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 Nippon Yield Fund
April 2018 Newsletter

NAV at 30th April: Accumulation: A Shares 436.13p, B Shares 457.72p
Income: A Shares 360.26p, B Shares 378.19p

£ Returns	Month	Year to date	Since inception (1st Oct 2008)
A Shares	+5.1%	-1.4%	+353.1%
B Shares	+5.2%	-1.3%	+375.1%
TOPIX Net Total Return	+4.2%	-0.1%	+138.3%

Performance given for accumulation shares *Sources: Bloomberg and Link Asset Services*

It was a better month for the market as TOPIX rose steadily to register a gain of 4.3% in local currency terms. Foreigners, who had been large sellers of the market so far this year, turned net buyers whilst the Bank of Japan, which was a big buyer during the first quarter, only purchased general ETFs on three occasions. The yen weakened steadily against the dollar, falling from above ¥106/$ at the start of the month to below ¥109/$.

News on the economy remains encouraging. Japan recorded a sizeable current account surplus of ¥2trn in February and has now recorded a surplus every month since June 2014. Unemployment remains low at 2.5% and industrial production figures were ahead of expectations in March and suggest the steady growth is continuing. Even inflation is showing signs of picking up with the core CPI (ex-fresh foods) rising by 1% year-on-year in February and 0.9% in March, the highest level in three years. The suggestion that the BOJ will soon have to change its ultra-loose monetary policy has been firmly rebuffed by Governor Kuroda. The good economic news is partially offset by the continuing slide in PM Abe's popularity. It is now low enough to raise a question about his re-election at the LDP leadership contest in September.

The real estate market continues to perform well. In Tokyo's 23 wards the office vacancy rate fell to 2.8% in March, a ten-year low, and average rents rose by 5.2% yoy. This is partly because the supply of new offices was limited last year, with only 760,000m^2 of floorspace added compared to the 20-year average of 1.05m m^2. In 2018 it is expected to reach 1.47m m^2. Condominiums sold in the capital are up 19.8% yoy and the average price per square metre is up 14.8%. This is despite news that the Japanese population has recorded its seventh straight year of decline and has now fallen below 125m. Interestingly the foreign population was up 145,000 to 2.05m.

Companies have begun to report full year results and, whilst it is still early days, there are some interesting points. The first is the strength of the construction sector where the fund has a large position. Buoyant demand and favourable pricing has led to Okumura and Nishimatsu both revising up. The auto sector has also had a good year as Honda and Denso's results illustrate, helped at the net profit level by US tax reforms. Their forecasts were more downbeat, however, based on assumptions of a decline in car production and a higher exchange rate of ¥105/$.

For us the most significant trend is the continued increase in share buybacks and dividends. Honda and TSI Holdings both announced buybacks along with their full year results; TSI has now bought back 18% of its shares over the last two years. The list of dividend increases is long. Hakuto reported good results and raised its dividend substantially, which caused the shares to rise 15%. Sekisui Jushi also announced a higher dividend for the tenth consecutive year. Although leaving its full year forecasts unchanged, disappointing first quarter numbers sent Canon Marketing shares down 20%.

M&A is another way in which value is being unlocked in Japan. Itochu has announced that it will make FamilyMart a consolidated subsidiary by increasing its shareholding to 50.1%, paying a 13% premium to a share price standing at an all-time high. Blackstone, the US private equity group, recently announced that it intends to spend nearly $5bn buying Japanese companies over the next 3-5 years, which may accelerate this trend. We would hope that our portfolio of cash-rich companies, which still trades comfortably below book value, should be well placed to benefit from these trends of increasing shareholder returns and further M&A activity. 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

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 *No performance fees*
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

Tel: 0345 922 0044
Fax: 0113 224 6001

Bloomberg Code	
A Accumulation	CFMWNAA LN
B Accumulation	CFMWNBA LN
A Income	CFMWNYA LN
B Income	CFMWNYB LN
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

Top Ten Holdings	% Fund
Tokio Marine Holdings	2.9
Fuji Media Holdings	2.9
Sumitomo Mitsui Financial Group	2.8
MS&AD Insurance Group	2.8
Mitsubishi UFJ Financial Group	2.8
Sumitomo Mitsui Trust	2.7
Sumitomo Electric Industries	2.7
Toyota Motor Corp	2.6
Nissan Motor Co	2.5
Hitachi Capital Corp	2.4
Number of Holdings	**69**
Fund Size	**£578m**

Performance

	2017	2016	2015	2014	2013	Since inception* (Oct 2008)
A Shares	+18.1%	+28.6%	+20.8%	+5.8%	+18.5%	+353.1%
B Shares	+18.6%	+29.3%	+21.4%	+6.3%	+19.1%	+375.1%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+138.3%

** 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 30th April 2018 and accurate as at that date.

Dividends

Ex-Dividend Date	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	*30 Apr 2018 (est)*
Dividend per 'A' Income Share	2.2185	2.6404	2.3072	2.8431	2.3347	3.7670	4.0977	4.1547	3.4595	*4.9432*
Dividend per 'B' Income Share	2.2749	2.7196	2.3828	2.9372	2.4158	3.9154	4.2679	4.3976	3.6235	*5.1863*

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

<u>**Disclaimer**</u>

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.