

MORANT WRIGHT MANAGEMENT LIMITED

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LF Morant Wright Nippon Yield Fund March 2018 Newsletter

NAV at 29th March: Accumulation: A Shares 414.86p, B Shares 435.21p
Income: A Shares 342.69p, B Shares 359.59p

| £ Returns | Month | Year to date | Since inception (1 st Oct 2008) |
|------------------------|-------|--------------|---|
| A Shares | -4.9% | -6.2% | +331.0% |
| B Shares | -4.9% | -6.1% | +351.7% |
| TOPIX Net Total Return | -3.9% | -4.1% | +128.7% |

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

The Japanese market remained weak during March falling by 2.9% in local currency terms. Some commentators blamed the fall on a decline in Prime Minister Abe's approval rating as the Moritomo school scandal received more attention. The continued outperformance of defensive and growth segments of the market, however, suggest that probably a greater concern was the growing trade dispute between the US and China. Overseas investors continued to sell at a significant pace and have now sold nearly ¥8trn this year.

Following President Trump's announcement of tariffs on steel and aluminium, China has responded with a range of taxes on imports from the US such as wine and pork. The immediate impact of the steel and aluminium levy on Japan is negligible but the concern is for a potential escalation. Japan, perhaps because of its trade surplus with the US rather than its own tariff barriers, was not exempted from the US tariffs unlike other trading partners such as Canada, Mexico or the EU.

The initial indications are that this year's spring wage hikes have increased at a faster pace than last year. Toyota gave a 3.3% rise versus 3.0% last year and the Japanese Trade Union Confederation released data showing an increase, including seniority pay, of 2.42% versus 2.27%. Given the very tight labour market, this seems surprisingly modest. News about property prices remains positive. In 2017 annual land prices rose by 0.4% which is the strongest performance since 2008. As usual, the major metropolitan areas outperformed the countryside and commercial prices also outstripped residential. Despite the stronger yen versus the dollar, tourist numbers continue to climb. The number of foreign visitors to Japan in January and February rose by 15.7% compared with a year ago. This has helped department store sales which continue to grow, although other consumer indicators such as domestic car sales fell.

As most companies in Japan close their books at the end of March, this is typically a quiet month. There was an upward revision to earnings from Eizo Nanao and Nagase raised its dividend by approximately 15%. Nagase's payout ratio is just over 30% so there should still be scope for more growth in the future. Disappointingly share buybacks have fallen for the second year in a row with 539 companies (672 last year) announcing ¥4.4trn in share buybacks (¥4.8trn). Following the rise in the market, it would appear that more companies are shifting the emphasis of shareholder returns to higher dividends.

As we approach the results season, most analysts are relaxed about the year which has just ended but have concerns over the likely rate of growth for the year ending March 2019. For most of the last fiscal year the yen was about ¥112 versus the dollar, as against the current rate of ¥106. On its own that move would probably only trim earnings estimates by around 4% but slowing global growth and the potential escalation of trade disputes could also lower expectations. These concerns appear to have been largely discounted in the valuations of the portfolio with the price to book now only a bit above 0.8x and the EV/OP (i.e. the net cash and securities adjusted PE before tax) less than 6x March 2018 profits. 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.

LF Morant Wright Nippon Yield Fund Information

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

| | |
|-----------------------|-----------|
| Bloomberg Code | |
| A Accumulation | CFMWNAALN |
| B Accumulation | CFMWNBALN |
| A Income | CFMWNVALN |
| B Income | CFMWNBYLN |

| | |
|--------------------|--|
| 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) |
| Dividend Ex Dates | 30 April, 31 October (interim) |
| Dividend Pay Dates | 30 April, 31 December (interim) |

| | |
|----------------|--------------|
| SEDOL | |
| A Accumulation | B3WYRF4 |
| B Accumulation | B42MKS9 |
| A Income | B2R8390 |
| B Income | B2R83B2 |
| ISIN | |
| A Accumulation | GB00B3WYRF43 |
| B Accumulation | GB00B42MKS95 |
| A Income | GB00B2R83902 |
| B Income | GB00B2R83B20 |

| | |
|--------------------|---------------------------------|
| Dealing frequency | Daily |
| Deal cut-off point | 12pm |
| Valuation point | 12pm |
| Settlement | T+4 (subscriptions/redemptions) |

| | | |
|---------------------------------|--|---------------|
| Top Ten Holdings | | % Fund |
| Fuji Media Holdings | | 3.1 |
| Mitsubishi UFJ Financial | | 2.8 |
| Sumitomo Electric Industries | | 2.8 |
| MS&AD Insurance Group Holdings | | 2.7 |
| Sumitomo Mitsui Trust | | 2.7 |
| Sumitomo Mitsui Financial Group | | 2.6 |
| Nissan Motor Co Ltd | | 2.5 |
| Tokio Marine Holdings Inc | | 2.5 |
| Honda Motor Co. Ltd | | 2.4 |
| Tokai Rika | | 2.4 |
| Number of Holdings | | 68 |
| Fund Size | | £543m |

| | |
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| Fund administrator | Link Asset Services Arlington Business Centre Millshaw Park Lane Leeds LS11 0PA Tel: 0345 922 0044 Fax: 0113 224 6001 |
|--------------------|--|

Performance

| | 2017 | 2016 | 2015 | 2014 | 2013 | Since inception* (Oct 2008) |
|------------------------|--------|--------|--------|-------|--------|--------------------------------|
| A Shares | +18.1% | +28.6% | +20.8% | +5.8% | +18.5% | +331.0% |
| B Shares | +18.6% | +29.3% | +21.4% | +6.3% | +19.1% | +351.7% |
| TOPIX Net Total Return | +15.3% | +24.0% | +16.6% | +2.3% | +23.9% | +128.7% |

* 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 29th March 2018 and accurate as at that date.

Dividends

| Ex-Dividend Date | 30 Apr 2013 | 31 Oct 2013 | 30 Apr 2014 | 31 Oct 2014 | 30 Apr 2015 | 31 Oct 2015 | 30 Apr 2016 | 31 Oct 2016 | 30 Apr 2017 | 31 Oct 2017 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Dividend per 'A' Income Share | 5.2207 | 2.2185 | 2.6404 | 2.3072 | 2.8431 | 2.3347 | 3.7670 | 4.0977 | 4.1547 | 3.4595 |
| Dividend per 'B' Income Share | 5.3360 | 2.2749 | 2.7196 | 2.3828 | 2.9372 | 2.4158 | 3.9154 | 4.2679 | 4.3976 | 3.6235 |

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, PO Box 389, Darlington, DL1 9UF, or ourselves.

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