



# Strategic Japan Opportunities Fund

June 2021 Fund Commentary



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Portfolio Manager

## Market Development

The Japanese market declined in the middle of June, but recovered again by the end of the month, led by small caps. The market was concerned by inflation risk in the US, but this soon eased when the FRB officially stated that the Fed will not be raising rates until 2023.

The US and China dispute continued and accelerated in relation to the semiconductor sector and its manufacturing issues; particularly those related to global foundry companies such as TSMC of Taiwan and SMIC of the People's Republic of China. Even though tensions rose between both governments, global investors did not react and adopted a wait and see approach.

## Market Outlook

The Japanese Government has decided to proceed with the Olympic and Paralympic Games in Japan from 23rd July. The Tokyo Metropolitan government will maintain the soft close-down of towns in Tokyo, but the number of Covid-19 patients has increased in recent days.

Vaccinations have progressed throughout the Japanese population, but it has now slowed down due to vaccine supply shortages. Domestic consumption may hover around the current level for a while, but we expect it to recover toward the end of this year. As we have stated, we believe consumption trends will change and despite the economy recovering overall, it will not return to as it was before.

We are monitoring the US and China dispute which has influenced global supply-chains. In this context, Japanese electronics manufacturers have a chance to gain market share in certain products due to changes in both the consumption trend and the global supply chain system. We are looking for potential beneficial parties that can fit into the remote working environment and the new lifestyle of people in Japan.

## Portfolio Development

Tamura Corporation (6768) - During the month, Tamura Corporation, manufacturers of electric components for industrial and consumer use, performed well. This was mainly due to news that the company has developed a new generation of semiconductors, made of gallium oxide, that makes it possible to create an environment of extremely low power consumption.

The share price of Tamura rose 49% in June and contributed to the portfolio's return for the month. Semiconductor manufacturers remain the focus of investors.

## 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 1,090 Japan Equity funds as of as at 31/05/2021 based on 90.19% AUM. Data is based on long positions only.

See Awards Disclaimer on page 2.



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