



Strategic Japan Opportunities Fund

January 2021 Fund Commentary



Mitsuhiro Yuasa
Portfolio Manager

Market Development

Recently, the Japanese markets have been well supported by broad investors, but this eventually declined in January. A weak trend in overseas markets weighed heavily on domestic investors at the end of the month, but the strong US dollar against the JPY bolstered some support for Japanese exporters, such as the Electric Appliances and Machinery sectors. During the month, Oil & Coal, Rubber Products and Mining were the top performing sectors in the Topix index. Precision Instruments, Marine Transport and Iron & Steel were the bottom performing sectors.

Prime Minister Suga declared a State of Emergency for major cities on 7th January in order to prevent a further increase of COVID-19 patients, although people are not strictly ruled by this order. Even though the number of patients has declined gradually, the popularity of PM Suga has also declined.

Market Outlook

The domestic market faces weak consumption due to the semi-lockdown manoeuvre which was initiated on 7th January to combat the increase of COVID-19 patients. In addition to this, people feel it was announced too late, resulting in an increase of anxious feelings towards PM Suga's Cabinet amongst Japan's citizens. According to NHK's latest survey (Japan's national TV station), the approval rating of Suga's Cabinet declined from 62 in September 2020, to 40 currently. Additionally, the disapproval rate has risen to 41 from 13 in the same period. We have a national election scheduled for September this year, and the Olympic Games may or may not be held prior to the election. This means that PM Suga's guidance of the nation over the next several months could be a very difficult and bumpy road.

It remains uncertain when and how vaccine injections will become available for Japanese citizens. Mr. Kono, the Minister of State for Special Missions, appointed by PM Suga to oversee the Japanese administration of the COVID-19 vaccine, said that vaccinations would begin sometime in February 2021. Nationwide vaccination may take more than 10 months to complete. That said, the situation may be better than the current domestic COVID-19 environment within the next year. We will continue to maintain current portfolio for the time being.

Portfolio Development

TIS (3626) provides network solutions and system integration services. The company is involved in outsourcing business and cloud services related to information technology, software development, solution business and real estate leasing and management. TIS's largest revenue source is background systems for a credit card settlement system which generates the greatest profit margin for the company. On the other hand, on-site IT support and solution services for banks have shrunk over the past several months due to COVID-19.

TIS targets to raise its gross profit margin, which is currently 23.1%, to 25% within the next few years. The profit margin was 10% in 2009, confirming that rationalisation of the company has certainly progressed over the last decade. TIS entered a capital and business alliance with Credify Pte in Singapore in December 2020 in order to enhance digital ID services for banks and insurance companies in Singapore. TIS will receive know-how of digital ID solution systems that can enrich current Japanese administrative services at local government bodies.

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 1,064 Japan Equity funds as of as at 31/12/2020 based on 87.41% 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 Rating™ and a 4-Star 3-Year Morningstar Rating™. Morningstar Rating™ as of 31/01/2021.

The Strategic Japan Opportunities Fund received a Morningstar 3 Globe Morningstar Sustainability Award. Out of 1,064 Japan Equity funds as of 31/12/2020. Based on 87.41% of AUM. Data is based on long positions only. Historical Sustainability Score as of 30/11/2020. Sustainability Rating as of 31/12/2020. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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