

CC Japan Alpha

CouplandCardiff

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Commentary

December 2022

The yen NAV of the CC Japan Alpha Fund declined 9.68% in December, a fall greater than the 4.57% drop recorded by the TOPIX Total Return Index.

Although stocks like Seria and Raksul were up for the month, performance was by sharp declines in Giftee, Infomart, Atrac and Monotaro, all of which were down more than 20%.

The yen strengthened sharply following the unexpected announcement at the Bank of Japan had decided to expand the range in which long term policy rates (10 yr JGB yields) will be allowed to fluctuate from +/-0.25% to +/- 0.5%. This is the first reversal of easy monetary policies established in the Joint Statement by the Japanese Government and the BoJ in 2013 and a notable shift ahead of the retirement of Governor Kuroda in April.

However, we believe that this transitional announcement is unlikely to be the beginning of a rapid tightening of monetary condition, since consumer dynamics in Japan remain different from those in other developed regions of the world. For example, there has been no post-COVID boom in consumption: 3Q 2022 Japanese consumer spending rose just 0.12% QoQ. This may be related to the fact that wages have stagnated for the last three decades. However, it is more likely to be a response to the fact that, caused by cost-push inflation in consumer prices, real wages in Japan are currently falling at their fastest rate for 8 years: they were down 3.8% YoY for the month of November and have now fallen for 8 consecutive months. Japanese consumers are known to be conservative and are also ageing rapidly. This coincidence of factors predisposes them to spend less, rather than more, in the face of any form of uncertainty. Recent spending behaviour has confirmed one of our long held views, which is that, unlike western consumers who are often tempted to "buy now before prices rise" when faced with inflation, the Japanese response to higher prices would be to spend less. Given these factors, plus the fact that the population decline means that there are physically fewer wallets in existence in the consumer pool, it is difficult to paint a picture of a Japan where consumer spending recovers so sharply that a background for consistent inflation develops.

On the cost input side of the equation, Japan seems unlikely to face the productivity / capacity constraints that, say, the UK does. In keeping with the way Japan typically responds to crises, the country did not undergo the widespread dislocation of the workforce / logistics / distribution network that some other developed economies did (for example, the current Heathrow airport workforce of 70,000 remains more than 25% lower than the pre-COVID level of 95,000). Accordingly, we believe that Japan will not suffer the supply / fulfilment bottlenecks which have plagued the return to normality in other countries- and which have been significant contributors to rising prices. This is why we hold the view – a stance even more resolute now that the yen has strengthened - that higher input costs are likely to be a more short-lived, transient experience than they have been elsewhere.

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	6.3								
Gems	24	100.8								
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 338m									
Active Share ⁽³⁾ :	99.00%		JPY C	-9.68	-29.51	-29.51	-14.04	-1.13	55.74	
Launch Date:	05.04.2007		GBP B	-9.60	-29.42	-29.42	-15.18	-1.07	57.53	
Dealing:	Daily		USD E	-9.36	-27.56	-27.56	-11.66	5.37	90.22	
Denomination:	Yen		EUR A	-9.67	-29.99	-29.99	-16.32	-4.23	38.45	
Benchmark:	TOPIX TR		Index	-4.57	-2.45	-2.45	18.10	17.22	34.73	
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	7.2
SMS Co	6.0
Money Forward	5.7
Freee KK	5.7
Shift Inc	5.5
Katitas Co	5.2
GMO Payment Gateway	5.2
WealthNavi	5.2
Kyoritsu Maintenance	4.9
Seria Co	4.9
Total	55.5

Top 10 Sectors	
Sector	(%)
Services	43.8
Info & Communications	36.7
Retail Trade	8.3
Sec&Cmdy	5.2
Real Estate	5.2
Other Financing Business	4.6
Prec Instruments	3.3
Cash & Other	0.0
Electrical Appliances	0.0
Other Products	0.0
Total	107.1

Share Class Detail				
Share Class	EUR A	GBP B	JPY C	USD E
NAV	13.845	15.753	1557.395	19.022
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⁾	1.68%	1.68%	1.68%	1.68%
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	16.864	17.522	17.788	1866.268
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⁾	1.18%	1.18%	1.18%	1.18%
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 31.12.2021.
- (3) Active Share Source: Eikon

All data as at 30.12.2022 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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