



Strategic Japan Opportunities Fund

April 2021 Fund Commentary



Mitsuhiro Yuasa
Portfolio Manager

Market Development

The Japanese market declined in April on the back of the Government announcing fresh lockdowns in major cities and prefectures, such as Tokyo, Osaka, Kyoto and Hyogo towards the end of the month. Despite the Government requesting large department stores and shops in major cities and towns to close or shorten their operating hours, it has proven difficult to control the COVID situation due to the number of people out in public. It seems the only solution is to speed up the vaccination progress. In addition, restaurants have been banned from serving alcohol on the theory that alcohol causes an increase in voices, which in turn can increase the spread of COVID, but it was a “better than nothing” idea as the sales in such shops and restaurants are unlikely to reach the levels they would if fully operational. Leisure and hospitality businesses fared OK during the “Golden Week” holidays as people were reluctant to stay at home. The slow progress of vaccinations in Japan is negatively impacting overall domestic consumption, and we are yet to see any light at the end of the tunnel.

In light of the above, we have reduced our exposure to domestic consumption companies and added export-oriented electronics and machinery companies to the portfolio.

Market Outlook

The vaccination process has just begun in Japan, and it is hoped that the benefits will be seen sometime this year. People are waiting patiently for the complete re-opening of the economy, and for the time when they may feel at ease again.

Meanwhile, PM Suga visited the US to strengthen the relationship between the two countries. This is good for Japan and it improves the position of Japan in the Pacific-India region, offering greater protection to the country from unforeseen circumstances. Vaccinations should end sometime this year. PM Suga will then begin to build a crisis management system for Japan, as already in place in other Asian countries from when they faced SARS and MRSA in the past.

Japanese pharmaceutical companies are in the process of producing vaccines domestically and this will support us in the near future. We need to endure the severe domestic consumption environment for the time being, and focus on a brighter future. Earnings of companies are in line with expectations, but this may not be enough to support a rallied market.

The Japanese Government may need to provide further relief to the Japanese people, similar to the American Family Plan, especially for hospitality and restaurant business operators. If this is the case, the Government should be working towards a supplemental budget this year. We will maintain the current portfolio.

Portfolio Development

Takeuchi Manufacturing (6432) has been added to the portfolio. They manufacture and sell construction machinery such as mini-shovels, crawlers and mixers. Takeuchi derives 45% of its sales from the United States, 19% from Austria, and 8% from China. Other sales are from Germany, India, UK, France and Italy.

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 1,084 Japan Equity funds as of as at 31/03/2021 based on 92.51% AUM. Data is based on long positions only.

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