

# CC Japan Income & Growth Trust plc

ASSET MANAGEMENT LLP

CouplandCardiff

## Commentary

April 2020

After a very difficult March, the return of the CC Japan Income & Growth Trust was much more stable in April with the Topix index showing a more consistent rise for the first time in four months. A state of emergency was declared in Japan as the number of COVID-19 cases rose domestically, but major equity markets around the world rebounded as a result of a slowdown in momentum in the growth of inspections overseas. Economic releases in Japan and elsewhere have begun to highlight the sharp decline in economic activity which will impact corporate earnings in the coming months. The uncertainty has been reflected in the corporate results season with many companies choosing not to make forecasts for the coming fiscal year at this early stage.

While there was evidence of a rebound in some stocks and sectors which performed poorly in March, others remained under pressure due to continued evidence of the harsh business environment in the short term. Domestic companies, unless they are predominately e-commerce focused, performed poorly as the state of emergency was extended in duration and regionally. Cosmetics manufacturers Noevir, Kao and Pola Orbis were amongst the weakest performing holdings in the portfolio as a result. Also service companies Gakkyusha (cram school) and Nippon Parking Development (parking services and theme parks) will also facing difficulties in the near term as a result of the restriction of movement. These companies have all faced similar problems in the past during economic downturns or following natural disasters but have been able to grow as businesses over time and consistently reward shareholders through dividends along the way. Recent announcements confirm that this will remain the case. There were notable positive contributions from SBI Holdings, West Holdings, Shin-Etsu Chemical, Hikari Tsushin and Tokyo Electron which actually raised its dividend payment for the year just completed but like many companies has not yet published forecasts for FY20.

The security of dividends have become a key concern for equity investors worldwide with many high profile European companies, in particular, announcing significant cuts to or even a complete cancellation of their annual payments. Japanese companies with similar profiles appear to have also been penalised despite our confidence that their financial strength and the commitment of their management will ensure that shareholder returns are at least stable during this period of operational stress. As a consequence we believe that the portfolio is in a healthy position to generate income for its investors in the near term and retain the confidence that the companies that are able to demonstrate this profile will continue to generate attractive total returns for investors over the medium term as operating conditions normalise.

Fund Statistics		Book Exposures			Dividend (in GBp)				
Market Value	£ 175m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.			Ex date	2016/17	2017/18	2018/19	2019/20
No. Shares in issue	134,730,610				Jun/July	1.00	1.15	1.25	1.40
Launch date	Dec 2015				Jan/Feb	2.00	2.30	2.50	3.10
NAV per share cum Income	129.53				Total	3.00	3.45	3.75	4.50
NAV per share ex Income	126.69	Investment Objective			Discrete performance (%) full calendar years <sup>(1)</sup>				
Share Price GBp	125.00				Total Return	2019	2018	2017	2016
Premium (Discount)	(3.5%)	Dividend Growth	No.	%	Share Price	10.79	-6.72	37.48	13.18
Dividends Paid	Aug & Mar	Special Situations	3	7.2	NAV	20.75	-11.34	30.64	19.28
Dividend Yield	3.6% <sup>(2)</sup>	Stable Yield	5	10.8	TOPIX GBP	15.65	-8.89	15.50	23.63
Financial Calendar:		Total	39	114.2	Cumulative performance (%) <sup>(1)</sup>				
Year End	31 October	Total Return	YTD	1 Yr	2yr	3yr	Inception		
Company Fees:		Share Price	-18.28	-9.76	-16.72	7.11	39.70		
Ongoing charges ratio (OCR) per year (31.10.19)	1.06% <sup>(3)</sup>	NAV	-16.16	-8.14	-12.48	13.56	43.91		
OCR includes Annual Management Fee:	0.75%	TOPIX GBP	-7-37	0.93	-2.61	10.98	48.44		
AIFMD Exposure Calculation at 31.12.19		Notes							
Gross	122.4 (% nav)	(1) Source: Independent NAVs are calculated daily by PraxisIFM Fund Services (UK) Limited (by Northern Trust Global Services Limited pre 01.10.17.) Total return performance details shown are net NAV to NAV returns with gross income re-invested. Share price total return is on a mid to mid price basis. You should remember that past performance is not a guide to the future. 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. 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. CC Japan Income & Growth Trust plc (the Company) does not currently intend to hedge the currency risk. Share Price period returns displayed are calculated as Total Return. (2) The yield is calculated using the actual dividends declared during the past 12 months and the closing share price as at the date of this factsheet. This is rounded to 2 decimal places. (3) Source: OCR is calculated by PraxisIFM Fund Services (UK) Limited. This is rounded to 2 decimal places.							
Commitment	119.7 (% nav)								
Company Codes:									
ISIN	GB00BYSRM-H16								
Sedol	BYSRMH1 GB								
Bloomberg	CCJI LN								

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Top 10 Holdings	
Holding	(%)
Shin-Etsu Chemical	5.9
Itochu Corp	5.3
Nippon T&T	5.2
Tokio Marine Holdings	5.0
Softbank	4.3
Noevir Holding	3.8
Sumitomo Mitsui Financial	3.7
West Holdings	3.7
Kyowa Exeo Corp	3.7
SBI Holdings	3.7
<b>Total</b>	<b>44.3</b>

Top 10 Sectors	
Sector	(%)
Info & Communications	19.9
Chemicals	15.6
Services	15.3
Real Estate	10.6
Wholesale	8.3
Electrical Appliances	6.6
Banks	6.5
Insurance	5.0
Machinery	4.3
Sec & Commodity	3.7
<b>Total</b>	<b>95.8</b>

## Company Information

Launch date	15 December 2015
AIC sector	Japan
Fund manager	Richard Aston
Directors	Harry Wells (Chairman), Kate Cornish-Bowden, John Scott, Mark Smith, Peter Wolton.
Share buy back	The Company has authority to purchase up to 14.99% of issued share capital (as at 31.01.17) or cancellation/to hold in treasury.

## Contact Details

Address	Coupland Cardiff Asset Management LLP 5th Floor, 31-32 St. James's Street London, SW1A 1HD.
Company Secretary	PraxisIFM Fund Services (UK) Limited
Stockbroker	Peel Hunt
Market makers	Peel Hunt, Winterflood Securities.
Website	<a href="http://www.ccjapanincomeandgrowthtrust.com">www.ccjapanincomeandgrowthtrust.com</a>

## Key Risks

**Liquidity risk** – The Company 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 Company 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 Company holds a limited number of investments. If one of these falls in value, it can have a greater impact on the Company's value than if the Company 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. Changes in the exchange rate between Sterling and Yen may lead to a depreciation in the value of the Company assets as expressed in Sterling.

**Derivatives** – the Company may use derivatives as investments or to manage the risk profile of the Company. Their use may increase the risk of losses as well as enhance potential gains as compared to funds that do not use derivatives.

The Company 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 30.04.2020 unless stated otherwise. All information is sourced from CCAM 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 shares will fluctuate. The price of shares in the Company is determined by market supply and demand. The share price 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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