

# MORANT WRIGHT MANAGEMENT LIMITED

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## LF Morant Wright Nippon Yield Fund July 2019 Newsletter

NAV at 31<sup>st</sup> July 2019: Accumulation: A Shares 413.98p, B shares 437.19p  
Income: A Shares 327.49p, B shares 345.97p

£ Returns	Month	Year to Date	Since inception (1 <sup>st</sup> Oct 2008)
A Shares	+3.5%	+7.4%	+330.1%
B Shares	+3.6%	+7.7%	+353.8%
TOPIX Net Total Return	+4.4%	+12.6%	+143.6%

*Performance given for accumulation shares*

*Sources: Bloomberg and Link Asset Services*

The stock market eked out a modest gain in July with TOPIX rising just under 1% in local terms. Continuing the trend so far this year, growth stocks generally outperformed with telecoms and pharmaceutical stocks notably strong.

Prime Minister Abe secured a comfortable victory in the Upper House election during the month. Despite a small loss of seats, the LDP party and its coalition partner Komeito now have 141 members in the chamber (58%) to go along with their super-majority in the more powerful Lower House. The election victory was seen by the government as a sign of support for the planned consumption tax increase from 8% to 10% in October.

Recent data continues to paint a picture of the economy growing modestly but held back by falling overseas demand. In June, for instance, exports fell by 6.7% with semiconductor and auto parts particularly weak. Machinery orders have also seen sharp declines so far this year. As a result of the slowdown, the government cut its official GDP growth forecast for the year to March 2020 from 1.3% to 0.9%. Although there was no change at the latest monetary policy meeting, the Bank of Japan stated that it is ready to take additional easing measures if overseas weakness persists. Exports accounted for 17% of GDP in the first quarter of the year.

There have been several recent M&A announcements which we found particularly interesting. It was reported that KKR would sell semiconductor equipment company Kokusai Electric to Applied Materials for about ¥250bn. KKR had acquired Hitachi Kokusai in March 2018 for ¥155bn and restructured it to separate the communications and semiconductor businesses before putting the latter up for sale. Another notable event was a bid by tour operator H.I.S. for 40% of Unizo, which owns hotels, golf courses and some commercial property. The offer, which was unsolicited and came as a surprise to management, was made at a 56% premium to the previous share price. It was also announced that Yahoo Japan would vote against the management of Askul, in which it owns 45% of the shares.

There has been considerable progress in corporate governance in Japan since the advent of Abenomics. The latest revision of the Corporate Governance Code increased the pressure on companies to justify their cross-shareholdings, so it was interesting to note the situation at large electronics company Fujitsu. The company sold 78 holdings last fiscal year to realise \$444m, which was just over a quarter of its investment securities. Perhaps more significant were the comments of executive officer Mr. Tsukano who said that "cross-shareholdings are meaningless".

We have mentioned many times recently the attractive valuations of the portfolio, particularly the very strong financial position of our stocks. On average our companies have net cash and investments worth 52% of market cap (excluding financials), so the focus is how that substantial value might be realised. We have highlighted the increased emphasis on shareholder returns, where dividends and share buybacks are both at record levels, but it is also exciting to watch the growing influence of activist shareholders and private equity. It was also interesting to note that the Ministry of Economy, Trade and Industry (METI) has just released new guidelines on the protection of minority shareholders during takeovers. If you would like to deal in the Fund, please contact Link Asset Services. Their telephone number is **0345 922 0044**.

**Stephen Morant, Ian Wright, Richard Phillips, Tom Mermagen, Andrew Millward and Denis Clough**

The Fund is eligible for pensions and ISAs. Please contact Link Asset Services for details.

**Your attention is drawn to the important regulatory information on the reverse of this document.**

AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY  
REGISTERED IN ENGLAND NUMBER 3692692

# LF Morant Wright Nippon Yield Fund Information

Fund type	UK authorised OEIC
Fund currency	Sterling
Launch date	October 2008
Geographic exposure	100% Japanese equities

Share types	A Shares: Accumulation and Income B Shares: Accumulation and Income
AMC	A Shares: 1.5% B Shares: 1.0%
OCF	A Shares: 1.66% B Shares: 1.16%
	<i>No performance fees</i>
Minimum investment	£5,000 (A and B shares)
Dividend Ex Dates	30 April, 31 October (interim)
Dividend Pay Dates	30 April, 31 December (interim)
Dealing frequency	Daily
Deal cut-off point	12pm
Valuation point	12pm
Settlement	T+4 (subscriptions/redemptions)

Fund administrator	Link Asset Services Arlington Business Centre Millshaw Park Lane Leeds LS11 0PA  <b>Tel: 0345 922 0044</b> <b>Fax: 0113 224 6001</b>
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<b>Bloomberg Code</b>	
A Accumulation	CFMWNAALN
B Accumulation	CFMWNBALN
A Income	CFMWNVALN
B Income	CFMWNVALN
<b>SEDOL</b>	
A Accumulation	B3WYRF4
B Accumulation	B42MKS9
A Income	B2R8390
B Income	B2R83B2
<b>ISIN</b>	
A Accumulation	GB00B3WYRF43
B Accumulation	GB00B42MKS95
A Income	GB00B2R83902
B Income	GB00B2R83B20

<b>Top Ten Holdings</b>	<b>% Fund</b>
Sumitomo Mitsui Financial Group	3.2
Tokio Marine Holdings	3.2
MS&AD Insurance Group	3.2
Toyota Motor	2.9
Mitsubishi UFJ Financial Group	2.9
Toyota Industries	2.9
Sumitomo Electric Industries	2.8
Sumitomo Mitsui Trust	2.8
Honda Motor	2.8
Maeda Road	2.7
<b>Number of Holdings</b>	<b>65</b>
<b>Fund Size</b>	<b>£561m</b>

## Performance

	2018	2017	2016	2015	2014	Since inception* (Oct 2008)
A Shares	-12.8%	+18.1%	+28.6%	+20.8%	+5.8%	+330.1%
B Shares	-12.4%	+18.6%	+29.3%	+21.4%	+6.3%	+353.8%
TOPIX Net Total Return	-9.3%	+15.3%	+24.0%	+16.6%	+2.3%	+143.6%

\* Share price performance is for income units with dividends reinvested up to August 2010, and accumulation units thereafter

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Asset Services. Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 31<sup>st</sup> July 2019 and accurate as at that date.

## Dividends

Ex-Dividend Date	31 Oct 2014	30 Apr 2015	31 Oct 2015	30 Apr 2016	31 Oct 2016	30 Apr 2017	31 Oct 2017	30 Apr 2018	31 Oct 2018	30 Apr 2019
Dividend per 'A' Income Share	2.3072	2.8431	2.3347	3.7670	4.0977	4.1547	3.4595	4.9431	4.0602	5.4783
Dividend per 'B' Income Share	2.3828	2.9372	2.4158	3.9154	4.2679	4.3976	3.6235	5.1862	4.2703	5.7753

This document is issued and approved by Morant Wright Management Limited which is authorised and regulated by the Financial Conduct Authority.

## Disclaimer

Please remember that past performance is not a guide to future performance. The value of the Fund and any income from it can fall as well as rise as a result of both market and currency fluctuations and investors may not get back the amount originally invested. Investors must be willing to accept some risk to their capital. Consequently, the fund may be suitable for investors who are looking to set aside their capital for the longer term (i.e. at least 5 years).

Before making an investment in the Fund you must read the KIID which can be obtained from Link Asset Services or ourselves, along with the Fund Prospectus and the latest report and accounts.

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