

CHIIKARA CC JAPAN INCOME & GROWTH TRUST PLC

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COMMENTARY

March 2024

The NAV of the CC Japan Income & Growth Trust rose 3.5% in March, keeping pace with the return of the benchmark, during what may well prove to an historic turning point for the Japanese economy. The Bank of Japan, at its monetary policy meeting mid-month, announced a major revision to current easy monetary policies which included the first increase in interest rates since 2007.

Both the negative interest rate policy (NIRP) and yield curve control (YCC) have been terminated and discussions have suggested that a further increase to interest rates before the year end is being considered. In basic terms this move equates to a transfer of value to the financial sector and it is therefore unsurprising that sectors such as banks, insurance and securities performed and our long held positions in these sectors made positive contributions to performance. However, it was notable that the top five sectors during the month, Real Estate, Mining, Oil & Coal, Electric Power and Pulp & Paper are all indebted industries. The Trust has no significant exposure to these sectors and while we keep an open mind, we currently believe this remains the correct stance for the strategy. While there are some industry specific factors which have contributed to this recent share price strength, the move in aggregate appears to reflect the fact that, despite the policy shift, the Bank of Japan has retained the ability to maintain a bias towards easy monetary policy with a continued commitment to bond purchases.

The retention of this policy flexibility is cited as a reason for the surprising Yen weakness that has followed the announcement and lead to high profile comments from officials in the Ministry of Finance and Bank of Japan (often a precursor to exchange rate intervention) highlighting the general unease with the cheapness of the Japanese currency. Despite this move it was encouraging to see that a number of domestic focused stocks such as ZOZO, En Japan and Nippon Parking Development made positive contributions during the month, reversing some of the recent share price weakness that has coincided with Yen's depreciation. Selected areas of technology have continued to be favoured reflecting trends evident internationally with Tokyo Electron, Nippon Pillar Packaging, Socionext and Shin-Etsu Chemical amongst top performers although component suppliers Murata Kyocera and Macnica have remained sluggish. These companies experience demand swings related to end product production and announcements of weak mobile handset sales in China for example have not supported the near term outlook although it is relevant that each of these companies has prioritized substantial investments in anticipation of strong future demand.

At the stock level, we are encouraged by the annual policy disclosure by leading trading company Itochu which announced a clear intention to accelerate growth investments, enhance its corporate value through a wide variety of initiatives and continue to enhance shareholder returns. The latter leading to a commitment to paying a minimum dividend of Y200 for the current fiscal year, equivalent to growth of +25% y/y and 4.3x the level of 10 years ago.

FUND STATISTICS		INVESTMENT OBJECTIVE	BOOK EXPOSURES		No. Stocks		%	
Market Value	£286m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.	Dividend Growth		31		97.9	
No. Ordinary Shares in issue	134,730,610		Special Sits.		5		9.0	
Launch date	Dec 2015		Stable Yield		4		11.1	
			Total		40		118.0	
NAV per Ordinary Share cum Income GBP	212.23	DIVIDEND (IN GBP)						
NAV per Ordinary Share ex Income GBP	209.55	Dividends Declared	YE Oct 2023	YE Oct 2022	YE Oct 2021	YE Oct 2020	YE Oct 2019	YE Oct 2018
Ordinary Share Price GBP	199.50	Jun/Jul	1.55	1.40	1.40	1.40	1.40	1.25
Premium (Discount)	(6.0%)	Jan/Feb	3.75	3.50	3.35	3.20	3.10	2.50
Dividends Paid	Aug & Mar	Total	5.30	4.90	4.75	4.60	4.50	3.75
Dividend Yield	2.66% ⁽²⁾							
Active Share	79.3% ⁽³⁾	DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR ⁽¹⁾						
Financial Calendar Year End	31 October	Total Return	2023	2022	2021	2020	2019	2018
Company Fees:		Ord Share Price	23.01	1.79	12.39	-9.09	10.79	-6.72
Ongoing charges ratio (OCR) per year (31.10.23)	1.06% ⁽⁴⁾	NAV (cum inc)	17.39	-0.51	10.79	1.23	20.93	-10.96
Annual Management Fee	0.75%	TOPIX TR in GBP	12.76	-4.60	2.22	9.49	15.65	-8.89
AIFMD Exposure Calculation (30.11.23):		CUMULATIVE PERFORMANCE (%) ⁽¹⁾						
Gross	121.67 (% nav)	Total Return	1 month	YTD	1 year	3 years	5 years	Inception
Commitment	121.06 (% nav)	Ord Share Price	1.27	15.07	34.84	54.80	66.66	150.95
Company Codes:		NAV (cum inc)	3.51	15.90	32.37	47.78	73.07	169.49
ISIN - Ordinary Share	GB00BYSRMH16	TOPIX TR in GBP	3.15	10.96	21.42	20.95	48.22	110.14
Sedol - Ordinary Share	BYSRMH1 GB	Source: Independent NAVs are calculated daily by Apex Listed Companies 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. 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. All figures are in GBP or Sterling adjusted based on a midday FX rate consistent with the valuation point. 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.						
Bloomberg - Ordinary Share	CCJI LN							

TOP 10 HOLDINGS	
Holding	(%)
Sumitomo Mitsui Financial	7.3
Mitsubishi UFJ Financial	6.8
Shin-Etsu Chemicals	5.3
Sompo Holdings	4.8
Hitachi Ltd	4.7
Itochu Corp	4.7
SBI Holdings	4.6
Softbank Corp	4.4
Mitsubishi Corp	4.1
Tokio Marine	4.0
Total	50.7

TOP 10 SECTORS	
Sector	(%)
Chemicals	17.1
Electrical Appliances	15.8
Banks	14.0
Info & Communications	13.4
Insurance	8.8
Wholesale	8.8
Other Financial Business	6.9
Services	6.1
Retail Trade	5.5
Sec&Cmnty	4.6
Total	101.1

COMPANY INFORMATION

Launch date	15 December 2015
AIC sector	Japan
Fund manager	Richard Aston
Directors	June Aitken (Chair), Craig Cleland, Kate Cornish-Bowden, John Charlton-Jones.

CONTACT DETAILS

Address	Chikara Investments LLP 5th Floor, 31-32 St. James's Street London, SW1A 1HD.
Company Secretary	Apex Listed Companies Services (UK) Limited
Stockbroker	Peel Hunt
Market makers	Peel Hunt, Winterflood Securities.
Website	www.ccjapanincomeandgrowthtrust.com

NOTES

- (1) 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: S&P Capital IQ Pro
- (4) Source: OCR is calculated by Apex Listed Companies Services (UK) Limited. This is rounded to 2 decimal places.

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.

Derivatives – the Fund may use derivatives as investments or to manage the risk profile of the Fund. Their use may increase the risk of losses as well as enhance potential gains as compared to funds that do not use derivatives.

Emerging market risk – Investment in emerging markets may be considered speculative. Commonly legal and accounting regimes can offer less protection to investors than in developed markets.

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

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 28.03.2024 unless stated otherwise. All information is sourced from Chikara 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 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.

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This document is based upon information which Chikara Investments LLP (Chikara) considers reliable, but no representation is made that it is accurate or complete and nor should it be relied upon as such. Past performance is no guarantee of future performance. You should note that your capital is at risk with this investment and you may get back less than you invested.

All information and research material provided herein is subject to change and this document does not purport to provide a complete description of the funds, securities or other investments or markets referred to or the performance thereof. All expressions of opinion are subject to change without notice.

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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