

# MORANT WRIGHT MANAGEMENT LIMITED

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## LF Morant Wright Nippon Yield Fund August 2018 Newsletter

NAV at 31<sup>st</sup> August 2018: Accumulation: A Shares 432.51p, B Shares 454.68p  
Income: A Shares 352.34p, B Shares 370.50p

£ Returns	Month	Year to date	Since inception (1 <sup>st</sup> Oct 2008)
A Shares	+0.2%	-2.2%	+349.3%
B Shares	+0.2%	-1.9%	+371.9%
TOPIX Net Total Return	+0.9%	+1.8%	+142.7%

*Performance given for accumulation shares*

*Sources: Bloomberg and Link Asset Services*

The stock market declined by 1% in local currency terms during the month. Continued concerns about possible trade tariffs as well as some softer economic data may have contributed to the decline. Volumes were low, which is typical of August, while overseas investors were consistent net sellers. Prime Minister Abe has confirmed his intention to stand for re-election in the LDP leadership contest which will take place on 20<sup>th</sup> September. If he is successfully re-elected, as seems currently likely, it would probably come as a relief to the market.

Industrial production fell marginally in July, with a notable drop in car production after a number of factories were shut down in Western Japan due to very heavy rain. In contrast, second quarter GDP growth showed a good rebound after the weak first quarter, rising by 1.9%. It was encouraging to see the improvement being driven by a recovery in consumption and continued strength in capital investment despite a small drag from net trade. Corporate capex is being supported by a combination of rising sales and strong cashflow, while the tight labour market has also prompted companies to focus on increasing automation.

The latest labour market data showed no change to the trend of the last few years. Although the headline unemployment rate rose slightly to 2.5%, the number of people employed actually increased and the job-offers-to-applicants ratio rose again to 1.63x. Interestingly, June wages grew 3.6% which was the fastest rate of increase in 20 years. It is too early to be sure but perhaps there is finally some evidence of the tight labour market boosting wage growth. Elsewhere, one of Japan's credit rating agencies upgraded its outlook for Japan's sovereign debt citing stronger tax revenue. For the year ended March 2018 central government tax revenue rose by 5.9% and was 1.9% ahead of the budget.

Corporate results for the first quarter to the end of June showed aggregate sales up 5% and operating profit up by 8%. This looks healthy compared to full year company forecasts for only 2% operating profit growth but understandably few companies revised forecasts this early in the financial year. Two exceptions were NHK Spring, a car parts company, and Toei, a film and entertainment group. In both cases this mostly reflected cautious initial forecasts. Toyo Ink revised down its operating profit forecasts as the higher oil price squeezed its margins. The results from Toyota Motor were perhaps typical of the conservative attitude amongst Japanese companies. Toyota's first quarter operating profits rose by 19% although they are still forecasting a decline of 4% for the full year.

In what is normally a seasonally quiet period, there were a number of corporate actions. Mitsui Fudosan made a bid for Mitsui Home, another example of a parent company buying in a listed subsidiary. The bid price of ¥980 compares with ¥668 at the end of June and represents a 30% premium to book value. Fuji Corp acquired Fasford, a small unlisted manufacturer of semiconductor production equipment, and Wacoal, an underwear maker, announced an alliance with sportswear company Descente.

The recent dip in the stock market contrasts with profit forecasts which continue to edge higher. This means that valuations continue to improve, with the fund standing at a price-to-book ratio of only 0.8x. 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.**

AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY  
REGISTERED IN ENGLAND NUMBER 3692692

# LF Morant Wright Nippon Yield Fund Information

Fund type	UK authorised OEIC
Fund currency	Sterling
Launch date	October 2008
Geographic exposure	100% Japanese equities

<b>Bloomberg Code</b>	
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 June, 31 December (interim)

<b>SEDOL</b>	
A Accumulation	B3WYRF4
B Accumulation	B42MKS9
A Income	B2R8390
B Income	B2R83B2
<b>ISIN</b>	
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)

<b>Top Ten Holdings</b>	<b>% Fund</b>
Tokio Marine Holdings	3.0
Sumitomo Electric Industries	2.9
Mitsubishi UFJ Financial Group	2.8
Toyota Industries	2.8
Sumitomo Mitsui Financial Group	2.7
Sumitomo Mitsui Trust	2.7
MS&AD Insurance Group	2.6
Nissan Motor Co	2.6
Hitachi Capital Corp	2.6
Fuji Media Holdings	2.5
<b>Number of Holdings</b>	<b>66</b>
<b>Fund Size</b>	<b>£587m</b>

Fund administrator	Link Asset Services Arlington Business Centre Millshaw Park Lane Leeds LS11 0PA  <b>Tel: 0345 922 0044</b> <b>Fax: 0113 224 6001</b>
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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%	+349.3%
B Shares	+18.6%	+29.3%	+21.4%	+6.3%	+19.1%	+371.9%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+142.7%

\* 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 31<sup>st</sup> August 2018 and accurate as at that date.

## Dividends

Ex-Dividend Date	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	30 Apr 2018
<b>Dividend per 'A' Income Share</b>	2.2185	2.6404	2.3072	2.8431	2.3347	3.7670	4.0977	4.1547	3.4595	4.9431
<b>Dividend per 'B' Income Share</b>	2.2749	2.7196	2.3828	2.9372	2.4158	3.9154	4.2679	4.3976	3.6235	5.1862

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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