# CC Japan Income & Growth Trust plc

ASSET MANAGEMENT LLP
CouplandCardiff

**Commentary** **July 2021**

The Topix Index fell 2.2% m/m to 1901.08 while the Nikkei fell 5.5% reflecting concerns over economic recovery as delta variant Covid-19 infections rose globally, the further extension of emergency measures in parts of Japan to curtail the resurgent virus numbers and stepped up regulations in China. The outlook for a rebound in the more depressed areas of the domestic economy have consequently been pushed further back although with vaccination programme continuing at over 1m doses administered per day, prospects for a recovery are improving. By the end of month almost 89m doses had been distributed which is equivalent 35% of the population.

The Tokyo Stock Exchange (TSE) released its share ownership survey on 7 July which covers shareholdings in companies listed on Japan's four securities exchanges. Over the year, foreigners maintained their exposure at approximately 30% and remain the largest single category of shareholder. The aggregate shareholding of individuals rose by 0.3% to 16.8% although this represents only a modest reversal of a notable long term downward trend. The most significant change was a decline of 1.9% to 20.4% in the ownership by business corporations. This represents the largest fall since 2000 and appears to reflect an acceleration in the unwinding of cross-shareholdings ahead of the changes to listing criteria necessary for inclusion in the TSE Prime, Standard and Growth Markets.

A few days later the TSE released a report in which it detailed 965 companies (of the 3,735 listed) that have failed to meet the criteria for transition to the new markets based on an analysis of the market capitalization and tradeable ratio of their shares. 664 of the 2,191 TSE First Section companies (30.3%) fail to meet the criteria for the Prime Market . These companies are required to submit a plan for meeting the standards and disclose them by the end of the year. While we believe that the fall in cross-shareholdings evident in the shareholder survey is an attempt by companies to pre-empt the changes, it is clear that significantly more share sales will be required if these companies are to maintain a public listing. The benefit of lower cross-shareholdings is evident at the individual company level due to the fact that these static investments, in general, depress capital returns. However, more importantly, the declining influence of these 'allegiance' investments creates a more favourable environment for shareholder engagement and active ownership via the exercise of voting rights which we believe to be a driving factor in the further improvements to corporate governance and shareholder returns in Japan.

## Fund Statistics

| | |
|---|---|
| **Market Value** | £205m |
| **No. Ordinary Shares in issue** | 134,730,610 |
| **Launch date** | Dec 2015 |
| **NAV per Ordinary Share cum Income GBp** | 151.96 |
| **NAV per Ordinary Share ex Income GBp** | 150.87 |
| **Ordinary Share Price GBp** | 135.00 |
| **Premium (Discount)** | (11.2%) |
| **Subscription Share Price GBp** | 3.00 |
| **Dividends Paid** | Aug & Mar |
| **Dividend Yield** | 3.41%[2] |
| **Financial Calendar Year End** | 31 October |
| **Company Fees:** | |
| **Ongoing charges ratio (OCR) per year (30.04.21)** | 1.04%[3] |
| **OCR includes Annual Management Fee:** | 0.75% |
| **AIFMD Exposure Calculation at 30.06.21** | |
| **Gross** | 122.1 (% nav) |
| **Commitment** | 120.0 (% nav) |
| **Company Codes:** | |
| **ISIN - Ordinary Share** | GB00BYSRMH16 |
| **Sedol - Ordinary Share** | BYSRMH1 GB |
| **Bloomberg - Ordinary Share** | CCJI LN |
| **ISIN - Subscription Share** | GB00BM90B010 |
| **Sedol - Subscription Share** | BM90B01 GB |
| **Bloomberg - Subscription Share** | CCJS LN |

## Investment Objective

To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.

## Dividend (in GBp)

| Dividends Declared | YE Oct 2021 | YE Oct 2020 | YE Oct 2019 | YE Oct 2018 | YE Oct 2017 | YE Oct 2016 |
|---|---|---|---|---|---|---|
| Jun/Jul | 1.40 | 1.40 | 1.40 | 1.25 | 1.15 | 1.00 |
| Jan/Feb | | 3.20 | 3.10 | 2.50 | 2.30 | 2.00 |
| **Total** | 1.40 | 4.60 | 4.50 | 3.75 | 3.45 | 3.00 |

## Book Exposures

| | No. Stks | % |
|---|---|---|
| Dividend Growth | 31 | 98.1 |
| Special Situations | 5 | 10.8 |
| Stable Yield | 4 | 10.9 |
| Total | 40 | 119.8 |

## Discrete performance (%) full calendar years[1]

| Total Return | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Ord Share Price** | -9.09 | 10.79 | -6.72 | 37.48 | 13.18 |
| **NAV (cum inc)** | 1.23 | 20.93 | -10.96 | 30.49 | 21.13 |
| **TOPIX TR in GBP** | 9.49 | 15.65 | -8.89 | 15.50 | 23.63 |

## Cumulative performance (%) [1]

| Total Return | 1 mth | YTD | 1 Yr | 3 Yrs | 5 Yrs | Inception |
|---|---|---|---|---|---|---|
| **Share Price** | -3.60 | 1.16 | 18.31 | -10.84 | 36.90 | 55.70 |
| **NAV (cum inc)** | -1.24 | -0.38 | 22.33 | 3.99 | 50.24 | 75.74 |
| **TOPIX TR in GBP** | -2.14 | -2.14 | 16.59 | 11.57 | 43.17 | 71.71 |

## Notes

(1) Source: Independent NAVs are calculated daily by PraxisIFM Fund 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. 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. (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: OCR is calculated by PraxisIFM Fund Services (UK) Limited. This is rounded to 2 decimal places.

| Top 10 Holdings | |
|---|---|
| **Holding** | **(%)** |
| Sumitomo Mitsui Financial | 5.7 |
| Mitsubishi UFJ Financial | 5.3 |
| Nippon T&T | 4.8 |
| Asahi Holdings | 4.8 |
| Shin-Etsu Chemical | 4.8 |
| Itochu Corp | 4.7 |
| SoftBank Corp | 4.6 |
| GLP J-Reit | 4.5 |
| SBI Holdings | 4.4 |
| Denso | 4.3 |
| **Total** | **47.9** |

| Top 10 Sectors | |
|---|---|
| **Sector** | **(%)** |
| Chemicals | 15.3 |
| Real Estate | 14.2 |
| Info & Communications | 13.8 |
| Banks | 11.0 |
| Services | 10.7 |
| Electrical Appliances | 9.1 |
| Wholesale | 8.2 |
| Insurance | 6.3 |
| Other Financing Business | 5.4 |
| Other Products | 5.2 |
| **Total** | **99.2** |

## Company Information

| | |
|---|---|
| Launch date | 15 December 2015 |
| AIC sector | Japan |
| Fund manager | Richard Aston |
| Directors | Harry Wells (Chairman), Kate Cornish-Bowden, John Scott, Peter Wolton. |
| Share buy back | The Company has authority to purchase up to 14.99% of issued share capital (as at 25.02.21) or cancellation/to hold in treasury. |

## Contact Details

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

## 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.

All data as at 30.07.2021 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 ordinary and subscription shares will fluctuate. The price of the ordinary and subscription 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.

Each subscription share will confer the holder with the right (but not the obligation) to subscribe for one ordinary share on exercise of the rights attaching to the subscription shares and on payment of the subscription price, which is 161 pence (being the unaudited published NAV per ordinary share as at the close of business on 15 February 2021, plus a one per cent. premium to such NAV per ordinary share, rounded up to the nearest whole penny). Notice of the exercise of the subscription share rights may be given on the last business day of each calendar quarter commencing on 31 May 2021 and finishing on the last business day in February 2023, after which the subscription share rights will lapse except in the circumstances set out in the prospectus in respect of the subscription shares.

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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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