

CHIKARA CC JAPAN INCOME & GROWTH TRUST PLC

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COMMENTARY

February 2024

The Net Asset Value of the CC Japan Income & Growth Trust rose by 6.4% in Sterling terms during February.

During the month the widely followed Nikkei 225 Index exceeded its 1989 high for the first time. This symbolic milestone has brought attention to the strong performance of Japanese equities to both domestic and international investors. However, the validity of this comparison is somewhat undermined by the structure of this index (it is price weighted) and the fact that over two thirds of the constituents have been replaced over the last 34 years. A more representative index and our preferred benchmark, Topix Total Return, also hit a new high of 4,502.5 on 27th February, 55.5% higher than its level on the day that the Nikkei peaked on 29th December 1989. The headlines, as exciting as they are, do not fully reflect the fact that Japanese equities have performed well for a number of years by generating an attractive combination of capital returns and progressive shareholder distribution.

The very different investment environment is the culmination of, amongst others, the many proposals of Abenomics reform programme and the more recent initiative from the Tokyo Stock Exchange to encourage companies to improve corporate value. The momentum behind these objectives is one reason for the strong performance of the equity market during, where an order issued by Japan's Financial Services Agency Authority to the non-life non-insurance industry to expedite the unwinding of strategic shareholdings adds further impetus. The existence of cross-shareholdings is a symbol of outdated practices in corporate Japan and, as they are reduced, we believe that there will be simultaneous improvement in capital efficiency.

Leading trading company and long term holding in the portfolio, Mitsubishi Corp, announced strong business results and an update to its cash management targets of its current Mid-Term Plan. This included the a new share buyback programme of up to Y500bn or 10% of its equity, demonstrating its commitment to improving asset efficiency and capital efficiency. The attractions of the improved corporate governance at this company over recent years has encouraged Berkshire Hathaway to become one of its largest shareholders. Their annual letter to investors highlights the opportunities they have found in the trading company sector and commends the companies for following "shareholder-friendly policies that are much superior to those customarily practiced in the US".⁽⁵⁾ The fact that these companies apply "only about a third of earnings to dividends" retaining "sums to build their businesses and, to a lesser degree, to repurchase shares" has been a key attraction.⁽⁵⁾ We believe that this general approach is increasingly common place across the Japanese equity market and this provides a foundation for further gains, despite 2023 being a strong year of returns.

FUND STATISTICS		INVESTMENT OBJECTIVE	BOOK EXPOSURES							
			No. Stocks		%					
Market Value	£276m	To provide shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.	Dividend Growth		31	98.4				
No. Ordinary Shares in issue	134,730,610		Special Sits.		5	9.3				
Launch date	Dec 2015		Stable Yield		4	10.9				
			Total		40	118.6				
NAV per Ordinary Share cum Income GBP	205.03	DIVIDEND (IN GBP)								
NAV per Ordinary Share ex Income GBP	204.92	Dividends Declared	YE Oct 2023	YE Oct 2022	YE Oct 2021	YE Oct 2020	YE Oct 2019	YE Oct 2018	YE Oct 2017	YE Oct 2016
Ordinary Share Price GBP	197.00	Jun/Jul	1.55	1.40	1.40	1.40	1.40	1.25	1.15	1.00
Premium (Discount)	(3.9%)	Jan/Feb	3.75	3.50	3.35	3.20	3.10	2.50	2.30	2.00
Dividends Paid	Aug & Mar	Total	5.30	4.90	4.75	4.60	4.50	3.75	3.45	3.00
Dividend Yield	2.69% ⁽²⁾	DISCRETE PERFORMANCE (%) FULL CALENDAR YEAR ⁽¹⁾								
Active Share	79.5% ⁽³⁾	Total Return	2023	2022	2021	2020	2019	2018		
Financial Calendar Year End	31 October	Ord Share Price	23.01	1.79	12.39	-9.09	10.79	-6.72		
Company Fees:		NAV (cum inc)	17.39	-0.51	10.79	1.23	20.93	-10.96		
Ongoing charges ratio (OCR) per year (31.10.23)	1.06% ⁽⁴⁾	TOPIX TR in GBP	12.76	-4.60	2.22	9.49	15.65	-8.89		
Annual Management Fee	0.75%	CUMULATIVE PERFORMANCE (%) ⁽¹⁾								
AIFMD Exposure Calculation (30.11.23):		Total Return	1 month	YTD	1 year	3 years	5 years	Inception		
Gross	121.13 (% nav)	Ord Share Price	9.45	13.62	31.43	67.03	62.26	147.80		
Commitment	120.53 (% nav)	NAV (cum inc)	6.42	11.97	27.93	49.97	70.82	160.35		
Company Codes:		TOPIX TR in GBP	3.72	7.57	19.99	20.48	46.05	103.72		
ISIN - Ordinary Share	GB00BYSRMH16	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.								
Sedol - Ordinary Share	BYSRMH1 GB									
Bloomberg - Ordinary Share	CCJI LN									

TOP 10 HOLDINGS	
Holding	(%)
Sumitomo Mitsui Financial	7.2
Mitsubishi UFJ Financial	7.1
Shin-Etsu Chemicals	5.3
Itochu Corp	4.9
Sompo Holdings	4.6
SBI Holdings	4.6
Hitachi Ltd	4.5
Softbank Corp	4.5
Mitsubishi Corp	4.0
Tokio Marine	3.9
Total	50.6

TOP 10 SECTORS	
Sector	(%)
Chemicals	18.0
Electrical Appliances	15.7
Banks	14.3
Info & Communications	13.6
Wholesale	8.9
Insurance	8.5
Other Financial Business	6.9
Services	5.8
Retail Trade	5.3
Sec&Cmnty	4.6
Total	101.6

COMPANY INFORMATION

Launch date	15 December 2015
AIC sector	Japan
Fund manager	Richard Aston
Directors	Harry Wells (Chairman), June Aitken, 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.
- (5) Source: Berkshire Hathaway Inc. Shareholder Letter dated February 24, 2024

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 29.02.2024 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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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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