



Strategic Japan Opportunities Fund

July 2021 Fund Commentary



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Portfolio Manager

Market Development

The Japanese market was volatile during July, before eventually declining towards the end of the month. The Chinese Government's sudden restriction on education support businesses in their own country surprised investors and weighed down the overall market. Global markets eventually recovered toward the end of the month, but investor anxiety increased regarding the Chinese Government and their policies. Investors sold out of the equity markets as valuations became more appealing. The Q2 period earnings of Japanese companies were in line with market expectations, but they did not exceed expectations. This was another reason why small caps, whose valuations are relatively high, were sold off heavily during the month.

Market Outlook

The Chinese Government's sudden restriction on the education support industry in China surprised global investors. The market reacted negatively to the restrictions, and related ADR stocks in the US market declined sharply. The US market was negatively impacted on the back of the news which eventually affected global markets also. Investors are losing confidence in Xi Jinping and the Chinese Government, which is only focusing on maintaining the Communist Party system and personnel at the next National Congress of the Chinese Communist Party in 2022. The Chinese Government's attitude may not be understood by global capitalist economies in the free economic zone, but we have to prepare for more to come, due to the forthcoming Congress in 2022. We will continue to focus on companies that we feel can produce decent profits under a difficult macro environment. Earnings of our invested companies are strong to date, so we will maintain the current portfolio.

Portfolio Development

The share price of JTower (4485) declined for a while, but we remain invested in the company. Their mobile telecommunication infrastructure sharing business will be a welcomed cost reducer for four major telecommunication service providers.

We believe that the increasing demand in Electric Vehicles (EVs), which have a heavier weight compared to a regular motor vehicle due to its battery, will accelerate the usage of tires, so we expect the earnings of Toyo Tire (5105) to continue to expand in the near future.

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 30/06/2021 based on 89.27% AUM. Data is based on long positions only.

See Awards Disclaimer on page 2.



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The Strategic Japan Opportunities Fund received a Morningstar 3 Globe Morningstar Sustainability Award. Out of 1,090 Japan Equity funds as of 30/06/2021. Based on 89.27% of AUM. Data is based on long positions only. Historical Sustainability Score as of 31/05/2021. Sustainability Rating as of 30/06/2021. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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