

# CHIKARA ACC JAPAN INCOME & GROWTH TRUST PLC

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## COMMENTARY

June 2024

The net asset value (NAV) of the CC Japan Income & Growth Trust rose by 2.3% over the last month, benefiting from the strong performance of a number of leading financial companies in the banking and insurance industries with expectations rising for additional steps by the Bank of Japan to normalize monetary policy over coming months.

Despite this, the largest single contribution to return in June came from Hitachi. This followed a well received annual investor day where the company were able to provide an update on the current progress and future opportunities for each of its three core business areas, Digital System & Services, Green Energy & Mobility and Connective Industries. It also raised expectations that the next mid-term plan, to be announced in the Autumn, will seek to further improve its capital efficiency along with prioritizing growth investment and shareholder returns. In our view, the company's dramatic transformation over the last 15 years is amongst the most exciting examples for investors of the benefits of more disciplined capital management and corporate governance at well established Japanese companies that have previously lacked the appropriate management priorities and focus. We believe that this underlines the potential for reassessment of many other businesses in Japan as they seek to conform to the higher standards being established by the Tokyo Stock exchange initiative to raise awareness of cost of capital and corporate value.

The exchange this month released proposals for revisions to Topix consistent with the goal of making the headline indices in Japan more liquid and investable. The current proposal will see the phased weighting reduction of stocks with a low tradeable share market cap over the next few years which it is estimated will ultimately see the deletion of approximately 500 stocks from the main index. We see this as further evidence of a more encompassing commitment within Japan to overhaul the investment industry and encourage broader asset ownership amongst the domestic population.

The Tokyo Stock Exchange also released its annual report on the ownership of the equity market which revealed that the end of the last fiscal year (March 2024), foreign investors increased their weighting to 31.8%, a new all time high. Cross shareholding unwind saw corporations ownership fall from 19.6% at the end of the prior fiscal to 19.3% even though buybacks by companies of their own shares were at record highs. The direct ownership percentage of retail investors fell from 17.6% in March 2023 to 16.9% although the equity fund ownership ratio rose from 9.6% to 10.4% which collectively suggests the authorities in Japan have had some success in encouraging greater financial awareness and responsibility amongst the domestic population as the economy transitions from deflation to inflation. Importantly, the aggregate number of retail investors continues to increase, rising by 4.63m y/y to a new record of 74.45m supported by the revamped NISA program at the beginning of 2024 which incorporated additional tax advantages. The easing of domestic selling trends of recent years in a welcome development for the Japanese equity market and could be a substantial benefit going forward.

FUND STATISTICS		INVESTMENT OBJECTIVE				BOOK EXPOSURES					
		To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.				No. Stocks %					
Market Value	£279m					Dividend Growth	29	92.2			
No. Ordinary Shares in issue	134,730,610					Special Situations	6	13.4			
Launch date	Dec 2015					Stable Yield	5	12.9			
NAV per Ordinary Share cum Income GBP	206.84					Total	40	118.4			
NAV per Ordinary Share ex Income GBP	204.04										
Ordinary Share Price GBP	191.00										
Premium (Discount)	(7.7%)										
Dividends Paid	Aug & Mar										
Dividend Yield	1.96% <sup>(2)</sup>										
Active Share	78.8% <sup>(3)</sup>										
Financial Calendar Year End	31 October										
Company Fees:											
Ongoing charges ratio (OCR) per year (30.04.24)	1.05% <sup>(4)</sup>										
Annual Management Fee	0.75%										
AIFMD Exposure Calculation (30.06.24):											
Gross	122.56 (% nav)										
Commitment	121.62 (% nav)										
Company Codes:											
ISIN - Ordinary Share	GB00BYSRMH16										
Sedol - Ordinary Share	BYSRMH1 GB										
Bloomberg - Ordinary Share	CCJI LN										
		DIVIDEND (IN GBP)									
		Dividends Declared	YE Oct 2024	YE Oct 2023	YE Oct 2022	YE Oct 2021	YE Oct 2020	YE Oct 2019	YE Oct 2018	YE Oct 2017	YE Oct 2016
		Jun/Jul	1.60	1.55	1.40	1.40	1.40	1.40	1.25	1.15	1.00
		Jan/Feb		3.75	3.50	3.35	3.20	3.10	2.50	2.30	2.00
		Total	1.60	5.30	4.90	4.75	4.60	4.50	3.75	3.45	3.00
		DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR <sup>(1)</sup>									
		Total Return	2023	2022	2021	2020	2019	2018			
		Ord Share Price	23.01	1.79	12.39	-9.09	10.79	-6.72			
		NAV (cum inc)	17.39	-0.51	10.79	1.23	20.93	-10.96			
		TOPIX TR in GBP	12.76	-4.60	2.22	9.49	15.65	-8.89			
		CUMULATIVE PERFORMANCE (%) <sup>(1)</sup>									
		Total Return	1 month	YTD	1 year	3 years	5 years	Inception			
		Ord Share Price	3.52	10.16	18.60	48.21	45.53	140.26			
		NAV (cum inc)	2.30	12.95	20.70	45.31	61.25	160.22			
		TOPIX TR in GBP	-0.06	6.73	13.11	17.36	37.45	102.12			
<p>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.</p>											

TOP 10 HOLDINGS	
Holding	(%)
Sumitomo Mitsui Financial Group	8.5
Mitsubishi UFJ Financial Group	7.3
ITOCHU Corporation	5.5
Tokio Marine Holdings Inc	5.2
Sompo Holdings Inc	5.0
Shin-Etsu Chemical Co Ltd	4.8
Hitachi Ltd	4.8
SBI Holdings Inc	4.5
SoftBank Corp	4.3
Nintendo Co Ltd	3.6
<b>Total</b>	<b>53.5</b>

TOP 10 SECTORS	
Sector	(%)
Chemicals	17.1
Banks	15.9
Electrical Appliances	14.3
Info & Communications	12.3
Insurance	10.2
Wholesale	9.1
Services	6.0
Other Financing Business	5.9
Retail Trade	5.7
Securities & Commodities	4.5
<b>Total</b>	<b>101.0</b>

## 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	<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 28.06.2024 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 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.

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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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