

MORANT WRIGHT MANAGEMENT LIMITED

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LF Morant Wright Japan Fund July 2018 Newsletter

NAV at 31st July 2018: Accumulation: A Shares 406.03p, B Shares 437.85p
Income: A Shares 396.23p, B Shares 402.28p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	+0.8%	-3.4%	+306.0%
B Shares	+0.9%	-3.2%	+337.9%
TOPIX Net Total Return	+0.3%	+0.9%	+252.0%

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

After starting July on a rather weak note, the stock market recovered steadily to end up 1.3% for the month in local currency terms. The yen was little changed against major currencies.

Japan has been subject to extreme weather conditions recently. Torrential rain in western Japan caused landslides and severe flooding which claimed the lives of more than 200 people. That has been followed by a heatwave across the country in which the temperature reached a new record and exceeded 40°C on a number of days. The meteorological agency has declared it a natural disaster and warned it poses a threat to life.

Economic data remain broadly encouraging. Exports in June grew by 6.7% and the trade balance showed a surplus of ¥721bn. In contrast to recent months unemployment rose to 2.4%. Nevertheless, wages grew by 2.1% in May, which is the fastest pace for 15 years, and inflation also seems to be edging higher with the national CPI up 0.8% in June. On the other hand, industrial production was down 2.1% month-on-month in June following a small decline in May.

Banks, particularly the regionals, performed better over the month as speculation mounted that the Bank of Japan would make changes to monetary policy at its meeting in late July. The outcome was some minor adjustments. The Bank will now tolerate a band of 0.2% either side of the central target of zero for the 10-year JGB yield. Whilst keeping the overall amount of ETFs purchased unchanged at ¥6tn per year, it decided to increase the portion of TOPIX ETFs from 75.1% to 87.5%. Elsewhere, Japan agreed a trade deal with the EU which should slowly reduce the tariffs on cars exported to the EU. The Japanese parliament also passed the final piece of legislation to authorise integrated resorts, allowing up to three casinos to be built.

The results from most AGMs have now been reported. There was a record number of shareholder proposals put forward (42), although the vast majority were rejected. The proposal that TBS should pay out some of its large shareholding in Tokyo Electron shares garnered only 11.3% of the votes cast. Support for management generally remained high but it was interesting that the approval rating of Fuji Media's CEO fell further and was amongst the lowest recorded at only 66.2%. At other companies, such low ratings have often tended to prompt more shareholder friendly policies from management. At one small company, JP-Holdings, the President and six directors were forced to step down after failing to gain the necessary 50% approval from shareholders, including the company's founder.

Companies with a March year-end have begun to report numbers for the first quarter. Initial indications are positive with profits up over 3% for TOPIX companies. Most companies have left their forecasts unchanged at this stage although Honda and car parts company Tokai Rika have both raised forecasts for the full year after reporting encouraging numbers. ShinMaywa reported a substantial share buyback, which is probably the result of the pressure it feels from an activist investor who has built a very significant stake in the company.

Valuations remain undemanding for the fund, which stands on a PBR of 0.8x and a P/E ratio of 13x. These modest multiples also take no account of the substantial cash holdings of our companies and the progress being made in shareholder returns. 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 Limited for details.

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

LF Morant Wright Japan Fund Information

Fund type	UK authorised OEIC
Fund currency	Sterling
Launch date	May 2003
Geographic exposure	100% Japanese equities

Share types	A Shares: Accumulation and Income B Shares: Accumulation and Income
Share fees	A Shares: 1.5% Management Fee B Shares: 1.0% Management Fee <i>No performance fees</i>

Minimum investment	£5,000 (A and B shares)
Dealing frequency	Daily
Deal cut-off point	12pm
Valuation point	12pm

Fund administrator	Link Asset Services Arlington Business Centre Millshaw Park Lane Leeds LS11 0PA Tel: 0345 922 0044 Fax: 0113 224 6001
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Bloomberg Code	
A Accumulation	CFMWJAA LN
B Accumulation	CFMWJBA LN
A Income	CFMWJAI LN
B Income	CFMWJBI LN

SEDOL	
A Accumulation	3301001
B Accumulation	3301012
A Income	3359798
B Income	3359806

ISIN	
A Accumulation	GB0033010017
B Accumulation	GB0033010124
A Income	GB0033597989
B Income	GB0033598060

Top Ten Holdings	% Fund
Mitsubishi UFJ Financial Group	3.0
Tokio Marine Holdings	2.9
Toyota Industries	2.9
Sumitomo Electric Industries	2.9
Sumitomo Mitsui Financial Group	2.9
Sumitomo Mitsui Trust	2.9
Kinden	2.8
Tokyo Broadcasting System	2.8
Nippon Television Network	2.7
Toda Corp	2.6
Number of Holdings	57
Fund Size	£524m

Performance

	2017	2016	2015	2014	2013	Since inception (May 2003)
A Shares	+16.3%	+26.2%	+21.3%	+2.0%	+24.7%	+306.0%
B Shares	+16.9%	+26.8%	+21.9%	+2.5%	+25.4%	+337.9%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+252.0%

Performance given for accumulation shares

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 31st July 2018 and accurate as at that date.

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 are strongly advised to read the Full Fund Prospectus and other regulatory documents, which can be obtained from Link Asset Services, Administration Office, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds, LS12 6NT or ourselves.

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