



Strategic Japan Opportunities Fund

December 2020 Fund Commentary



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Portfolio Manager

Market Development

In December, the Japanese market climbed on the back of improved market sentiment following the gains made in the Nikkei 225 during the month.

In Dollar terms, the Nikkei 225 index rose 22% in 2020, whilst the TOPIX gained approximately 11% during the same period. The JASDAQ and Mothers indices rose 10% and 40% respectively during 2020. The market was flooded with positive energy on the back of the news that distribution of authorised COVID-19 vaccines had begun in the US and the UK.

According to the Ministry of Health, Labour and Welfare, COVID-19 vaccinations in Japan may begin in February 2021, which also supported investor sentiment under the increasing number of COVID-19 cases and patients who are in a serious condition.

Market Outlook

The domestic COVID-19 situation is getting worse, probably due to the "GoTo Travel" and "GoTo Eat" campaigns, led by PM Suga to encourage spending on food and travel within Japan to support domestic consumption. The number of domestic travellers has increased significantly due to these campaigns, along with the number of COVID-19 infected patients. The situation in hospitals is deteriorating and doctors are warning of a hospital crisis.

Restaurants are no longer ventilating rooms with fresh air as outside temperatures drop, potentially resulting in the rate of COVID-19 infections climbing. There is no evidence of correlation between the increased number of travellers or restaurant users and the increased number of COVID-19 patients, but on 7th January the Government declared a state of emergency in the major 4 metropolitan cities, Tokyo, Kanagawa, Saitama and Chiba.

The market, which had continued to rise as if there was no COVID-19 fear at all, began to decline in January 2021. Investors believe that the government will continue to support the markets and people in Japan as much as they can. It is a fact that every government or administration of the major countries in the world are willing to support their people in any way. We will maintain the current portfolio for the time being.

Portfolio Development

Sun* (asterisk) Inc. (4053) is a creative design studio which provides digital solutions and human resource development platforms. The digital solution division supports digital transformation (DX) and new business development through its Creative Engineering and Talent Platform services. This division accounts for 70% of total sales, and can lead to cost reductions for companies that are struggling to achieve digitalisation themselves.

The human resource development division accounts for 30% of total sales and the main focus of this division is to train more than 1,200 engineers in Sun*'s Vietnam subsidiary. The top line of the company may rise more than 40% YoY in 2021 and 30% YoY next year, supported by the expanding DX needs of Japanese corporations.

Kobayashi, the 37-year-old founder and CEO of Sun* Inc. experienced being homeless when he was a teenager, and he did not even graduate high school in Japan.

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. Sturza Funds plc.

Registered in Ireland.

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Ratings & Awards



Morningstar Sustainability Rating

Out of 1,043 Japan Equity funds as of as at 31/10/2020 based on 86.33% AUM. Data is based on long positions only.

See Awards Disclaimer on page 2.



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

The Strategic Japan Opportunities Fund received a Morningstar 3 Globe Morningstar Sustainability Award. Out of 1,043 Japan Equity funds as of 31/10/2020. Based on 86.33% of AUM. Data is based on long positions only. Historical Sustainability Score as of 30/09/2020. Sustainability Rating as of 31/10/2020. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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