

CHIKARA CC JAPAN INCOME & GROWTH TRUST PLC

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COMMENTARY

September 2024

The Sterling Net Asset Value of the CC Japan Income & Growth Trust fell by 2.3% during September. The benchmark index fell by 1.4%. The performance of the Japanese equity market in the short term is seemingly being heavily influenced by global monetary policy expectations and exchange rate movements rather than fundamental considerations. This has increased the volatility of the market and this has been aggravated by aggressive foreign selling. The net selling of cash equities by foreign investors in the second week of the month was the largest weekly sell off since 1982. We believe this sentiment is at odds with the favourable trends we currently observe within Japan and in the outlook for our holdings.

At the end of a seemingly open race to be appointed leader of the ruling LDP, Shigeru Ishiba, was announced as successor to Fumio Kishida. At a late stage Sanae Takaichi, Minister of Economic Trade and Industry, was seen as the favourite and the market responded to her pro-Abenomics policies, most notably a resistance to interest rate increases, with a weakening of the Yen and a rally in equities. This reversed rapidly on 30th September when Ishiba-san was announced as the winner of the contest with his previous comments concerning tax increases cited as potential risks going forward. We believe that the economy is better served by the continuation of existing policies that Ishiba-san represents rather than a return to Abenomics in its original form represented by Takaichi-san. While the easy monetary policy of former Bank of Japan Governor Kuroda can be acknowledged for pulling Japan out of deflation, it is the recent Yen weakness, and not Yen strength that has become problematic. The transition to interest rate normalization under current BoJ Governor Ueda, provided it continues to be supported by growth initiatives and reforms, now offers the prospect of a break from the economic challenges that emerged in the aftermath of the late 1980's bubble. New PM Ishiba's policies are consistent with this philosophy and current approach of the Bank of Japan.

Two recent reports by Nomura highlight the underlying improvements in corporate governance and shareholder returns that are an integral component of the long term attraction of Japanese equities beyond this short term volatility. The first highlights the fact that in the first half of the current fiscal year share buybacks totaled Y8.0trn and have increased over 100% year-on-year. This extremely high level can be attributed to the improving earnings outlook, high levels of accumulated balance sheet cash and deposits, wider acknowledgement of governance reforms and a general view that share prices are undervalued. The second report shows a more gradual improvement in the distribution of dividend payout ratios in Japan over time. The aggregate and median company percentage payout ratio continues to rise whilst continuing to be well covered by operating cashflow and balance resources. Despite these very positive developments, the total return payout ratio in Japan remains lower than in other international equity markets (at approximately 60% compared to almost 75% as the average of developed countries). We believe this highlights the further potential for enhanced returns which underpin this investment strategy.

FUND STATISTICS		INVESTMENT OBJECTIVE	BOOK EXPOSURES		No. Stocks		%				
Market Value	£269m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.	Dividend Growth	28	85.4						
No. Ordinary Shares in issue	134,730,610		Special Sits.	7	16.7						
Launch date	Dec 2015		Stable Yield	4	12.8						
			Total	39	115.0						
NAV per Ordinary Share cum Income GBP	199.57	DIVIDEND (IN GBP)									
NAV per Ordinary Share ex Income GBP	195.81	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
Ordinary Share Price GBP	183.00	Jun/Jul	1.60	1.55	1.40	1.40	1.40	1.40	1.25	1.15	1.00
Premium (Discount)	(8.3%)	Jan/Feb		3.75	3.50	3.35	3.20	3.10	2.50	2.30	2.00
Dividends Paid	Aug & Mar	Total	1.60	5.30	4.90	4.75	4.60	4.50	3.75	3.45	3.00
Dividend Yield	2.92% ⁽²⁾	DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR⁽¹⁾									
Active Share	80.8% ⁽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 (30.11.23):		Total Return	1 month	YTD	1 year	3 years	5 years	Inception			
Gross	115.67 (% NAV)	Ord Share Price	-4.69	6.41	9.35	33.69	39.08	132.08			
Commitment	115.59 (% NAV)	NAV (cum inc)	-2.32	9.82	13.92	28.61	45.17	155.35			
Company Codes:		TOPIX TR in GBP	-1.43	7.81	11.18	10.62	30.47	104.16			
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 Group	8.0
Mitsubishi UFJ Financial Group	6.8
ITOCHU Corporation	5.4
SoftBank Corp	4.9
Shin-Etsu Chemical Co Ltd	4.7
Nintendo Co Ltd	4.7
ZOZO Inc	4.4
Tokio Marine Holdings Inc	4.4
Hitachi Ltd	4.1
Mitsubishi Corp	4.1
Total	51.5

TOP 10 SECTORS	
Sector	(%)
Chemicals	20.1
Banks	14.8
Electrical Appliances	11.0
Info & Communications	9.9
Wholesale	9.5
Retail Trade	6.9
Services	6.8
Insurance	6.6
Other Financing Business	6.3
Other Products	5.8
Total	97.7

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 30.09.2024 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.

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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