



# Strategic Japan Opportunities Fund

August 2021 Fund Commentary



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Portfolio Manager

## Market Development

The Japanese markets gained in August amid a lack of any fresh news. The Chinese government's rules for the education sector and other restrictions imposed on the gaming and real estate industries, dampened global investor sentiment. The US market dipped and rebounded due to the chaotic behaviour of the Chinese government, which triggered global investors to withdraw money from the region. The Japanese markets were relatively quiet, and we have been able to seek business opportunities while the dispute between the US and China continues. We have profit taken and reduced exposure to overvalued stocks, such as Oriental Shiraishi, TIS, Comture, Future, Rorze, and Asics over the month.

## Market Outlook

Japanese PM Suga, aged 72, has decided not to seek re-election as leader of the ruling-party, therefore he will not be the next Prime Minister of Japan. Kishida, aged 64, the former Minister of Foreign affairs in Abe's cabinet, is running for President of the Liberal Democratic Party (LDP), several other candidates may also stand for election. The LDP could maintain their current seats in the House of Representatives and, through coalition with the Komei Party, maintain their majority in the House following the general election, which will be held in October 2021 as scheduled. The next coalition government should maintain the current government policies, but may also introduce relief aid for people, similar to what we saw last year when Covid-19 began to spread in Japan. We will watch corporate earnings carefully, as they will be fragile due to increased input prices and uncertainty over product demands during the latter half of this fiscal year. We will continue our research and maintain the current portfolio.

## Portfolio Development

TIS, Comture and Future are Digital Transformation (DX) related companies that have performed well for several months. Earnings of such DX companies may continue to rise, but the current valuations of these companies has increased so much that we decided to reduce the risk by lowering the Fund's exposure to them.

## 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 1,101 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 1,101 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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