

# CHIKARA CC JAPAN INCOME & GROWTH TRUST PLC

This is a marketing communication. This is not a contractually binding document. Please refer to the Prospectus and to the relevant KID(s)/KIID(s) and do not base any final investment decision on this communication alone.

## COMMENTARY

August 2024

The Net Asset Value of the CC Japan Income & Growth Trust fell by 4.7% in GBP terms during August. In a move that had everyone looking for their history books, the Topix Index fell by 12.2% on August 5 as a multitude of factors forced a rapid unwind of established investment positions. None of the data releases that contributed to this reaction can be considered a shock comparable to the existential threats that investors feared at the time of the Financial crisis in 2008, Fukushima earthquake in 2011 or at the outbreak of the Covid pandemic in 2020. The main culprit appears to have been a reassessment of expectations for international monetary policy following weaker economic data releases in the US and the Bank of Japan's announcement of higher interest rates in Japan. The reasons for the sharp decline can be considered 'technical' as investors positioned to benefit from what is known as the "carry trade" - the purposeful borrowing of a low yield currency to invest in high yielding assets or currencies - unwound positions to prevent losses escalating. The fact that this market movement, which saw almost 800 listed companies fall by the maximum allowed in a single trading session, occurred in the middle of a favourable Q1 reporting season only heightened the inappropriate nature of this move. This was confirmed by a rapid reversal of the fall, with the market regaining its previous level within a week and hitting new all-time highs in US Dollar terms by the end of the month.

The exchange rate movements are the lasting legacy of this extreme market volatility with the Yen rising from levels of over ¥160/\$ in July to ¥146.2/\$ at the end of August. Against Sterling, the move has been from a trough of ¥207.7/£ to ¥191.9/£ at the end of the month. While a stronger Yen is considered favourable for the Japanese economy in aggregate (due to the large negative trade balance; especially in raw materials), it does have a short term negative impact on earnings growth. Companies in general have forecast very conservatively for the year so there is no impact to their internal forecasts at current exchange rate levels although the benefits of the weaker Yen to those sectors that have sensitivity are lessened. Currency variability is an important consideration in our stock selection and, in a nation with many international companies, is difficult to avoid. Our preference is for companies that are world leaders in their chosen field, whose products have high market shares and are competitive for their technical or service superiority, rather than price alone. Earnings growth for the market as a whole will be more restrained in the near term by currency strength but, as mentioned, for the economy in its entirety, it is positive. The reasons for buying Japan are not confined to short term earnings momentum but longer-term capital efficiency improvements, corporate governance reform and higher shareholder returns. We very firmly believe that none of these will be impacted by current events. These are structural changes in Japan. We are particularly encouraged that companies in the portfolio, Itochu and Japan Securities Finance, reacted to the sharp share price movements by increasing their share buyback programmes.

FUND STATISTICS		INVESTMENT OBJECTIVE				BOOK EXPOSURES		No. Stocks		%	
Market Value	£275m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.				Dividend Growth	29			93.0	
No. Ordinary Shares in issue	134,730,610					Special Situations	7			16.2	
Launch date	Dec 2015					Stable Yield	4			12.5	
NAV per Ordinary Share cum Income GBP	204.30					Total	40			121.7	
NAV per Ordinary Share ex Income GBP	201.45	<b>DIVIDEND (IN GBP)</b>									
Ordinary Share Price GBP	192.00	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
Premium (Discount)	(6.0%)	Jun/Jul	1.60	1.55	1.40	1.40	1.40	1.40	1.25	1.15	1.00
Dividends Paid	Aug & Mar	Jan/Feb		3.75	3.50	3.35	3.20	3.10	2.50	2.30	2.00
Dividend Yield	2.79% <sup>(2)</sup>	Total	1.60	5.30	4.90	4.75	4.60	4.50	3.75	3.45	3.00
Active Share	80.1% <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 (30.04.24)	1.05% <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	127.41 (% NAV)	Total Return	1 month	YTD	1 year	3 years	5 years	Inception			
Commitment	127.37(% NAV)	Ord Share Price	-4.00	11.65	18.33	49.75	52.36	143.49			
Company Codes:		NAV (cum inc)	-4.72	12.42	20.09	38.91	54.42	161.40			
ISIN - Ordinary Share	GB00BYSRMH16	TOPIX TR in GBP	-1.94	9.37	15.03	17.78	36.97	107.12			
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 Group	8.2
Mitsubishi UFJ Financial Group	7.0
Sompo Holdings Inc	5.4
ITOCHU Corporation	5.3
SoftBank Corp	5.2
Tokio Marine Holdings Inc	5.1
Shin-Etsu Chemical Co Ltd	5.0
Nintendo Co Ltd	4.8
ZOZO Inc	4.3
SBI Holdings Inc	4.3
<b>Total</b>	<b>54.4</b>

TOP 10 SECTORS	
Sector	(%)
Chemicals	19.9
Banks	15.1
Electrical Appliances	12.8
Insurance	10.5
Information & Communications	10.0
Wholesale	9.4
Other Financing Business	7.3
Retail Trade	6.7
Services	6.6
Other Products	5.9
<b>Total</b>	<b>104.3</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 30.08.2024 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.

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.

This document is issued by Chikara Investments LLP, 31-32 St. James's Street, London SW1A 1H who are authorised and regulated by the Financial Conduct Authority. The Company operates under the Companies Act 2006 and is not regulated as a collective investment scheme by the Financial Conduct Authority.