 42.8% by increasing the annual distribution from Y70 to Y100. Our meeting with the company confirms that this substantial increase reflects the improved capital efficiency, greater cashflow stability and earnings outlook of the business and reflects the feedback from long-term shareholders. Tokio Marine Holdings paid a dividend for FY23 slightly higher than its original estimates (+25% y/y) and also forecast a further increase of +27% in FY24.

The Nomura Securities report also highlights the potential for a strong year of share buybacks due to the accumulation of cash and deposits on corporate balance sheets that have accompanied a strong year of operating performance and importantly the clear impact of the Tokyo Stock Exchange Initiative to promote greater capital efficiency and corporate value. The announcements of buyback programs in the first two months of the fiscal year total almost Y7trn and are almost double the amount in the same period of the previous year.

With business performance strong and companies selling down cross shareholdings, the outlook for growth in shareholder returns in Japan through both dividend and share buybacks remains very positive.

FUND STATISTICS		INVESTMENT OBJECTIVE				BOOK EXPOSURES		No. Stocks		%
Market Value	£272m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.				Dividend Growth	29	94.2		
No. Ordinary Shares in issue	134,730,610					Special Situations	6	12.2		
Launch date	Dec 2015					Stable Yield	5	12.6		
						Total	40	118.0		
NAV per Ordinary Share cum Income GBP	202.18	DIVIDEND (IN GBP)								
NAV per Ordinary Share ex Income GBP	199.54	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	184.50	Jun/Jul	1.55	1.40	1.40	1.40	1.40	1.25	1.15	1.00
Premium (Discount)	(8.7%)	Jan/Feb	3.75	3.50	3.35	3.20	3.10	2.50	2.30	2.00
Dividends Paid	Aug & Mar	Total	5.30	4.90	4.75	4.60	4.50	3.75	3.45	3.00
Dividend Yield	2.66% ⁽²⁾	DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR ⁽¹⁾								
Active Share	79.3%	Total Return	2023	2022	2021	2020	2019	2018		
Financial Calendar Year End	31 October	Ord Share Price	23.01	1.79	12.39	-9.09	10.79	-6.72		
Company Fees:		NAV (cum inc)	17.39	-0.51	10.79	1.23	20.93	-10.96		
Ongoing charges ratio (OCR) per year (30.04.24)	1.05% ⁽⁴⁾	TOPIX TR in GBP	12.76	-4.60	2.22	9.49	15.65	-8.89		
Annual Management Fee	0.75%	CUMULATIVE PERFORMANCE (%) ⁽¹⁾								
AIFMD Exposure Calculation (30.05.24):		Total Return	1 month	YTD	1 year	3 years	5 years	Inception		
Gross	123.4(% nav)	Ord Share Price	-3.15	6.41	17.21	44.70	48.82	132.08		
Commitment	123.3(% nav)	NAV (cum inc)	-1.19	10.41	23.43	43.71	61.67	156.73		
Company Codes:		TOPIX TR in GBP	-0.47	6.80	13.75	19.49	41.6	102.25		
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	(%)
Sumitomo Mitsui Financial Gr	8.5
Mitsubishi UFJ Financial Group	7.3
Hitachi Ltd	5.5
ITOCHU Corporation	5.4
Sompo Holdings Inc	5.1
Tokio Marine Holdings Inc	4.9
Shin-Etsu Chemical Co Ltd	4.7
SBI Holdings Inc	4.7
SoftBank Corp	4.3
Mitsubishi Corp	3.9
Total	54.3

TOP 10 SECTORS	
Sector	(%)
Electrical Appliances	16.2
Chemicals	15.9
Banks	15.8
Info & Communications	12.6
Insurance	10.0
Wholesale	9.3
Other Financing Business	6.7
Services	6.1
Retail Trade	5.4
Sec&Cmddy	4.7
Total	102.7

COMPANY INFORMATION

Launch date	15 December 2015
AIC sector	Japan
Fund manager	Richard Aston
Directors	June Aitken (Chair), 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	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: 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.

All data as at 31.05.2024 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 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.

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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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