

MORANT WRIGHT MANAGEMENT LIMITED

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CF Morant Wright Japan Fund July 2017 Newsletter

NAV at 31st July 2017: Accumulation: A Shares 382.11p, B Shares 409.99p
Income: A Shares 374.09p, B Shares 379.91p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	+0.4%	+5.7%	+282.1%
B Shares	+0.5%	+6.0%	+310.0%
TOPIX Net Total Return	+0.6%	+6.7%	+223.0%

Performance given for accumulation shares

Sources: Bloomberg and Capita Financial Managers

TOPIX eked out a modest gain of 0.4% over the month in local currency terms. Once again, the yen strengthened against the dollar, continuing the trend of this year. This contrasts with recent years when a weak currency has been associated with a strong equity market.

The Japanese economy continues to perform well prompting the Bank of Japan to raise its expectations for real GDP growth in FY2017 and FY2018. However, it pushed out its hope of achieving its inflation target of 2% to sometime in FY2019 and lowered its forecast for CPI in FY2017 and FY2018. Yet the labour market remains very tight with unemployment falling to 2.8% and the ratio of job offers to applicants reaching another 40-year high. There were some signs of wages rising with the news that summer bonuses for service sector workers are up 5.5% y/y and that several companies are raising starting salaries for graduates. Mizuho Securities plans to raise starting salaries by 15%, Ajinomoto by 12% and Nippon Life will increase them for the first time in 12 years.

In spite of the encouraging news on the economy, PM Abe's approval rating continues to fall, reaching a record low for his current tenure of 26%. He was forced to appear in front of parliament to respond to allegations of cronyism relating to two land transactions. In addition, his Defence Minister resigned. The opposition party is also in disarray and, ironically, it was its leader who tendered her resignation at the end of the month!

Over a third of companies have now reported results for the first quarter and progress is encouraging with earnings up 41% in aggregate for March year end companies albeit in comparison with a weak quarter last year. Although progress towards full year targets is good, few companies have revised their forecasts. Exceptions include Tokai Rika and Denso, which both revised up.

JAFCO reported strong results but more importantly announced a major reorganisation of its cross-shareholdings. It will buy back over 13m shares (about 28% of the total) from Nomura Holdings and Nomura Research Institute and sell its stake in NRI back to the company. The net cost of the transaction still only represents around 40% of JAFCO's net cash. Similarly, Alps Electric has offered to buy in the 60% of Alpine which it does not own, valuing Alpine's shares at a 29% premium to the undisturbed price.

M&A activity remains robust. The value of deals in the second quarter was up over 21% y/y with the largest increase in the number of deals being in domestic companies buying other domestic companies. This follows a report highlighting the record number of 297 companies, both listed and unlisted, which were bought by private equity firms last year. Given the low valuations of the market, and more particularly our portfolio, we hope this trend continues. If you would like to deal in the Fund, please contact Capita Financial Managers Limited. 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 Capita Financial Managers Limited 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

CF 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	Capita Financial Managers 2 The Boulevard City West One Office Park Gelderd Road Leeds, LS12 6NT 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
Tokyo Broadcasting System	3.1
Sumitomo Mitsui Trust	3.0
Sumitomo Mitsui Financial Group	2.9
Fuji Media Holdings	2.9
Mitsubishi UFJ Financial	2.8
Toda Corp	2.8
Kinden	2.8
Toyota Industries	2.7
Canon Marketing	2.7
Tokio Marine Holdings	2.7
Number of Holdings	54
Fund Size	£473m

Performance

	2016	2015	2014	2013	2012	Since inception (May 2003)
A Shares	+26.2%	+21.3%	+2.0%	+24.7%	-0.5%	+282.1%
B Shares	+26.8%	+21.9%	+2.5%	+25.4%	-0.1%	+310.0%
TOPIX Net Total Return	+24.0%	+16.6%	+2.3%	+23.9%	+3.5%	+223.0%

Performance given for accumulation shares

All performance information is calculated by Morant Wright Management Limited using share price data provided by Capita Financial Administrators Limited. Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 31st July 2017 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 Simplified or the Full Fund Prospectus, which can be obtained from Capita Financial Managers Limited, Administration Office, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds, LS12 6NT or ourselves.

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