

MORANT WRIGHT MANAGEMENT LIMITED

43 St James's Place, London, SW1A 1NS
Telephone: 020 7499 9980 Facsimile: 020 7499 9981 Website: www.morantwright.co.uk

LF Morant Wright Japan Fund July 2020 Newsletter

NAV at 31st July 2020: Accumulation: A shares 332.32p, B shares 361.93p
Income: A shares 317.72p, B shares 321.98p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	-10.5%	-17.9%	+232.3%
B Shares	-10.4%	-17.7%	+261.9%
TOPIX Net Total Return	-7.7%	-8.3%	+234.3%

Performance given for accumulation shares

Sources: Bloomberg and Link Fund Solutions Limited (LFS)

A sharp fall on the final day of the month meant that TOPIX finished July down 4% in local terms. The yen also weakened against sterling, which further lowered returns. Although Japan ended its state of emergency in May, a recent increase in Covid-19 infections has raised concerns that the government may need to reimpose tighter restrictions. So far, most of those affected recently have been under 60 and many cases have been linked to restaurants and nightclubs. As a result, the Tokyo government has requested restaurants and bars in the city to close at 10pm from 3rd August, with a subsidy for those establishments that comply.

Unsurprisingly, the economy remains weak although it has started to recover from the nadir in May. Industrial production in June rose nearly 3% from the previous month although it was still down by 17% year-on-year. Construction orders and housing starts both fell by 13%. There were more positive signs elsewhere, however, as unemployment fell slightly to 2.8% as some companies began hiring workers again. Similarly, retail sales in June rose sharply from May and were down only 1% compared to the previous year. The steady trend towards more online shopping has also accelerated in recent months; May marked the first month in which over half of all households purchased products online.

Corporate activity has continued to be buoyant, despite the uncertainty caused by Covid-19. There were more instances of companies buying in their listed subsidiaries; a trend which has long been encouraged by the Tokyo Stock Exchange. Convenience store operator Familymart was the subject of a \$5bn bid by Itochu at a 31% premium to buy in the 49.9% of the company not already owned. Fujitsu, which has been undergoing corporate restructuring, announced a bid for Fujitsu Frontech, while Sumitomo Bakelite made a bid for 21% owned affiliate Kawasumi Laboratories at more than double the current share price. There was also a hostile takeover bid by restaurant operator Colowide for sushi chain Otoy, having already bought a 19% stake from the founding family in October last year. It was interesting to see Blackstone buying four logistics centres for \$500m from Daiwa House, adding to the \$1bn it has spent on logistics centres in 2019.

Companies have begun reporting results for the first quarter to 30th June, which have been understandably weak. Many companies have only just released profit and dividend forecasts for the full year, having been reluctant to do so in May. As we have mentioned before, dividends are expected to fall by much less than the decline in profits given that many companies have prioritised the payment of a stable dividend. Although share buybacks fell sharply in the last quarter when cash preservation became important, some companies have started to announce new buyback programs. Perhaps in response to low approval ratings for management, TV company Fuji Media announced a repurchase of 5% of its shares, its first buyback for 13 years, with the shares currently valued at less than net cash and investments. Mitsubishi Logistics also declared a 6% share buyback, only a month after defeating a shareholder proposal calling for the same action. The company also announced a profit of ¥37bn on the sale of land near Nagoya station, another reminder that it has unrealised gains of at least ¥274bn on its property portfolio against a market cap of ¥243bn.

Value stocks fared relatively poorly in July, bringing the underperformance against growth stocks this year to over 17%. Recent research by Mitsubishi UFJ Morgan Stanley shows that the valuation of high PBR stocks is at an all-time high relative to low PBR stocks – a larger gap even than at the height of the Internet bubble in March 2000. Our portfolio stands at a PBR of only 0.6 times, which is a bigger discount to TOPIX than at any time in the last decade. If you would like to deal in the fund, please contact Link Fund Solutions Limited (LFS). Their telephone number is **0345 922 0044**.

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

The Fund is eligible for pensions and ISAs. Please contact Link Fund Solutions Limited (LFS) 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 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
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)
Dealing frequency	Daily
Deal cut-off point	12pm
Valuation point	12pm

ACD	Link Fund Solutions Limited (LFS)
Fund administrator	Link Fund Administrators Limited (LFA) Central Square 29 Wellington Street Leeds LS1 4DL Tel: 0345 922 0044 Fax: 0113 224 6001

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
Nippo Corp	3.7
Tokyo Broadcasting System	3.5
Kinden	3.4
Toda Corp	3.2
Toyota Industries	3.2
Canon Marketing	3.2
Nippon Television Network	3.0
Toppan Printing	3.0
Sumitomo Mitsui Financial Group	2.9
Toyota Motor	2.8
Number of Holdings	50
Fund Size	£331m

Performance

	2019	2018	2017	2016	2015	Since inception (May 2003)
A Shares	+10.3%	-12.7%	+16.3%	+26.2%	+21.3%	+232.3%
B Shares	+10.8%	-12.3%	+16.9%	+26.8%	+21.9%	+261.9%
TOPIX Net Total Return	+15.2%	-9.3%	+15.3%	+24.0%	+16.6%	+234.3%

Performance given for accumulation shares

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Fund Solutions Limited (LFS). Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 31st July 2020 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 must read the KIID which can be obtained from Link Fund Solutions Limited (LFS) or ourselves, along with the Fund Prospectus and the latest report and accounts.

Copyright 2020. All rights reserved.