

MORANT WRIGHT MANAGEMENT LIMITED

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LF Morant Wright Japan Fund February 2018 Newsletter

NAV at 28th February 2018: Accumulation: A Shares 409.29p, B Shares 440.43p
Income: A Shares 400.71p, B Shares 408.12p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	+0.1%	-2.7%	+309.3%
B Shares	+0.1%	-2.6%	+340.4%
TOPIX Net Total Return	+0.1%	-0.2%	+248.3%

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

In common with other stock markets globally, Japanese equities were weak in February with TOPIX falling by 3.7% in local terms. However this decline was mitigated by the yen which continued to strengthen against other major currencies. Selling by overseas investors increased. They have been consistent sellers since the first week of the year and in aggregate have sold more than ¥5trn in the futures and cash markets, more than double the net buying carried out last year. Interestingly, the short selling ratio has been above 40% for 21 consecutive trading days. Domestic individual investors have been net buyers along with the Bank of Japan's ongoing ETF purchases.

Mr. Kuroda has been nominated for a second five-year term as governor of the Bank of Japan. The new term begins in April and he will be the first governor to serve two terms since 1961. Two new deputies have also been nominated, Mr. Amamiya and Mr. Wakatabe, both of whom are strong supporters of a loose monetary policy. Although inflation has failed to reach the 2% target, the current rate of price rises is significantly higher than when Kuroda was appointed in 2013. GDP for the fourth quarter grew by 0.5% for the eighth consecutive quarter of growth – the longest expansion since 1989.

The number of people employed in Japan has grown by just over 3m between 2012 and 2017. Over that time the number of foreign workers has almost doubled, growing by roughly 600,000 to 1.28m, and they now represent some 2% of the workforce. The latest meeting of the Council on Economic and Fiscal Policy indicated that a team led by the Economic Revitalisation Minister would look at ways of increasing the number of foreign workers further, particularly those with specialist skills.

Third quarter company results showed healthy growth. In aggregate, TOPIX companies grew sales by 9% and recurring profits by 14%, and full year profit guidance was revised up by another 2%. The US tax cuts provided a one-off boost for many companies, particularly car companies such as Toyota, Nissan and Honda. The ongoing improvement in corporate governance was apparent again, with many companies announcing share buybacks and several raising their dividend. Amongst our holdings, companies buying back shares included Nagase and Concordia and elsewhere there were large repurchases announced by Kirin and NTT. Arguably the most interesting news was the 10% share buyback announced by Coca-Cola Bottlers Japan, allowing its second largest shareholder Ricoh to tender its 8% stake – a shareholding worth \$500m that it has held for decades.

The market has fallen 7% from its recent peak in mid-January. Meanwhile corporate profits continue to grow steadily, despite the strengthening currency. The portfolio now stands well below tangible book value and on an EV/OP ratio of around 6 times. The arguments that we have made many times before – improving corporate governance and a sharper focus on shareholder returns – remain intact. 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
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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
Fuji Media	2.9
Sumitomo Mitsui Financial Group	2.9
Nippon Television Network	2.9
Tokyo Broadcasting System	2.8
Sumitomo Mitsui Trust	2.8
Mitsubishi UFJ Financial Group	2.8
Sumitomo Electric Industries	2.8
Kinden	2.7
Tokio Marine Holdings	2.7
Toyota Industries	2.7
Number of Holdings	58
Fund Size	£533m

Performance

	2017	2016	2015	2014	2013	Since inception (May 2003)
A Shares	+16.3%	+26.2%	+21.3%	+2.0%	+24.7%	+309.3%
B Shares	+16.9%	+26.8%	+21.9%	+2.5%	+25.4%	+340.4%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+248.3%

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 28th February 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 Full Fund Prospectus and other regulatory documents, 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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