CC Japan Income & Growth Trust plc

ASSET MANAGEMENT LLP
CouplandCardiff

Commentary

July 2020

Equity market indices fell during July as some positive economic indicators in Japan, US and China were weighed down by concerns as the number of Covid-19 cases in Japan, and Tokyo in particular, began to rise, a resurgence of the political friction between the US and China and also the weakness of the US dollar and the effect this has on corporate profits of Japanese companies.

While the current situation has created a difficult operating backdrop as evidenced by the results season for the Apr-Jun period and uncertainties for the quarters to follow, the reaction from corporates to the sharp earnings decline has been notably different to GFC in 2008. We believe that this is evidence of the progress being made by improving the financial health and overall corporate governance considerations during the intervening years. For example, Japanese companies raised a total of Y9trn through public share offerings in the immediate aftermath of the profits decline in 2008/9 but, so far at least, have shown little inclination to do so in 2019/20. This is the case despite the equity market rebound since March making this more appealing. There are a number of reasons which underpin this and include the strong capital position in the banking sector which itself has no requirement for equity financing and is consequently in a stronger position to provide loans to support corporate cashflow. A second reason is the considerably healthier financial position of many companies which now have larger cash resources readily available than prior to 2008 which is enabling them to better absorb the effects of the current downturn.

This has included shareholder returns where we continue to see a superior stability in the aggregate dividend expectations in Japan in comparison to other major equity markets. Share buybacks have however dropped sharply from the peak levels announced in FY19 (+72% year on year) with the Apr-Jun period seeing a significant fall in announcements compared to the previous year as companies manage their near term liquidity requirements amid the general uncertainties that prevail. We would expect both dividends and share buybacks to pick up again once there is greater visibility and note that the general pressure on companies to improve overall standards in the long run has continued despite the obvious short term operational challenges. The Tokyo Stock Exchange, for example, has provided greater clarity on its proposed reform of the capital markets in Japan which tightens the listing criteria for free float shares and corporate governance measures applicable for the new indices scheduled to be introduced in April 2022 as originally planned. We believe that these ongoing changes underpin the investment approach of this strategy.

Fund Statistics

Market Value	£ 172m
No. Shares in issue	134,730,610
Launch date	Dec 2015
NAV per share cum Income GBp	127.98
NAV per share ex Income GBp	126.29
Share Price GBp	118.00
Premium (Discount)	(7.8%)
Dividends Paid	Aug & Mar
Dividend Yield	3.81%[2]
Financial Calendar:	
Year End	31 October
Company Fees:	
Ongoing charges ratio (OCR) per year (30.04.20)	1.02%[3]
OCR includes Annual Management Fee:	0.75%
AIFMD Exposure Calculation at 30.06.20	
Gross	117.7 (% nav)
Commitment	120.4 (% nav)
Company Codes:	
ISIN	GB00BYSRMH16
Sedol	BYSRMH1 GB
Bloomberg	CCJI LN

Book Exposures

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

Investment Objective

	No. Stks	%
Dividend Growth	32	98.0
Special Situations	4	9.3
Stable Yield	5	12.3
Total	41	119.6

Dividend (in GBp)

Ex date	16/17	17/18	18/19	19/20	20/21
Jun/Jul	1.00	1.15	1.25	1.40	1.4
Jan/Feb	2.00	2.30	2.50	3.10	
Total	3.00	3.45	3.75	4.50	

Discrete performance (%) full calendar years[1]

Total Return	2019	2018	2017	2016
Share Price	10.79	-6.72	37.48	13.18
NAV	20.75	-11.34	30.64	19.28
TOPIX GBP	15.65	-8.89	15.50	23.63

Cumulative performance (%) [1]

Total Return	YTD	1 Yr	2yr	3yr	Inception
Share Price	-21.85	-18.47	-23.86	-6.34	34.10
NAV	-15.52	-15.04	-14.44	4.62	44.93
TOPIX GBP	-8.09	-5.85	-4.30	4.64	47.29

Notes

(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.

Top 10 Holdings

Holding	(%)
Shin-Etsu Chemical	5.6
Itochu Corp	5.6
GLP J-Reit	5.3
Nippon T&T	5.1
West Holdings	5.0
Tokio Marine Holdings	4.5
Tokyo Electron	4.4
Softbank Corp	4.3
SBI Holdings	3.9
Japan Exchange	3.8
Total	**47.5**

Top 10 Sectors

Sector	(%)
Info & Communications	22.2
Services	18.1
Chemicals	14.4
Real Estate	14.4
Electrical Appliances	10.2
Wholesale	8.3
Banks	6.1
Other Products	5.6
Insurance	4.5
Sec & Commodity	3.9
Total	**107.7**

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	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 31.07.2020 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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