CC Japan Income & Growth Trust plc

ASSET MANAGEMENT LLP
CouplandCardiff

Commentary

May 2019

The NAV of the CC Japan Income & Growth Trust rose modestly in May delivering a return slightly ahead of the Topix Total Return Index expressed in GBP. The Topix index began the new Reiwa Era with a 6.5% local currency decline from the end of April. An escalation of trade tensions between the US and China and the prospects of further tariffs being imposed on imports from Mexico to the US were the headline catalysts for this decline and the increased risks to global trade have been reflected in a sharp contraction of US Treasury yields and an associated strengthening of the Yen relative to other currencies. Against GBP the Yen rose from Y145.4/£ to Y136.8/£.

The performance of holdings within the Company reflected these broader global trends with international leaders such as Shin-Etsu, Tsubaki Nakashima, Tokyo Electron and Komatsu sharply reversing year to date performance but more defensive stocks such as Nippon Telegraph & Telephone, Hikari Tsushin and Secom performing strongly. The Real Estate Investment Trust Holdings continued their strong performance for the year as these are beneficiaries of the lower interest rate environment as an asset class but also further evidence strong underlying operating conditions for hotels (Japan Hotel REIT, Invincible Investment REIT) and mid-sized office real estate (Invesco Office REIT, MCUBS MidCity REIT).

The earnings reporting season during April and May for the large number of Japanese companies with a March fiscal year end revealed the lacklustre performance of the last two quarters resulting from the export slowdown. It also revealed further evidence of the ongoing commitment to improving corporate governance and share holder returns. Up to the 3rd week of May, listed companies had announced their intention to buyback Y3.4trn of shares an increase of over 90% year on year. Among the companies were a number of the current holdings which have been regular exponents such as NTT, Canon and Mitsubishi Corp but also companies such as Gakkyusha, Resona Bank and Tokyo Electron which highlight the opportunity that the general weakness in share prices presents them to buyback their own shares with the objective of improving capital efficiency. It is interesting that for Fiscal Year 2018 the total level of buybacks is estimated to have been Y6.07trn, exceeding the level of the Bank of Japan's ETF buying programme which highlights the significance of the ample opportunity that exists in Japan where many companies have surplus liquid funds on their balance sheet. The projected dividend increases announced by the two leading banking groups, Mitsubishi UFJ Financial and Sumitomo Mitsui Financial, are also noteworthy and encouraging given the tough operating conditions for the core commercial lending businesses in the domestic market.

Fund Statistics

Market Value	£ 195m
No. Shares in issue	134,730,610
Launch date	Dec 2015
NAV per share cum Income GBp	144.80
NAV per share ex Income GBp	142.25
Share Price GBp	145.00
Premium (Discount)	0.1%
Dividends Paid	Aug & Mar
Dividend Yield	2.59%(2)
Financial Calendar:	
Year End	31 October
Company Fees:	
Ongoing charges ratio (OCR) per year (30.04.19)	1.06%(3)
OCR includes Annual Management Fee:	0.75%
AIFMD Exposure Calculation at 31.12.18	
Gross	128.5 (% nav)
Commitment	123.7 (% nav)
Company Codes:	
ISIN	GB00BYSRMH16
Sedol	BYSRMH1 GB
Bloomberg	CCJI LN

Investment Objective

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

Cumulative performance (%) (1)

	YTD	1 Yr	2yr	Inception
Share Price	1.72	-9.57	12.53	51.05
NAV	10.13	-8.25	15.00	55.17
TOPIX TR GBP	5.06	-5.99	4.80	45.57

Book Exposures

	No. Stks	%
Dividend Growth	32	95.9
Special Situations	3	7.9
Stable Yield	5	16.3
Total	40	120.1

Discrete performance (%) full calendar years(1)

	2018	2017	2016
Share Price	-6.72	37.48	13.18
NAV	-11.34	30.64	19.28
TOPIX TR	-8.89	15.50	23.63

Dividend (in GBp)

	2016/17	2017/18	2018/19
Aug	1.00	1.15	1.25
Feb/Mar	2.00	2.30	2.50
Total	3.00	3.45	3.75

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. (2) The yield is calculated using the actual dividends declared during the past 12 months and the closing share price and exchange rate 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

Top 10 Holdings

Holding	(%)
Nippon T&T	4.8
Invesco Office J-Reit	4.7
Tokio Marine Holdings	4.7
Itochu Corp	4.5
Sumitomo Mitsui Financial	4.1
Shin-Etsu Chemicals	4.1
Bridgestone Corp	4.0
Toyota Motor Corp	4.0
Japan Hotel Reit	4.0
Mitsubishi Corp	3.9
Total	**42.8**

Top 10 Sectors

Sector	(%)
Real Estate	17.9
Chemicals	14.7
Services	14.0
Info & Communications	10.1
Banks	9.4
Wholesale	8.4
Machinery	7.9
Construction	7.5
Electrical Appliances	7.1
Insurance	4.7
Total	**101.7**

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) for 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 31.05.2019 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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