

# abrdn Japan Investment Trust plc

(formerly Aberdeen Japan Investment Trust PLC)

Japan specialists identifying exceptional companies

Performance Data and Analytics to 31 August 2022

## Investment objective

To achieve long-term capital growth principally through investment in listed Japanese companies which are believed by the Investment Manager to have above average prospects for growth.

## Benchmark

Topix Index (in sterling terms).

## Cumulative performance (%)

	as at 31/08/22	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	582.5p	2.2	(0.0)	(8.5)	(18.2)	8.1	12.2
NAV <sup>a</sup>	694.0p	2.2	5.4	(1.5)	(15.8)	11.7	16.7
Benchmark		2.0	3.4	1.1	(3.9)	11.7	19.8

## Discrete performance (%)

	31/08/22	31/08/21	31/08/20	31/08/19	31/08/18
Share Price	(18.2)	23.7	6.8	(1.2)	5.0
NAV <sup>a</sup>	(15.8)	20.5	10.0	(1.0)	5.6
Benchmark	(3.9)	16.2	(0.1)	(0.5)	7.8

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value. Source: Aberdeen Asset Managers Limited, Lipper and Morningstar.  
**Past performance is not a guide to future results.**

<sup>a</sup> Including current year revenue.

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## Morningstar Analyst Rating™



### <sup>b</sup> Morningstar Analyst Rating™

Morningstar analysts assign the ratings globally on a five-tier scale with three positive ratings of Gold, Silver and Bronze.

## Morningstar Sustainability Rating™



## Morningstar Rating™



### <sup>b</sup> Morningstar Rating™ for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.



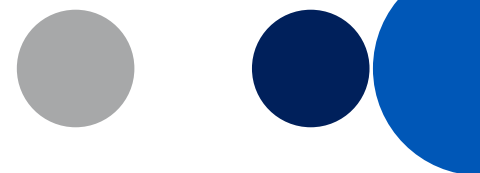
## Ten largest equity holdings (%)

Tokio Marine	4.7
Tokyu Fudosan	3.8
Sony	3.7
Toyota Motor	3.3
Keyence	3.1
Sho-Bond Holdings	3.1
Asahi Group	3.0
Daikin	2.9
KDDI	2.9
Ajinomoto	2.8
<b>Total</b>	<b>33.3</b>

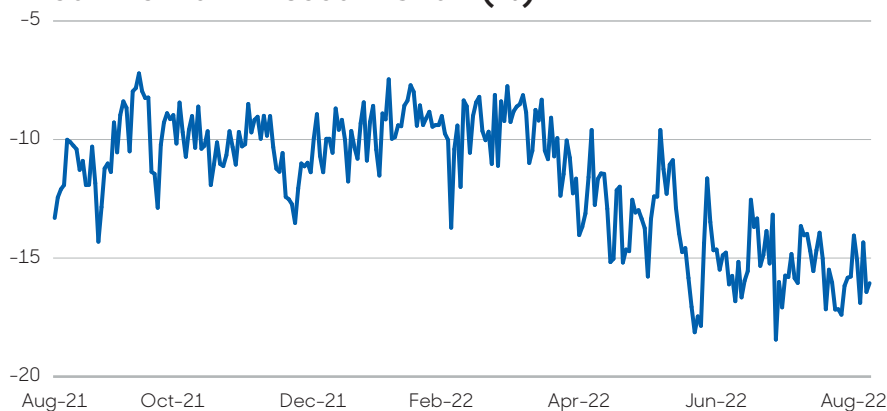
**Total number of investments** 70

All sources (unless indicated): abrdn: 31 August 2022.





## 1 Year Premium/Discount Chart (%)



## Fund managers' report

Japanese shares rose in August, while wider global markets fell. In particular, stocks rose mid-month, buoyed by optimism from international investors, but fell towards the month end, as US Federal Reserve Chair Jay Powell made hawkish comments at the Jackson Hole Symposium. The MSCI Japan Index rose by 1.08%, while the MSCI Japan Small Cap Index was up 1.72% (total returns in Japanese yen).

The Japanese yen continued to weaken throughout the period, as Bank of Japan Governor Haruhiko Kuroda reiterated his commitment to low rates, in contrast to many other developed markets. Meanwhile, Prime Minister Fumio Kishida outlined proposals to loosen the country's border controls, with the removal of the need for pre-arrival Covid-19 tests for vaccinated visitors. That said, measures for reopening borders to tourists remain tight, as Covid-19 case rates and hospitalisations have risen in recent months.

The domestic economy posted mixed data. Factory activity expanded by 1% in July, thanks to higher production from carmakers. This is partly due to a recovery of the backlog in imports from China, with semiconductor shortages easing. July's retail sales data showed a rise for the fifth straight month. Nevertheless, flash purchasing manager index data showed an economic contraction in August, with the service sector dropping into contraction and manufacturing dropping further.

Meanwhile, Japan's Ministry of Economy, Trade and Industry (METI) released the fifth iteration of the Ito Report, first published in 2014, which encouraged investors' engagement of corporates to drive improvement in shareholder returns. The pace of corporate reforms after the first report, alongside the publishing of Japan's Corporate Governance Code, disappointed investors, but tangible evidence of changing mindsets among Japan Inc. has gathered pace in recent years. The most recent iteration suggests a focus on sustainability, encouraging continued corporate reforms and further engagement between investors and corporates. While the report is not legally binding, it highlights that corporate Japan has much to do to revitalise itself and that there is much value that can be unlocked through investors' engagement.

The end-June results season continued in August, with results suggesting signs of weakening demand, while costs have remained at an elevated level. However, better-run companies have continued to cope with these challenges. For example, air conditioner maker Daikin Industries beat expectations as it was able to offset

## Fund managers' report continues overleaf

<sup>c</sup> Expressed as a percentage of average daily net assets for the year ended 31 March 2022. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The OCF can help you compare the annual operating expenses of different Companies.

<sup>d</sup> Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

<sup>e</sup> The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.

## Sector allocation (%)

	Trust	Benchmark
Industrials	22.6	24.4
Consumer Discretionary	19.7	18.3
Technology	12.2	12.9
Health Care	11.7	8.8
Financials	10.1	9.8
Consumer Staples	9.9	7.2
Real Estate	5.3	2.2
Telecommunications	4.5	8.4
Basic Materials	3.8	5.7
Energy	-	0.9
Utilities	-	1.3
Cash	0.2	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Fund risk statistics

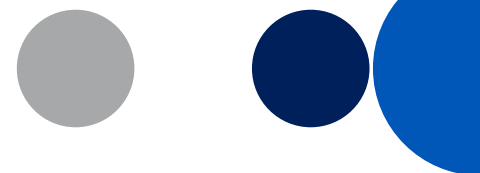
	3 Years	5 Years
Annualised Standard Deviation of Fund	14.91	13.63
Beta	1.07	1.04
Sharpe Ratio	0.14	0.20
Annualised Tracking Error	5.16	5.25
Annualised Information Ratio	(0.07)	(0.11)
R-Squared	0.88	0.85

Source: Aberdeen Asset Management, BPSS & Datastream, Basis: Total Return, Gross of Fees, GBP. Please note that risk analytics figures are calculated on gross returns whereas the performance figures are based on net asset value (NAV) returns. In addition, the risk analytics figures lag the performance figures by a month.

## Key information

### Calendar

Year end	31 March
Accounts published	June
Annual General Meeting	July
Dividend paid	December and July
Launch date	October 1998
Fund manager	Japanese Equities Team
Ongoing charges <sup>c</sup>	1.00%
Annual management fee	0.75% of the lower of net assets and market capitalisation
Premium/(Discount)	(16.1)%
Historic yield	2.6%
Net gearing <sup>d</sup>	11.8%
Active share <sup>e</sup>	86.4%



## Fund managers' report – continued

the impact of cost inflation through price hikes and cost reduction. While there is a possibility that demand will slow for room air conditioners in Europe, the company is focusing its resources on heat pump systems, where demand is growing rapidly from energy-saving needs. Similarly, Kansai Paint's results beat expectations on price hikes that exceeded an increase in raw material costs.

The outlook for the semiconductor supply chain is weakening following a slowdown in applications such as PC and smartphones. Tokyo Electron lowered the growth forecast for the wider semiconductor production equipment market for this year. However, demand continued to remain firm in areas of structural growth, such as advanced packaging that helps improve chip performance without relying on miniaturization. This was evident from Ibiden's results, which beat expectations as the slower growth for PC applications was offset by firm demand for server products that carry higher prices.

HR technology company Recruit beat expectations on continued revenue growth in the US, but the company provided a cautious outlook with signs of recruitment slowing in some sectors. Online portal Z Holdings' advertising revenue growth slowed on the back of macroeconomic concerns, although cost control helped the company meet its internal targets.

Amid the macroeconomic uncertainty, it was positive to see that our holdings are making efforts to increase enterprise value by reconsidering capital allocation. Medical device maker Olympus announced the sale of its scientific solutions business for a price that was above expectations. We take this positively, as this would give the company access to more funds for investment in areas of future growth. In addition, this is a symbolic move; the scientific solutions business is Olympus's founding business, but its lower-margins and weaker prospects were dragging on the company's growing endoscopes business. IT services company NEC announced a share buyback of up to 2.5% of its shares, its first buyback in more than 20 years. The management suggests that it wanted to send a message to the market, following a decline in the stock price after the first-quarter results, as the company remains confident in achieving this year's guidance on the back of a robust order backlog. The buyback has been made possible by the company's improved financial strength, following a restructuring of its business in recent years.

Elsewhere, drug maker Daiichi Sankyo announced that US-based Seagen's claims against the company in a patent dispute were denied. We view this positively, as the dispute had been an overhang for the stock. Seagen had claimed that Daiichi Sankyo's research into a key drug modality was copied from their previous joint venture.

We continue to see signs of the gradual reopening of Japan's economy, after continual waves of Covid-19 infections. Real estate developer Mitsui Fudosan's results indicated healthy underlying trends for its retail and leisure properties. Tokyu Fudosan also reported firm results as demand for its office space remains strong, resulting in one of the lowest vacancy rates among major developers in Japan. Office equipment and solutions distributor Otsuka Corp's results were buoyed by a recovery in face-to-face sales activities and customers' IT investment appetite.

### Portfolio Moves

There were no significant changes to the portfolio over the month.

### Outlook

The impact of the economic slowdown has been increasingly visible, particularly in weakening discretionary consumption, and there are rising concerns of higher inventory levels across several industries. Meanwhile, there are areas where we expect spending to remain firm, such as in healthcare, the digitization of corporates, and those that tackle the rising cost of energy. With this backdrop, we are selectively working on opportunities, and resizing positions, to ensure that the fund's holdings are resilient in this economic environment.

**The risk outlined overleaf relating to gearing and exchange rate movements are particularly relevant to this trust but should be read in conjunction with all warnings and comments given. Important information overleaf**

### AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

### Assets/Debt (£m)

Gross assets	97.7
Debt	10.5
Cash & cash equivalents	0.2

### Capital structure

Ordinary shares	12,559,910
Treasury shares	3,261,662

### Allocation of management fees and finance costs

Capital	60%
Revenue	40%

### Trading details

Reuters/Epic/Bloomberg code	AJIT
ISIN code	GB0003920757
Sedol code	0392075
Stockbrokers	Shore Capital
Market makers	CFEP, INV, JPMS, STFL, SCAP, WINS



### Factsheet

Receive the factsheet by email as soon as it is available by registering at [www.invtrusts.co.uk/#signup](http://www.invtrusts.co.uk/#signup) or [www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk)



### Contact

**Private investors**  
0808 500 4000

**Institutional investors**  
InvestmentTrustInvestorRelations-UK@abrdrn.com

+44 (0)20 7463 5971  
+44 (0)131 222 1863

## Important information

### Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- Derivatives may be used, subject to restrictions set out for the Company, in order to manage risk and generate income. The market in derivatives can be volatile and there is a higher than average risk of loss.
- Movements in exchange rates will impact on both the level of income received and the capital value of your investment.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

### Other important information:

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