

MORANT WRIGHT MANAGEMENT LIMITED

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LF Morant Wright Japan Fund January 2018 Newsletter

NAV at 31st January 2018:

Accumulation: A Shares 408.99p, B Shares 439.94p
Income: A Shares 400.42p, B Shares 407.67p

£ Returns	Month	2017	Since Inception (23 rd May 2003)
A Shares	-2.7%	+16.3%	+309.0%
B Shares	-2.7%	+16.9%	+339.9%
TOPIX Net Total Return	-0.3%	+15.3%	+248.1%

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

TOPIX made a strong start to the year and was up by more than 5% at one stage before falling in the last week of the month as the yen strengthened against the dollar. The market ended up just over 1% in local currency terms. Having largely ignored a stronger yen-dollar rate last year, the market was less forgiving about a 3% move in January although it remains close to the rate assumed by most Japanese companies of around ¥110/\$. The fund had a difficult month with most of our stocks underperforming, notably TBS and construction-related companies such as Toda and Nippo. The index was led by a small group of stocks which included Nintendo and robotics names such as Fanuc and SMC.

Having risen steadily over the last 12 months, December's CPI data (ex-fresh foods) showed a rise of 0.9% year-on-year. The rate of increase remains well below the Bank of Japan's 2% target, despite being helped by a stronger oil price, but Prime Minister Abe is still determined to raise inflation. During the month he asked the influential Keidanren business lobby for their support in raising wages by 3%. Some companies have already cooperated with Orix, the financial services company, announcing that it would increase monthly base wages for 10,000 employees by an average 3.3% from April this year. Elsewhere, it was encouraging to see industrial production rise 4.2% in December which was ahead of expectations and up on the 3.6% increase in November. Machine tool orders were up a staggering 48% year-on-year in December and 32% for the whole of 2017, an all-time high.

Private equity buyouts reached a record \$23.6bn in 2017 although this includes the substantial purchase of Toshiba's memory chip business which has not yet completed. Without the Toshiba deal, the total was \$5.7bn which is lower than 2016 but well above the average over the last decade. The head of Bain Capital, which has been very active in 2017, believes that there will be a significant increase in private equity deals over the coming years as companies look to reform their businesses. More generally, M&A remains robust with Fujifilm announcing a merger with its long-time US partner, Xerox. The mechanics of the deal are complex because of the joint ownership of Fujifilm's subsidiary Fuji Xerox but Fujifilm will not be paying any cash and will end up with 50.1% of the combined entity. It was also encouraging to see Japanese asset manager Sparx becoming more vocal about one of their holdings during the month. Sparx has proposed two shareholder resolutions at Teikoku Sen-I, a specialty fibre manufacturer, which included a trebling of the dividend.

Companies have begun to report third quarter earnings numbers. Most companies have left full year expectations unchanged although Kinden, a domestically focused construction company, did revise up modestly. Canon Marketing Japan, which reported full year earnings, had good results and also raised the dividend from ¥50 to ¥60 to maintain its payout ratio above 35%.

There are signs that individual investors are becoming more interested in equities. Sales of the latest Japanese Company Handbook ("*shikiho*"), which contains data on all listed companies, are up 50% year-on-year. Nikko Asset Management's Global Robotics Equity fund, which was only launched in August 2015, is on track to exceed ¥1tn in assets in February. Greater domestic participation, together with more active M&A, should create a positive tailwind for the market which is currently on 1.4x book. Our portfolio is considerably cheaper and still trades below book value. 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

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	3.0
Mitsubishi UFJ Financial Group	3.0
Sumitomo Mitsui Financial Group	2.9
Sumitomo Mitsui Trust	2.9
Fuji Media Holdings	2.8
Toyota Industries	2.7
Tokio Marine Holdings Inc	2.7
Nippon Television Network	2.6
Sumitomo Electric Industries	2.6
Kinden	2.5
Number of Holdings	58
Fund Size	£528m

Performance

	2017	2016	2015	2014	2013	Since inception (May 2003)
A Shares	+16.3%	+26.2%	+21.3%	+2.0%	+24.7%	+309.0%
B Shares	+16.9%	+26.8%	+21.9%	+2.5%	+25.4%	+339.9%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+248.1%

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 January 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 Simplified or the Full Fund Prospectus, 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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