

CHIKARA ACC JAPAN INCOME & GROWTH TRUST PLC

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COMMENTARY

July 2024

The NAV of the CC Japan Income & Growth Trust rose by 4.5% during the July with the sterling returns boosted by the sharp appreciation of the Yen. The GBP/JPY exchange rate began the month at Y203.4/GBP, weakening further to Y207.75 on July 10th (its highest since 2008), before a sharp rally pushed it to the month end level of Y192.8. This 5.5% currency move boosted the GBP value of the Yen assets held in the Trust and offset the 0.5% decline of the Topix Total Return index in local currency terms during the month.

The Yen has been on a steady but consistent decline against international currencies since 2020 as the Bank of Japan (BoJ) maintained its extremely low interest rate environment whilst other economic regions used tighter monetary policy to fight inflation. The regional components of this dynamic have started to change and this had implications for the exchange markets. The greatest sensitivity for Japan is against the US Dollar. Here a combination of weaker economic data and considerations around the upcoming Presidential election have modified expectations of future Federal Reserve policy. The Bank of England (01/08) and the European Central Bank (06/06) have both recently made the first cut to interest rates in many years. Conversely expectations in Japan for a further tightening of conditions were steadily increasing ahead of the Bank of Japan's Policy Meeting at the end of the month. The transition of these changing expectations resulted in the sharp reversal of the underlying currency trends of recent years.

The BoJ Monetary Policy Meeting on 31st July concluded with the announcement of a further hike to the Bank's short term policy rate from 0.0-0.1% to 0.25% along with a plan to reduce its purchases of long-term JGBs. The BoJ cited the fact that the economy and pricing are trending in line with their outlook and the move is consistent with their view that Japan operates in a "world with interest rates" and is able to eliminate "zero interest rate as a norm". The possibility of further rate hikes before the end of the year was not ruled out.

The aggregate impact on the listed companies of a stronger Yen is estimated to be negative for earnings growth whilst on the economy overall it is positive due to Japan's negative trade balance. Consequently, in the short term the exchange rate can have a significant impact on the performance of individual stocks and, accompanying the exchange rate reversal, there was a notable shift intra-month in the performance of stocks and sectors within the market. The Yen strength favoured more domestic demand oriented stocks and this benefited holdings such as Dip and Zozo, which both also reported robust quarterly earnings. Generally stocks in financial sectors performed well as beneficiaries of higher interest rates so banks, insurance and other financials continued to perform well. Recently added holding, Japan Securities Finance, reported strong results accompanied by a revision upwards to its full year dividend forecast from Y70 to Y84 and an increase in the size of its previously announced share buyback programme. The company management had recently embarked on an overseas roadshow for the first time in many years in response to the higher standards of corporate governance encouraged by the Tokyo Stock Exchange. We believe these changes are more significant for investors in the long run than FX gyrations.

FUND STATISTICS		INVESTMENT OBJECTIVE	BOOK EXPOSURES			No. Stocks		%			
Market Value	£289m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.	Dividend Growth	29	94.3						
No. Ordinary Shares in issue	134,730,610		Special Situations	7	16.2						
Launch date	Dec 2015		Stable Yield	4	12.1						
NAV per Ordinary Share cum Income GBP	214.43		Total	0	123.6						
NAV per Ordinary Share ex Income GBP	211.60										
Ordinary Share Price GBP	200.00	DIVIDEND (IN GBP)									
Premium (Discount)	(6.7%)	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
Dividends Paid	Aug & Mar	Jun/Jul	1.60	1.55	1.40	1.40	1.40	1.40	1.25	1.15	1.00
Dividend Yield	2.68% ⁽²⁾	Jan/Feb		3.75	3.50	3.35	3.20	3.10	2.50	2.30	2.00
Active Share	79.3% ⁽³⁾	Total	1.60	5.30	4.90	4.75	4.60	4.50	3.75	3.45	3.00
Financial Calendar Year End	31 October	DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR⁽¹⁾									
Company Fees:		Total Return	2023	2022	2021	2020	2019	2018			
Ongoing charges ratio (OCR) per year (30.04.24)	1.05% ⁽⁴⁾	Ord Share Price	23.01	1.79	12.39	-9.09	10.79	-6.72			
Annual Management Fee	0.75%	NAV (cum inc)	17.39	-0.51	10.79	1.23	20.93	-10.96			
AIFMD Exposure Calculation (31.07.24):		TOPIX TR in GBP	12.76	-4.60	2.22	9.49	15.65	-8.89			
Gross	129.51 (% NAV)	CUMULATIVE PERFORMANCE (%)⁽¹⁾									
Commitment	129.47 (% NAV)	Total Return	1 month	YTD	1 year	3 years	5 years	Inception			
Company Codes:		Ord Share Price	5.57	16.30	22.17	62.34	55.54	153.64			
ISIN - Ordinary Share	GB00BYSRMH16	NAV (cum inc)	4.46	17.99	24.81	53.72	59.04	174.36			
Sedol - Ordinary Share	BYSRMH1 GB	TOPIX TR in GBP	4.50	11.54	16.53	25.34	37.57	111.23			
Bloomberg - Ordinary Share	CCJI LN	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.									

TOP 10 HOLDINGS	
Holding	(%)
Sumitomo Mitsui Financial Group	8.8
Mitsubishi UFJ Financial Group	7.5
Itochu Corporation	5.5
Tokio Marine Holdings Inc	5.3
Shin-Etsu Chemical Co Ltd	5.3
Sompo Holdings Inc	5.1
Nintendo Co Ltd	4.8
SoftBank Corp	4.7
SBI Holdings Inc	4.5
Mitsubishi Corp	4.1
Total	55.6

TOP 10 SECTORS	
Sector	(%)
Chemicals	20.1
Banks	16.3
Electrical Appliances	13.0
Insurance	10.5
Wholesale	9.6
Info & Communications	9.4
Other Financing Business	7.2
Services	6.6
Retail Trade	6.3
Other Products	5.7
Total	104.7

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 31.07.2024 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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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.

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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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