

MORANT WRIGHT MANAGEMENT LIMITED

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LF Morant Wright Japan Fund June 2018 Newsletter

NAV at 29th June 2018: Accumulation: A Shares 402.67p, B Shares 434.03p
Income: A Shares 392.95p, B Shares 398.77p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	-1.7%	-4.2%	+302.7%
B Shares	-1.6%	-4.0%	+334.0%
TOPIX Net Total Return	-0.9%	+0.6%	+251.0%

Performance given for accumulation shares

Sources: Bloomberg and Link Asset Services

TOPIX fell 0.8% in local terms on concerns over US/China trade friction and the implications for global growth. This was despite Prime Minister Abe's approval rating recovering strongly from the effect of the scandals earlier this year.

Steady growth in Japanese exports – the value of exports grew 8.1% in May from a year earlier – offered reassurance that the economy is rebounding in the second quarter despite rising trade tensions. The unemployment rate fell from 2.5% to 2.2%, the lowest since 1992, whilst the jobs-to-applicants ratio rose to 1.6x, the highest since 1974. April housing starts totalled an annualised 992,000, the highest level in three years.

So far, wage data have not shown any sustained acceleration. After a 2% jump in March, April wages grew by 0.8%. At some of our recent meetings, however, companies are increasingly discussing the problems of employee shortages; Aoyama Trading, for example, highlighted to us that their personnel costs were rising by 8.7% this year. Interestingly, Mr. Abe recently announced plans to create a new type of work permit from April 2019 for construction, agricultural, nursing, hotel and shipbuilding workers with the aim of attracting more than 500,000 foreign workers by 2025.

With the full year results season completed corporate news has been quiet. Tokio Marine is expanding its business in Asia with the purchase of the Thai and Indonesian businesses of Insurance Australia Group for \$390 million. Toyota announced a \$1bn investment in Singapore's Grab Holdings, the largest car-hailing service in Southeast Asia. Toyota also announced they will speed up the consolidation of their operations with group companies to eliminate overlaps and improve efficiency which would include consolidating their electronic component operations within their affiliate Denso.

KKR recently said that they are finding interesting opportunities in Japan because of cheaper valuations, less competition, lower financing costs and greater potential for operational improvement. On top of this, shareholder activism continues to gain attention. Having recently submitted an AGM proposal at TBS, Asset Value Investors announced plans to raise money for a fund focusing on companies with "inefficient capital structures". Hong Kong-based Ascender Capital went public with its request to Sumitomo Densetsu to pay a special dividend and increase the dividend payout ratio. Similarly, Morphic Asset Management published an open letter to construction company Haseko calling on management to raise the dividend and divest underperforming peripheral businesses.

It is always disappointing to have a period of relative underperformance like the last six months, which feels similar to the first half of 2016. This seems to reflect a general de-rating of our stocks which we believe are now very cheap. Indeed, we cannot remember a time when the average net cash position of our non-financial holdings represented almost 60% of their market capitalisations. 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 Holdings	3.1
Tokyo Broadcasting System	3.0
Tokio Marine Holdings	2.9
Kinden	2.9
Sumitomo Electric Industries	2.8
Toda Corp	2.8
Toyota Industries	2.8
Sumitomo Mitsui Trust	2.7
Sumitomo Mitsui Financial Group	2.7
Nippon Television Network	2.7
Number of Holdings	58
Fund Size	£526m

Performance

	2017	2016	2015	2014	2013	Since inception (May 2003)
A Shares	+16.3%	+26.2%	+21.3%	+2.0%	+24.7%	+302.7%
B Shares	+16.9%	+26.8%	+21.9%	+2.5%	+25.4%	+334.0%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+251.0%

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 29th June 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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