

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 January 2018 Newsletter

NAV at 31st January: Accumulation: A Shares 432.99p, B Shares 453.87p
Income: A Shares 357.67p, B Shares 375.01p

£ Returns	Month	2017	Since inception (1 st Oct 2008)
A Shares	-2.1%	+18.1%	+349.8%
B Shares	-2.1%	+18.6%	+371.1%
TOPIX Net Total Return	-0.3%	+15.3%	+137.9%

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 Fujitec and construction-related companies such as Maeda Road. 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 co-operated 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 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	CFMWNAALN
B Accumulation	CFMWNBALN
A Income	CFMWNVALN
B Income	CFMWNBYLN

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		2.9
Mitsubishi UFJ Financial Group		2.8
Sumitomo Mitsui Financial Group		2.7
Sumitomo Mitsui Trust		2.7
Tokio Marine Holdings		2.6
Sumitomo Electric Industries		2.5
Tokai Rika		2.4
MS&AD Insurance Group Holdings		2.4
Toyota Motor		2.4
Honda Motor		2.4
Number of Holdings		66
Fund Size		£555m

Fund administrator	Link Asset Services Arlington Business Centre Millshaw Park Lane Leeds LS11 0PA
	Tel: 0345 922 0044
	Fax: 0113 224 6001

Performance

	2017	2016	2015	2014	2013	Since inception* (Oct 2008)
A Shares	+18.1%	+28.6%	+20.8%	+5.8%	+18.5%	+349.8%
B Shares	+18.6%	+29.3%	+21.4%	+6.3%	+19.1%	+371.1%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+137.9%

* 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 31st January 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 Simplified or the Full Fund Prospectus, which can be obtained from Link Asset Services, PO Box 389, Darlington, DL1 9UF, or ourselves.

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