

CHIKARA JAPAN INCOME & GROWTH FUND

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COMMENTARY

April 2024

The Net Asset Value of the Chikara Japan Income & Growth Fund fell by 0.6% in Yen terms during April.

The sharp movement of the exchange rate was a significant factor in the return generated for foreign investors over the month and also in the dynamics within the market. The fact that the Yen has weakened sharply since the announcement of the end of negative interest rates at the March policy meeting of the Bank of Japan highlights the complex dynamics of the foreign exchange markets. Since the beginning of the year it has raised concerns amongst the Japanese Authorities about the adverse impact this may have on an economy especially as the currency weakness has coincided with higher dollar denominated energy and commodity prices as a result of the rising tensions in the Middle East. As in Autumn 2022, this has prompted the Ministry of Finance to follow verbal warnings with direct intervention in the currency markets (selling dollars and buying yen) at the end of the month in an attempt to reverse the recent trend. This previous example of unilateral intervention suggests the impact is likely to be temporary unless followed by more fundamental shifts in the structural considerations placing downward pressure on the Yen. The most relevant at the point in time appear to be the expectations for the path of the interest rates in the US and also the higher costs of imported raw materials on which Japan remains dependent. We note that companies are tending to assume an exchange rate of ¥130-145/\$ for fiscal year 2024 compared to ¥160/\$ which it reached briefly on April 29 resulting in some additional uncertainty for the coming year.

Nomura Securities published a review of shareholder returns from the Japanese market for the Fiscal Year 2023. Based on their current assumptions, the total dividends of all listed companies will have increased by 9.9% over the year and this is likely to be followed by a similar increase for FY24. The total return (of dividends and share buybacks) is up 5.3% y/y in aggregate and equates to total payout ratio of above 50% which they now believe has become a more representative level of annual distribution. This level continues to remain low in comparison to other international markets (average 72%) and consequently represents a gap with the potential to close further over time.

At the company level, we continue to identify the influence of the Tokyo Stock Exchange's Initiative to raise corporate value (and the many changes that preceded it) in our company meetings. Of note for the portfolio we highlight the revised mid-term plan of Hitachi which raises its capex targets, its M&A budget and its shareholder returns objectives as its capital efficiency continues to improve.

BOOK EXPOSURES			FUND HIGHLIGHTS	INVESTMENT OBJECTIVE
	No. Stks	%	Chikara Japan Income & Growth Fund offers investors a concentrated, conviction exposure to the Japanese market, with a focus on investing in companies that are seen as undervalued with strong balance sheets and sound business franchises, but also can offer a return to shareholders through either dividend yields or share buybacks.	To provide investors with long term capital appreciation and an income through an actively managed portfolio of equities listed in Japan.
Dividend Growth	30	81.2		
Special Situations	5	8.2		
Stable Yield	3	8.1		
Cash & Other	0	2.5		

FUND STATISTICS		CUMULATIVE PERFORMANCE (%) ⁽¹⁾							
Fund Manager:	Richard Aston		1 month	YTD	1 year	3 years	5 years	Inception	
Fund Size:	USD 256m	JPY S Ac ⁽²⁾	-0.63	16.27	36.52	62.54	80.35	290.69	
Strategy Size:	USD 601m	GBP S Ac ⁽²⁾	-0.28	18.08	43.29	73.34	89.92	300.63	
Active Share ⁽⁵⁾ :	79.8%	USD S Ac ⁽²⁾	-0.25	18.21	43.85	76.77	100.10	339.95	
Launch Date:	31.01.2013	Index	-0.27%	16.89%	35.90	54.72	90.22	268.41	
Dealing:	Daily	DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR ⁽¹⁾							
Denomination:	Yen		2023	2022	2021	2020	2019	2018	2017
Benchmark ⁽¹⁾ :	TOPIX Net TR	JPY S Ac ⁽²⁾	26.34	1.71	17.15	-3.57	19.04	-17.04	23.80
Structure:	Irish OEIC, UCITS V	GBP S Ac ⁽²⁾	32.15	2.38	16.70	-4.78	19.15	-16.96	24.13
Registered for sale in: UK, Ireland, Germany, Luxembourg, Finland, Sweden and Switzerland and Institutional and Accredited Investors only in Singapore. For KIID documents and more information, please visit: www.chikarainvestments.com		USD S Ac ⁽²⁾	32.84	3.59	17.13	-3.06	21.59	-15.53	25.26
		Index	27.77	-2.45	12.74	7.39	18.12	-15.97	22.23
DIVIDEND YIELD									
2.9%									
*Forecast gross portfolio yield of the underlying portfolio holdings, the net yield paid will be lower.									

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. 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. All figures quoted are in JPY. Source: Independent returns are calculated daily by Northern Trust International Fund Administration Services (Ireland) Limited. All performance details shown are net NAV to NAV percentage returns with gross income re-invested.

TOP 10 HOLDINGS	
Holding	(%)
Sumitomo Mitsui Financial	6.4
Tokio Marine Holdings	5.6
Mitsubishi UFJ Financial	5.5
Shin-Etsu Chemical	4.6
Softbank Corp	4.5
Hitachi	4.0
SBI Holdings	3.6
Mitsubishi Corp	3.5
Itochu Corp	3.4
Tokyo Electron	3.2
Total	44.3

TOP 10 SECTORS	
Sector	(%)
Info & Communications	13.4
Chemicals	13.3
Electrical Appliances	13.2
Banks	11.9
Insurance	8.6
Wholesale	6.9
Services	5.8
Other Financing Business	4.0
Retail Trade	3.6
Sec&Cmnty	3.6
Total	84.3

SHARE CLASS DETAILS				
SHARE CLASSES	ISIN	Management Fee	Ongoing Charges Figure ⁽³⁾	Minimum Initial Investment
Acc JPY	IE00B8J9SY37	0.90% ⁽⁴⁾	1.20% (capped)	¥10,000,000
Inc JPY	IE00B886Z009			¥10,000,000
Acc GBP (unhedged)	IE00BKDSTX65			£100,000
Inc GBP (unhedged)	IE00BKDSTW58			£100,000
Acc GBP	IE00B827JW93			£100,000
Inc GBP	IE00B8B2R107			£100,000
Acc USD	IE00B8Y6JC44			\$100,000
Inc USD	IE00B8L7SS90			\$100,000
S Acc JPY	IE00B7BZQ152	0.75%	1.05% (capped)	\$1,000,000 or currency equivalent
S Inc JPY	IE00B8NX8L87			
S Inc GBP (unhedged)	IE00BKRC2Z78			
S Acc GBP	IE00B82WY521			
S Inc GBP	IE00B8DY1Q70			
S Acc USD	IE00B9FDM775			
S Inc USD	IE00B9503Q46			

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.

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

- (1) Reference to the benchmark is made for comparison purposes only. The fund is not managed by reference to the benchmark, nor does the fund otherwise use the benchmark for the purposes of the Benchmark Regulation (Regulation (EU) 2016/1011). The benchmark performance shown is that of TOPIX TR Index in Yen. All share class performance since 04.02.2013 being inception date. NB Month end returns for March 2018 and August 2015 were calculated by Chikara.
- (2) Share class name change on 10th May 2016 from founder to S.
- (3) Ongoing Charges Figure: Note the OCF for the following classes are currently capped, classes JPY Acc, JPY Inc, USD Acc, USD Inc, GBP Acc, GBP Inc, GBP (unhedged) Acc, GBP (unhedged) Inc are capped at 1.2%, classes JPY S Acc, JPY S Inc, USD S Acc, USD S Inc, GBP S Acc, GBP S Inc, GBP (unhedged) S Inc are capped at 1.05%. The cap was effective 2 April 2024. The cap may be terminated on 60 days' notice
- (4) The management fee was reduced from 1% to 0.9% from 14 August 2019.
- (5) Active Share Source: S&P Capital IQ Pro

All data as at 30.04.2024 unless stated otherwise. All information is sourced from Chikara unless stated otherwise.

This document does not purport to provide investment advice and should not be relied on for the purposes of any investment decision. It is not an offer to sell or the solicitation of an offer to purchase shares in Chikara Japan Income & Growth Fund (a sub-fund of Chikara Funds plc, an open-ended investment company with variable capital incorporated in Ireland and authorised by the Central Bank of Ireland as a UCITS pursuant to the UCITS Regulations). Any such offer or solicitation can only be made by means of the formal subscription documentation and the related Prospectus dated 26th July 2023 together with the Chikara Japan Income & Growth Fund Supplement dated 26th July 2023 (together the Prospectus) and only in those jurisdictions where it is permitted by law. Chikara, as investment manager, has discretion in managing the investments of the Chikara Japan Income & Growth Fund (the “Fund”) and selects equities through research using fundamental, bottom-up stock selection techniques. The Fund is actively managed, which means that Chikara has discretion over the composition of the Fund's portfolio, subject to the Fund's stated investment objective and policy. Chikara will select the Fund's investments based entirely on its stock selection techniques, irrespective of whether such stocks are components of the Benchmark.

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PROSPECTIVE INVESTORS SHOULD REVIEW THE PROSPECTUS, INCLUDING THE RISK FACTORS THEREIN, BEFORE MAKING A DECISION TO INVEST.

The representative in Switzerland is 1741 Fund Solutions Ltd, Burggraben 16, CH-9000 St. Gallen. The Swiss Paying Agent in Switzerland is Tellico Bank Limited, Bahnhofstrasse 4, CH-6430 Schwyz. The prospectus, the articles of association, the Key Information Documents, as well as the annual and semi-annual reports may be obtained free of charge from the representative. In respect of the units distributed in and from Switzerland, the place of performance and jurisdiction is the registered office of the representative.

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Copies of the Prospectus in English, UCITS KIIDs in English and PRIIPS KIDs in English, German and Swedish may be found at www.fundinfo.com and copies of the Prospectus and the latest annual report and any subsequent half-yearly report of the Company in English free of charge from Administrator, Northern Trust International Fund Administration Services (Ireland) Limited, George's Court, 54 – 62 Townsend Street, Dublin 2 or the Investment Manager, Chikara Investments LLP, 31-32 St James's Street, London SW1A 1HD. Tel : 0207 321 3470. A summary of investor rights is available in English at <https://www.chikarainvestments.com/summary-of-investor-rights>.

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