

CC Japan Alpha

CouplandCardiff

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Commentary

May 2023

The yen NAV of the CC Japan Alpha Fund had a tough month. In contrast to the 3.62% gain posted by the underlying TOPIX Total Return Index, it fell almost 5.7%.

The largest detractor from performance was Net Protections, Japan's largest Buy-Now-Pay-Later company. The market reacted negatively following the company's announcement of earnings forecasts for the year to March 2024 where, despite a projection of 9% sales growth, operating losses are expected to double to 880mn yen. This weaker-than-expected guidance reflects the impact from the Pharmaceutical and Medical Device Act on sales momentum for the B-to-C business, as well as a 15% YoY increase in costs as a result of the heavier investment required for future growth. Management sees this guidance as being conservative given the solid pipeline for the B-to-C business, where 2 major retailers are expected to start offering the Net Protections post-pay service in their applications from October 2023 onwards. To capture market growth opportunities effectively, the company has aggressively hired / is hiring sales and marketing talent in the financial years 3/23 and FY3/24. These costs are likely to go down from the financial year to March 2025, which should result in the company moving into the black in that year.

Japanese local retailers appear to have long been using Net Protections or GMO Payment Gateway post pay services, and we expect the market dominance by these two players to continue. Accordingly, whilst the share price performance has been challenging over the past 17 months, our long term view on the potential offered by Net Protections is absolutely unchanged: a company visit in May to GMO Payment Gateway in Tokyo confirmed that the pace of adoption of cashless means of settling purchases is accelerating rapidly and it is from this long term trend that Net Protections should derive its growth.

A brief company visit trip made to Tokyo in late May, where the manager of the CC Japan Alpha Fund visited 17 companies, confirmed that the business situation at our investee companies continues to strengthen. The trends to which we have often referred—ageing, declining population, labour shortage, impending legislation changes and increasing levels of labour mobility—we believe continue to create attractive growth opportunities for companies which benefit from the requirements for outsourcing and disintermediation which these bring.

The positive signs for the Japanese economy in the near term, and more importantly the equity market, continue to broaden out. The prospects for an economic recovery centred on domestic services and inbound consumption are apparent to us and a notable feature our recent visits to Japan.

The risk of dramatic changes on the domestic front appear remote. The newly appointed Governor of the Bank of Japan, Kazuo Ueda, has indicated a cautious approach to monetary tightening and Prime Minister Fumio Kishida's approval rating has rebounded. This has been aided by a thawing of the bilateral relationship with South Korea after President Yoon Suk Yeol visited Tokyo and this renewed popularity and recent successes in local by-elections has prompted speculation that an early General Election will be called. It is worth highlighting the fact that by serving a term of just over 18 months Fumio Kishida has become the third longest serving Prime Minister of Japan this century (following the terms of Shinzo Abe and Junichiro Koizumi) and that these periods of political stability have coincided with better prospects for the economy and the stock market.

Book Exposures			Fund Highlights	Investment Objective
	No. Stks	%	CC Japan Alpha offers investors a concentrated, high conviction exposure to the Japanese market. Typically the fund will aim to invest in between 25 and 40 stocks.	To provide investors with long term capital appreciation through an actively managed portfolio of equities listed or traded in Japan.
Fundamental Opps	2	6.9		
Gems	22	93.5		
Special Situations	0	0		
Cash & Other	0	0		

Fund Statistics		Cumulative performance (%) ⁽¹⁾							
Fund Manager:	Jonathan Dobson		1 mth	YTD	1 Yr	3 Yrs	5 Yrs	Inception	
Fund Size:	USD 191m								
Active Share ⁽³⁾ :	99.46%	JPY C	-5.69	-7.46	-4.73	-22.76	-15.45	44.12	
Launch Date:	05.04.2007	GBP B	-5.31	-5.90	-2.43	-21.99	-14.83	48.24	
Dealing:	Daily	USD E	-5.20	-5.53	-0.28	-18.82	-8.54	79.70	
Denomination:	Yen	EUR A	-5.40	-6.47	-3.52	-23.58	-17.73	29.49	
Benchmark:	TOPIX TR	Index	3.62	14.08	14.47	46.44	37.76	53.70	
Structure:	Irish OEIC, UCITS V	Discrete annual performance (%) full calendar years ⁽¹⁾							
Registered for sale in: UK, Ireland, Germany, Luxembourg, Finland, Sweden and Switzerland. Italy (Institutional Investors only) & Spain for share-classes GBP I, EUR I, USD I, JPY I and T classes.			2022	2021	2020	2019	2018	2017	2016
		JPY C	-29.51	-7.87	32.35	33.83	-14.06	38.24	-10.04
		GBP B	-29.42	-8.38	31.15	34.49	-13.28	38.55	-11.10
		USD E	-27.56	-7.87	32.37	36.59	-12.68	39.25	-9.99
		EUR A	-29.99	-8.81	31.08	33.18	-14.06	37.45	-11.25
Available to Institutional and Accredited Investors only in Singapore.		Index	-2.45	12.74	7.39	18.12	-15.97	22.23	0.31
For KIID documents and more information, please visit: www.couplandcardiff.com									

All performance details shown are net NAV to NAV percentage returns with gross income re-invested. 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. 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. All figures quoted are in JPY. Source: Independent returns are calculated daily by Northern Trust International Fund Administration Services (Ireland) Limited post 01.12.2009 and The Bank of New York Mellon Corp pre 01.12.2009.

Top 10 Holdings	
Holding	(%)
Raksul	6.5
Money Forward	6.1
Wealth Navi	6.0
Giftee Inc	5.5
Freee	5.4
Plus Alpha Consu	5.4
Net Protections	5.2
SMS Co Ltd	5.1
Monotaro Co Ltd	5.1
Shift Inc	5.0
Total	55.3

Top 10 Sectors	
Sector	(%)
Info & Communications	39.0
Services	34.3
Retail Trade	7.7
Sec&Cmdty	6.0
Other Financing Business	5.2
Real Estate	4.8
Prec Instruments	3.4
Cash & Other	0.0
Electrical Appliances	0.0
Other Products	0.0
Total	100.4

Share Class Detail				
Share Class	EUR A	GBP B	JPY C	USD E
NAV	12.949	14.824	1441.224	17.97
Currency	EUR	GBP	YEN	USD
Launch Price	€10	£10	¥1000	\$10
Dealing Frequency	Daily	Daily	Daily	Daily
Management Fee	1.50%	1.50%	1.50%	1.50%
Ongoing Charges Figure (incl. Mgmt Fee) ⁽²⁾	1.69%	1.70%	1.70%	1.70%
Performance Fee	15% relative	15% relative	15% relative	15% relative
Minim. Investment	€100,000	£100,000	¥10,000,000	\$100,000
Launch date	5.4.2007	5.4.2007	5.4.2007	20.5.2014
Sedol	B1GCTJ8	B1GCTK9	B1N1T43	BKRC2Y6
ISIN	IE00B1GCTJ86	IE00B1GCTK91	IE00B1N1T439	IE00BKRC2Y61
Bloomberg	CCJPNAL ID Equity	CCJPNGB ID Equity	CCJPNAY ID Equity	CCJPEUS ID Equity
Share Class	GBP I	EUR I	USD I	JPY I
NAV	15.911	16.429	16.839	1730.657
Currency	GBP	EUR	USD	YEN
Launch Price	£10	€10	\$10	¥1000
Dealing Frequency	Daily	Daily	Daily	Daily
Management Fee	1.00%	1.00%	1.00%	1.00%
Ongoing Charges Figure (incl. Mgmt Fee) ⁽²⁾	1.20%	1.20%	1.20%	1.21%
Performance Fee	15% relative	15% relative	15% relative	15% relative
Minim. Investment	GBP equivalent of \$5m	EUR equivalent of \$5m	\$5,000,000	YEN equivalent of \$5m
Launch date	25.11.2013	8.5.2014	27.08.14	16.4.2014
Sedol	BGP6PZ4	BKRC2X5	BKRC2W4	BLD2FW6
ISIN	IE00BGP6PZ49	IE00BKRC2X54	IE00BKRC2W48	IE00BLD2FW69
Bloomberg	CCJPAIG ID Equity	CCJPAIE ID Equity	CCJPAIU ID Equity	CCJPAIJ ID Equity

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.

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

- (1) The benchmark performance shown is that of TOPIX TR in Yen since 01.09.2013 prior to which it was TOPIX. NB Month end returns for March 2018, August 2015, April & May 2007 were calculated by CCAM. Benchmark & all share class performance since 05.04.2007 except USD E performance which is since 20.05.14.
- (2) Ongoing Charges Figure: as at 31.12.2022.
- (3) Active Share Source: Eikon

All data as at 31.05.2023 unless stated otherwise. All information is sourced from CCAM unless stated otherwise.

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PROSPECTIVE INVESTORS SHOULD REVIEW THE PROSPECTUS, INCLUDING THE RISK FACTORS THEREIN, BEFORE MAKING A DECISION TO INVEST.

The representative in Switzerland is 1741 Fund Solutions Ltd, Burggraben 16, CH-9000 St. Gallen. The Swiss Paying Agent in Switzerland is Tellco Ltd, Bahnhofstrasse 4, CH-6430 Schwyz. The prospectus, the articles of association, the Key Investor Information Documents, as well as the annual and semi-annual reports may be obtained free of charge from the representative. In respect of the units distributed in and from Switzerland, the place of performance and jurisdiction is the registered office of the representative.

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Copies of the Prospectus in English, UCITS KIIDs in English and PRIIPS KIDs in English, German and Swedish may be found at www.fundinfo.com and copies of the Prospectus and the latest annual report and any subsequent half-yearly report of the Company in English free of charge from Administrator, Northern Trust International Fund Administration Services (Ireland) Limited, George's Court, 54 – 62 Townsend Street, Dublin 2 or the Investment Manager, Coupland Cardiff Asset Management LLP, 31-32 St James's Street, London SW1A 1HD. Tel : 0207 321 3470. A summary of investor rights is available in English at <https://www.couplandcardiff.com/summary-of-investor-rights>.

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