# CC Japan Income & Growth Trust plc

ASSET MANAGEMENT LLP
CouplandCardiff

**Commentary** **February 2020**

The NAV of the CC Japan Income & Growth Trust fell sharply during February reflecting the general sell-off in equity markets worldwide. From its recent peak on 17 December 2019, Topix has fallen by 13.6% to the end of February 2020 as fears over the impact of the coronavirus outbreak have increased. The sense of panic intensified as the number of recorded cases increased rapidly outside of Asia and authorities acted more aggressively to contain the further spread of the virus. In Japan, this included the downscaling of the Tokyo Marathon, the early closure of schools ahead of the end of the academic year and a temporary two week shutdown of Tokyo Disneyland, all of which create dramatic headlines. Speculation is rife that the Tokyo summer Olympics will be suspended or cancelled. Japanese equities have been amongst the worst hit globally in the last few weeks as investors have contemplated the impact to the domestic economy in a period already under intense scrutiny with the negative consequences of the consumption tax in October 2019 likely to be at their greatest. With lacklustre momentum from domestic components of the economy, the reliance on a robust international environment had increased in the short term. With China being such an important trading partner for Japan, this health scare could not have come at a worse time. Not surprisingly, companies which are viewed to be most affected by the fallout of the many related issues (eg production suspensions, supply chain disruptions, travel restrictions in China and sharp drop in overseas visitors) have fared the worst in terms of their share prices and it is beyond doubt that many will see their short term earnings fall dramatically as a result.

In our view, the share price declines, in many cases, have now gone beyond what can be rationalised in terms of the financial impact and are experiencing the delirium associated with previous sharp market corrections. Research by SMBC has shown that at the time of the SARS outbreak in 2003, similar stock market sectors plunged as the number of daily reported cases continued to grow. However once the first evidence emerged that the number of new cases of the virus had been contained in the areas most affected – Hong Kong, Singapore and Vietnam in the case of 2003 SARs – then markets bounced rapidly. The underlying conclusion being that as long as the spread of the virus is at some point contained, then pent up demand, consumption or capital expenditure, tends to recover.

In times such as these, we believe our best approach is to confirm the commitment of management of the investee companies, in whom we have placed the trust to respond appropriately to operational challenges, to ensure that shareholder returns will remain a primary focus regardless of the short term earnings gyrations. Our recent visits in Japan and direct calls to companies confirms that this is the case and reflect the fact that the improvement to date are a structural transition that underpins the investment opportunity going forward.

## Fund Statistics

| | |
|---|---|
| **Market Value** | £ 183m |
| **No. Shares in issue** | 134,730,610 |
| **Launch date** | Dec 2015 |
| **NAV per share cum Income GBp** | 136.13 |
| **NAV per share ex Income GBp** | 135.14 |
| **Share Price GBp** | 125 |
| **Premium (Discount)** | (8.2%) |
| **Dividends Paid** | Aug & Mar |
| **Dividend Yield** | 3.60%(2) |
| **Financial Calendar:** | |
| **Year End** | 31 October |
| **Company Fees:** | |
| **Ongoing charges ratio (OCR) per year (31.10.19)** | 1.06%(3) |
| **OCR includes Annual Management Fee:** | 0.75% |
| **AIFMD Exposure Calculation at 31.12.19** | |
| **Gross** | 122.4 (% nav) |
| **Commitment** | 119.7 (% 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 | 31 | 99.3 |
| Special Situations | 2 | 5.2 |
| Stable Yield | 7 | 16.4 |
| Total | 40 | 120.9 |

## Dividend (in GBp)

| Ex date | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|
| Jun/July | 1.00 | 1.15 | 1.25 | 1.40 |
| 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** | -18.28 | -8.80 | -13.75 | 5.76 | 39.70 |
| **NAV** | -10.70 | 1.19 | -6.85 | 18.24 | 52.51 |
| **TOPIX GBP** | -10.07 | 1.41 | -5.20 | 5.00 | 44.12 |

## 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** | **(%)** |
| Itochu Corp | 5.5 |
| Shin-Etsu Chemical | 5.4 |
| Tokio Marine Holdings | 5.2 |
| Nippon T&T | 4.9 |
| Toyota Motor Corp | 4.6 |
| Sumitomo Mitsui Financial | 4.1 |
| Tokyo Electron | 4.1 |
| Invesco  Office J-Reit | 4.0 |
| Bridgestone Corp | 4.0 |
| Mitsubishi Corp | 3.9 |
| **Total** | **45.7** |

| Top 10 Sectors | |
|---|---|
| **Sector** | **(%)** |
| Chemicals | 13.8 |
| Services | 12.9 |
| Info & Communications | 12.8 |
| Real Estate | 12.7 |
| Wholesale | 9.4 |
| Construction | 8.6 |
| Banks | 7.2 |
| Machinery | 7.0 |
| Electrical Appliances | 6.6 |
| Insurance | 5.2 |
| **Total** | **96.2** |

## 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<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 28.02.2020 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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