



Strategic Japan Opportunities Fund

February 2021 Fund Commentary



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Portfolio Manager

Market Development

Japanese markets climbed at the beginning of February, but contracted in the latter part of the month due to the US Treasury yield, which rose sharply. The market was well supported by tech companies, but they sold off towards the end of the month. Investors who had cautious views towards equity markets, due to the sharply rising US Treasuries, reduced their equity risk over the month by selling tech stocks, mainly the performers. In addition to some minor transactions during February, we added Harmonic Drive Systems to the portfolio, which is one of the major part suppliers to Auto companies.

Market Outlook

The market, which was shaken temporarily due to the fast-rising bond yield in the US, is calming down in March. There should be a valuation check of the fast-rising equity markets. We believe the earnings of domestic companies will be better than expected, but some sectors, such as Airlines and Restaurant chains will continue to be challenged. The Japanese lock-down which began on 7th January will be maintained for the time being, and with the exception of restaurant owners, the public agree with this position. In the meantime, vaccinations have finally started in Japan and will gradually expand. It may take some time to obtain herd immunity, but we believe it will happen sometime this year. The Japanese government have adopted a cautious stance to ease the current lock-down, and due to the forthcoming elections scheduled to take place in Autumn 2021, PM Suga cannot afford to make any wrong decisions. We will maintain the current portfolio.

Portfolio Development

Harmonic Drive Systems (HDS) is a manufacturer and seller of traction control systems, such as speed reducers, which is used in industrial robots; Semiconductor Manufacturing Equipment (SME) and vehicles. NIDEC is their largest competitor, but there is substantial demand for traction control systems, mainly from SME and Auto, particularly Electric Vehicles (EV). HDS makes actuators which converts electrical signals to physical effect, and they are used predominantly in EVs. Demand for EVs has increased rapidly since President Biden announced that they were aiming to achieve zero emissions or a carbon neutral environment in the near future. We believe the demand for parts that are made by both HDS and NIDEC will rise further, and these companies will continue to produce decent profits for the next few years.

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.

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Ratings & Awards



Morningstar Sustainability Rating

Out of 1,046 Japan Equity funds as of as at 31/01/2021 based on 91.60% AUM. Data is based on long positions only.

See Awards Disclaimer on page 2.



Important Information

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The Strategic Japan Opportunities Fund (B JPY Class) received a 4-Star Overall Morningstar RatingTM and a 4-Star 3-Year Morningstar RatingTM. Morningstar RatingTM as of 28/02/2021.

The Strategic Japan Opportunities Fund received a Morningstar 3 Globe Morningstar Sustainability Award. Out of 1,046 Japan Equity funds as of 31/01/2021. Based on 91.60% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/12/2020. Sustainability Rating as of 31/01/2021. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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