



# Strategic Japan Opportunities Fund

November 2020 Fund Commentary



**Mitsuhiro Yuasa**  
Portfolio Manager

## Market Development

During November, the Japanese market rose sharply on the back of Joe Biden's victory in the US Presidential election. Investors who were anxious about the future of the largest financial economy in the world, began to re-invest in the market.

The news of successful COVID-19 vaccines significantly changed global investor sentiment, lifting markets during the month. Japanese Industrial Production for October rose 3.8% month-on-month which was the fifth consecutive rise, whilst Shipping rose 4.6% and Inventory declined 1.6% month-on-month in the same period. The October Inventory level declined to around the March 2014 level, demonstrating the remarkable progress of inventory adjustment under the COVID-19 environment.

## Market Outlook

Domestically, the COVID-19 situation is getting worse, probably caused by the "GoTo Travel" and "GoTo Eat" campaigns which were initiated by PM Suga to encourage people to spend by going out to eat more often and increasing travel around Japan. The number of domestic travellers increased significantly as a result of the campaign, as did the number of infected COVID-19 patients.

The situation at hospitals is deteriorating and they are on the brink of entering into a state of emergency. As Japan enters the winter months and temperatures drop, restaurants are ceasing to ventilate with outside air, increasing the likelihood of exposing customers to COVID-19, which could result in a rise of cases towards the end of the year.

While there is no evidence of a high correlation between the increased number of travellers and restaurant goers and the increase in the number of COVID-19 patients, the fact remains that the COVID-19 situation in Japan is getting worse. That said, the market continues to rise as if there is no fear of infection at all. Investors believe that the government will continue to support markets and citizens as much as they can.

The same thing has been seen globally with governments and administrations willing to support people, and as such, people who have some cash are investing in the market with a sense of security. We will maintain the current portfolio.

## Portfolio Development

Rorze (6323) is engaged in design, manufacture and sale of automation systems for semiconductor and Flat Panel Display production. The company manufactures printed circuit board conveyers and wafer handlers for semiconductor manufacturing. Other products include sorters, vacuum chamber robots and controllers and stepping motor drivers used in automation systems. Semiconductor manufacturing slowed due to over-storage and the weak sales of electronics under the COVID-19 environment.

Rorze (6323) began its recovery in late 2020, and we expect a further increase in production toward 2021. Their magnet division produces and sells magnets for precision shaft motors, which will be key components in other company products. All Rorze products are needed in various semiconductor and FPD manufacturing sites, and demand should continue to expand globally. P/E 17x, PBR 3.6x, ROE 23.1%.

## Investment Approach

The portfolio management team seeks to invest in companies with consistent revenue/profit growth and strong management regardless of size, history, brand or market capitalisation in the Japanese market.

## Investment Objective

To outperform the broad Japanese equity market over the long-term.

A sub-fund of E.I. Sturdza Funds plc.

Registered in Ireland.

## Contact

E.I. Sturdza Strategic Management Limited

+44 1481 722 322

info@ericsturdza.com

ericsturdza.com

## Ratings & Awards



### Morningstar Sustainability Rating

Out of 1,054 Japan Equity funds as of as at 30/09/2020 based on 87.65% AUM. Data is based on long positions only.

See Awards Disclaimer on page 2.



## Important Information

The views and statements contained herein are those of Rheos Capital Works Inc in their capacity as Investment Adviser to the Fund as of 04/12/2020 and are based on internal research and modelling.

## Awards Disclaimer

The Strategic Japan Opportunities Fund (A JPY Class) received a 4-Star Overall Morningstar Rating™ and a 4-Star 3-Year Morningstar Rating™. Morningstar Rating™ as of 30/11/2020.

The Strategic Japan Opportunities Fund received a Morningstar 3 Globe Morningstar Sustainability Award. Out of 1,054 Japan Equity funds as of 30/09/2020. Based on 87.65% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/08/2020. Sustainability Rating as of 30/09/2020. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

© 2020 Morningstar: All Rights Reserved. The information contained herein where relative to Morningstar: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. For more detailed information about Morningstar Rating, including its methodology, please go to: <http://corporate.morningstar.com>

## Warning

The contents of this document have neither been reviewed nor endorsed by the Central Bank of Ireland or any other regulatory authority. If you are in any doubt about any of the content of this document you should obtain independent professional advice.

## Bloomberg Disclaimer

Data presented herein is obtained via Bloomberg PORT where stated. Any such data is subject to change from the date of production of this document. Such changes may impact upon comparative data between the investment and benchmark presented. Such information therefore is provided for reference purposes only, is subject to change and should not be relied upon for an investment decision.

## TOPIX Disclaimer

The TOPIX Index Value and the TOPIX Trademarks are subject to the intellectual property rights owned by the Tokyo Stock Exchange, Inc. and the Tokyo Stock Exchange, Inc. owns all rights and know-how relating to the TOPIX Index such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Trademarks. The Tokyo Stock Exchange, Inc. shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of the TOPIX Index Value or to change the TOPIX Trademarks or cease the use thereof. The Tokyo Stock Exchange, Inc. makes no warranty or representation whatsoever, either as to the results stemmed from the use of the TOPIX Index Value and the TOPIX Trademarks or as to the figure at which the TOPIX Index Value stands on any particular day. The Tokyo Stock Exchange, Inc. gives no assurance regarding accuracy or completeness of the TOPIX Index Value and data contained therein. Further, the Tokyo Stock Exchange, Inc. shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value. The Licensed Products are not in any way sponsored, endorsed or promoted by the Tokyo Stock Exchange, Inc. The Tokyo Stock Exchange, Inc. shall not bear any obligation to give an explanation of the Products or an advice on investments to any purchaser of the Products or to the public. The Tokyo Stock Exchange, Inc. neither selects specific stocks or groups thereof nor takes into account any needs of the issuing company or any purchaser of the Products, for calculation of the TOPIX Value Index. Including but not limited to the foregoing, the Tokyo Stock Exchange, Inc. shall not be responsible for any damage resulting from the issue and sale of the Products.

## General Disclaimer – Applicable to UK Domiciled Recipients

This communication is issued in Guernsey by E.I. Sturdza Strategic Management Limited which is regulated by the Guernsey Financial Services Commission. Any investments or investment services mentioned in this communication are not intended for retail customers. Consequently, this communication is only made available to professional investors and eligible counterparties and should not be relied upon by any person that does not possess professional experience in relation to investments. If you are in any doubt as to whether you possess suitable experience in relation to investments please consult your financial adviser. Past performance is no guarantee of future results. Under no circumstances should this document be forwarded to anyone in the United Kingdom who is not a professional client or eligible counterparty as defined by the Financial Conduct Authority. For the purpose of distribution in the United Kingdom this material has been issued by E.I. Sturdza Investments Limited, Claridge House, 32 Davies Street, London, W1K 4ND which is an appointed representative of Mirabella Advisers LLP which is authorised and regulated by the Financial Conduct Authority. Further this communication is not an offer or an invitation to purchase financial instruments but intended as information. The information contained in this communication does not represent a research report. E.I. Sturdza Strategic Management Limited has not considered the suitability of investment against your individual needs and risk tolerance. Shares in the Fund should only be purchased by persons with professional experience and investors should refer to the Fund Prospectus and/or KIID for detailed information about potential risks involved in investing in financial instruments as well as the latest half yearly report and unaudited accounts and/or annual report and audited accounts. The information contained herein is estimated, unaudited, may be subject to change and reflects the performance of the relevant fund offered by E.I. Sturdza Strategic Management Limited during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice; however no such opinions or estimates constitute legal, investment, tax, or other advice. Individual performance of the Fund may vary and historical data is not an indication of future results. The value of the Fund and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risk of a substantial impairment or loss of their entire investment. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell or otherwise apply for shares in the Fund. E.I. Sturdza Strategic Management Limited, 3rd Floor, Frances House, Sir William Place, St Peter Port, Guernsey GY1 1GX. Part of the Eric Sturdza Banking Group. Company Registration Number: 35985.

## Disclaimer – Swiss Domiciled Recipients

E.I. Sturdza Funds Plc and its sub-funds are Irish funds authorized by the Irish Central Bank. They are approved for distribution in Switzerland by FINMA. The Swiss representative and paying agent is Banque Eric Sturdza SA, rue du Rhône 112, 1204 Geneva / Switzerland. Investors should refer to the fund prospectus and/or KIIDs for detailed information about potential risks associated with investments in financial instruments as well as the latest half yearly report and unaudited accounts and/or annual report and audited accounts. The prospectus, KIIDs, Articles of association, semi-annual and annual reports of E.I. Sturdza Funds Plc can be obtained, free of charge, at the seat of the Swiss representative, Banque Eric Sturdza SA. The information contained herein is estimated, unaudited, may be subject to change and reflect the performance of the relevant funds during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice. No such opinions or estimates constitute legal, investment, tax or other advice. Individual performance of the funds may vary and historical data is not an indication of future results. The value of the funds and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risks of a substantial impairment or loss of their entire investments. Past performance is no guarantee of future results. Performance data do not take into consideration commissions and costs charged at the time of issuance and/or redemption of the shares. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell, or otherwise apply for shares in the funds.