



Strategic Japan Opportunities Fund

March 2021 Fund Commentary



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Portfolio Manager

Market Development

The Japanese market was mixed during March, but the mainly robust market environment was maintained, primarily due to US markets bringing back some traction.

The global markets that experienced a flash drop in late February on the back of the sharply rising US Treasury Bond yield, rebounded during March.

In early March, President Joe Biden signed a \$1.9 trillion relief package which eased the tensions of investors who were concerned about the rising bond yield. Whilst it is true that a rising long bond yield may slow economic recovery, investors viewed the phenomenon as an indication of confidence in the potential growth of the economy.

At the Chinese National People's Congress that began on 5th March, Prime Minister Li Keqiang stated that they will aim to generate 6% GDP growth for the year. In the meantime, he also stated that the country will invest more in alternative energy development, such as hydrogen powered cars. In the Japanese market, there are many electronics related companies which could support such global environmental changes.

Market Outlook

The substantial US economic stimulus program should support global investor sentiment and equity markets. President Biden announced an additional \$2.3 trillion investment in infrastructure, in order to boost the domestic economy, shortly after introducing the \$1.9 trillion relief package. The new \$2.3 trillion budget will mainly be used for roads, bridges and broadband internet connections. President Biden stated that they may raise corporate taxes in order to offset such a large budget.

In Japan, the Government lifted the restrictions on people's movement in Metropolitan areas, but the number of Covid patients increased in Osaka and Tokyo shortly after. The Government and local bodies were asked to act promptly to prevent further economic deterioration due to Covid, but no clear plan has emerged so far. PM Suga and his cabinet do not have much support from the Japanese public who have struggled to run businesses under the Covid environment. People in Japan have also questioned why the penetration of the vaccine in Japan is so slow. Even though positive news to support the market is lacking, the market may continue to be supported by firm bottom line growth of various companies. The strong US Dollar and weak Japanese Yen will support Japanese exporters. We believe the global economy will continue to expand, and as a result, we should continue to invest in the equity market and maintain balanced portfolios in order to protect our money under changing market conditions.

Portfolio Development

We have added Oriental Land (4661) to the portfolio, which operates Tokyo Disneyland and Disney Sea theme parks in Japan. Oriental Land has clearly faced difficulties during the pandemic; running large parks where people gather within a COVID-19 spreading environment. The company laid off a number of staff and reduced overheads in order to survive. The Japanese Government have now announced that large theme parks may open until 9.00pm and increased the permitted number of visitors from the current 10,000 to 20,000; or half the capacity of each park, from the middle of April 2021. People fear COVID-19, but also feel frustrated by the restrictions imposed. As a result, the people want to go somewhere, such as the mountains or the seaside; or to theme parks where they can have fun with their favourite characters.

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.

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