



Nippon Growth (UCITS) Fund

March 2024 Fund Commentary

Retail Marketing Communication / Publicité / Financial Promotion addressed to investors in the countries mentioned in the disclaimer, related to **E.I. Sturdza Funds plc – Nippon Growth (UCITS) Fund** – (hereinafter referred to as the “Fund”) a sub-fund of E.I. Sturdza Funds plc, an Irish open-ended umbrella investment Company with variable capital – UCITS (“the Company”).

Market Development

In early March, the Japanese stock market saw significant movement when the Nikkei 225 Index surpassed 40,000 for the first time ever on the 4th. However, the market subsequently declined, influenced by a downturn in U.S. semiconductor stocks and a strengthening Yen. This appreciation in the Yen was driven by expectations that the Bank of Japan (BoJ) might adjust its monetary policy during the upcoming Monetary Policy Meeting.

By mid-March, the announcement of a weighted average wage increase of 5.28% from the spring wage negotiations on the 15th, had a positive impact on the market. This bolstered the BoJ's decision on the 19th March to end its negative interest rate policy (NIRP) and stop purchasing ETFs.

Towards the end of March, the Nikkei 225 Index briefly exceeded 41,000, buoyed by a depreciating Yen, a strong U.S. market, and rising expectations for Japan to emerge from its deflationary cycle. For the month, the TOPIX closed up 3.5% at 2,768.6, and the Nikkei 225 increased by 3.1% to end at 40,369.4. Of the 33 sectors, 28 saw gains, with Real Estate, Mining, Oil, Utilities, and Pulp & Paper leading. Conversely, the sectors that lagged the most were Marine Transportation, Precision Instruments, Pharmaceuticals, Information & Communication, and Land Transportation.

In the bond market, the 10-year Japanese Government Bond (JGB) yield began at 0.709% and spiked to over 0.8% following the wage hike announcement, closing the month at 0.727%. The Japanese Yen opened at 149.98 against the U.S. Dollar, appreciated to 146.49, but then weakened, closing the month at 151.35. Crude oil prices started at 78.26 per barrel, nearly reached 84, then ended at 83.17.

Market Outlook

February's economic data presented a mixed picture. Industrial production slightly declined by 0.1% MoM due to ongoing production halts at some automakers. However, the government anticipates a rebound in industrial production, forecasting increases of 4.9% in March and 3.3% in April. Retail sales surged by 4.6% YoY in February, significantly exceeding January's 2.1% increase and surpassing the market consensus of 2.7%. Although auto sales fell by 1.5% YoY due to specific factors, many other goods showed robust growth. Notably, department store sales soared by 13.5% YoY, a sharp rise from January's 5.9%, partly fuelled by spending related to the Lunar New Year.

According to the Bank of Japan's quarterly economic survey “Tankan,” released on the 1st April, business conditions for large manufacturers deteriorated, with the Diffusion Index (DI) falling by 2 points to +11 from December's +13. Conversely, the DI for large non-manufacturers improved by 2 points to +34. The three-month outlook to June forecasts further challenges, with the DI expected to decrease by 1 point for large manufacturers and by 7 points for large non-manufacturers. Employment conditions worsened slightly, with the DI dropping by 1 point to -36, signalling a strengthening perception of labour shortages across all industries.

On the monetary policy front, the Bank of Japan (BoJ) made a significant shift on the 19th March by ending its NIRP, ceasing yield curve control (YCC), and stopping the purchase of ETFs and Japan real estate investment trusts (J-REITs). The BoJ believes that these measures have achieved their objectives, as the price stability target of 2 percent now appears attainable in a stable and



Yutaka Uda
Portfolio Manager



Maiko Uda
Portfolio Manager



Citywire Rating: Yutaka and Maiko Uda are AAA rated by Citywire for their rolling 3 year risk-adjusted performance, for the period to 29/02/2024.

Investment Approach

Access to Mr. Yutaka Uda's 40 years' investment experience in Japanese equities. Portfolio construction combines the long term macroeconomic view of the Investment Adviser with a bottom up perspective of stock research based on fundamental analysis.

Investment Objective

To achieve long-term capital growth through active sector allocation and stock selection resulting from changes in economic conditions. A sub-fund of E.I. Sturdza Funds plc. Registered in Ireland.

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sustainable manner. This marks a historic transition to more traditional monetary policies after over a decade of unconventional approaches.

This shift suggests a robust recovery from the prolonged deflation that has affected the Japanese economy, signalling a return to normal economic conditions. As the economy enters a new phase of growth with inflation expected to remain above 2%—propelled by rising wages—it is anticipated that the policy rate will be increased twice in 2024, with further hikes in 2025. By the end of 2025, the yield on 10-year Japanese government bonds (JGB) is expected to near 2%. In this environment, banking stocks are projected to lead the next market rally.

Portfolio Strategy

As of 28th March 2024, the net asset value per unit of the Nippon Growth (UCITS) Fund, denominated in Japanese Yen, rose by 6.9%*, outperforming the TOPIX TR index, which increased by 3.8% since 29th February. The Fund added Mitsui Fudosan to its holdings without selling any existing stocks.

The Fund strategically favours sectors with lower valuations and high economic sensitivity, such as Banks, Trading Companies, and Construction. In contrast, it has a reduced exposure to more defensive sectors like Utilities, Pharmaceuticals, Foods, and IT-related sectors including Electricals and Communications. Additionally, there is a cautious outlook on Semiconductor stocks, which may face significant declines due to an oversupply issue.

* A JPY Class. For detailed performance information based on complete 12-month periods since inception, please refer to page 3.

Performance Data Fund data as at 28th March, index data as at 29th March.

Annualised Return %

	1M	3M	1Y	3Y	5Y	10Y	15Y	Strategy SI
A JPY Class	6.88	24.44	50.74	26.10	19.94	11.39	10.92	7.34
TOPIX TR JPY	4.44	18.14	41.34	15.11	14.42	11.18	11.28	5.95

Calendar Year Return %

	YTD	2023	2022	2021	2020	2019	SI	Strategy SI
A JPY Class	24.44	30.26	15.43	27.55	-5.55	19.10	307.88	395.47
TOPIX TR JPY	18.14	28.26	-2.45	12.74	7.39	18.12	320.27	268.93

12 Month Returns %

	01/04/2023 - 31/03/2024	01/04/2022 - 31/03/2023	01/04/2021 - 31/03/2022	01/04/2020 - 31/03/2021	01/04/2019 - 31/03/2020
A JPY Class	50.74	9.65	21.34	48.69	-16.72
TOPIX TR JPY	41.34	5.81	1.99	42.13	-9.50

Source of graphs and tables: Morningstar.

Past performance may not be a reliable guide to future performance. Returns could be reduced, or losses incurred, due to currency fluctuations.

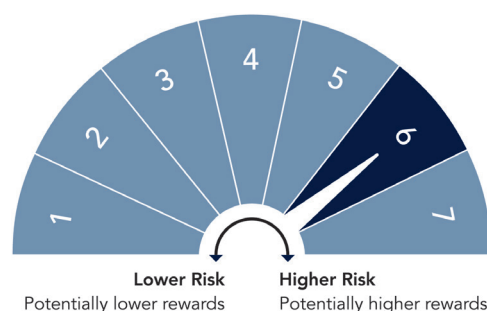
The performances presented are shown after deduction of ongoing charges and performance fees. Any entry or exit fees are excluded from this calculation. Dividends reinvested. Benchmark: TOPIX TR JPY. Same reference period as for the class: Net Return, dividend reinvested. The reference benchmark of this class is used for performance comparison purposes only. The performance of the benchmark is not indicative of past or future performance of the Fund.

Reference periods:

- Annualised Returns as of the date of the reporting over the defined period. Data less than 1 year is not annualised.
- Calendar Year Returns: Annual Performance for the stated calendar year.
- 12 Month Returns: performance for the stated time frame.

When the currency presented differs from yours, there is a currency risk. Class currency hedging is used on non base currency classes aiming to reduce the impact of currency risk. The performance and NAVs of all classes may be obtained at ericsturdza.com. Please refer to the glossary at ericsturdza.com/glossary for further explanation on specific terminologies.

Risk & Reward Indicator ("SRRI") & Inherent Risks



The risk indicator is based on historical data and may not be a reliable indicator of the future risk profile of the Fund, is not guaranteed and may change over time. The lowest category does not mean risk free.

The risk indicator for the Fund is set as 6, which reflects the historic price behaviour of the Fund. The sub-fund may be subject to high volatility.

Factors that affect the indicator include: Investments in equity securities are subject to fluctuations in value dependent on market conditions which will directly affect the value of investments. The Fund invests with a focus on a single country which may increase the risk of investing when compared to a fund that invests in a globally diversified range of countries. The Fund invests in a concentrated portfolio that may potentially focus on one or more sectors or industries. The range of investments may increase the risk profile of the Fund compared to a more diversified portfolio across sectors and industries. Additional Risks: Currency, Custody and Settlement, Financial Derivatives, Liquidity, Operational and Taxation risks.

For more information about potential risks, please refer to the Key Investor Information Document (KIID), the Prospectus and Supplement available at www.ericsturdza.com/literature/.

Ratings & Awards



Awards Disclaimer

The Nippon Growth (UCITS) Fund - A JPY share class has a Morningstar rating of 4 stars overall and 5 stars over 5 Years. Morningstar Rating™ as of 31/03/2024.

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Citywire has awarded Eric Sturdza Investments a Bronze rating in the Equity - Japan sector for the period 31/12/2016 to 31/12/2023.

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General Disclaimer - This Annualised Inception performance figures are from the strategy inception in 2001, when the Nippon Growth Fund was authorised by the Guernsey Financial Services Commission as an open ended collective investment scheme using the same strategy as the Fund. Performance since the 22 October 2009 is that of the Nippon Growth (UCITS) Fund. Strategy Inception performance is not annualised.

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