

MORANT WRIGHT MANAGEMENT LIMITED

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LF Morant Wright Nippon Yield Fund February 2018 Newsletter

NAV at 28th February: Accumulation: A Shares 436.23p, B Shares 457.45p
Income: A Shares 360.35p, B Shares 377.96p

£ Returns	Month	Year to date	Since inception (1 st Oct 2008)
A Shares	+0.7%	-1.4%	+353.2%
B Shares	+0.8%	-1.3%	+374.8%
TOPIX Net Total Return	+0.1%	-0.2%	+138.0%

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 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

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

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)
Dividend Ex Dates	30 April, 31 October (interim)
Dividend Pay Dates	30 April, 31 December (interim)

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

Dealing frequency	Daily
Deal cut-off point	12pm
Valuation point	12pm
Settlement	T+4 (subscriptions/redemptions)

Top Ten Holdings		% Fund
Fuji Media Holdings		3.0
Sumitomo Mitsui Financial Group		2.6
Mitsubishi UFJ Financial		2.6
Sumitomo Electric Industries		2.6
Sumitomo Mitsui Trust		2.6
Tokio Marine Holdings Inc		2.5
Nissan Motor Co Ltd		2.5
Tokai Rika		2.4
Honda Motor Co. Ltd		2.4
MS&AD Insurance Group Holdings		2.4
Number of Holdings		66
Fund Size		£568m

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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Performance

	2017	2016	2015	2014	2013	Since inception* (Oct 2008)
A Shares	+18.1%	+28.6%	+20.8%	+5.8%	+18.5%	+353.2%
B Shares	+18.6%	+29.3%	+21.4%	+6.3%	+19.1%	+374.8%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+138.0%

* 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 28th February 2018 and accurate as at that date.

Dividends

Ex-Dividend Date	30 Apr 2013	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
Dividend per 'A' Income Share	5.2207	2.2185	2.6404	2.3072	2.8431	2.3347	3.7670	4.0977	4.1547	3.4595
Dividend per 'B' Income Share	5.3360	2.2749	2.7196	2.3828	2.9372	2.4158	3.9154	4.2679	4.3976	3.6235

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, PO Box 389, Darlington, DL1 9UF, or ourselves.

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