

# MORANT WRIGHT MANAGEMENT LIMITED

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## LF Morant Wright Japan Fund September 2018 Newsletter

NAV at 28<sup>th</sup> September 2018: Accumulation: A Shares 416.87p, B Shares 449.89p  
Income: A Shares 406.80p, B Shares 413.34p

£ Returns	Month	Year to date	Since Inception (23 <sup>rd</sup> May 2003)
A Shares	+2.6%	-0.9%	+316.9%
B Shares	+2.6%	-0.5%	+349.9%
TOPIX Net Total Return	+2.7%	+4.5%	+264.7%

*Performance given for accumulation shares*

*Sources: Bloomberg and Link Asset Services*

September was a strong month for the Japanese stock market with TOPIX rising by around 5% in local currency terms. Overseas investors turned large buyers during the month, predominantly through the futures market. The Nikkei 225 reached a 27-year high.

As widely expected Prime Minister Abe was re-elected as LDP leader for a new three-year term to 2021. He secured 69% of the vote within his party and will become Japan's longest-serving prime minister if he completes his term of office. He also addressed the UN General Assembly in New York to advocate the benefits of free trade, emphasising the advanced negotiations to form a free trade zone within Asia.

Second quarter GDP growth was revised up to 3% from an initial 1.9% as capital investment was even stronger than previously assessed. Capex rose by 13% in Q2 and continues to grow; August machinery orders increased by 14%. Employment also remains buoyant, with last month's figures showing 66.6m people in work, exceeding the previous record in 1997. Interestingly, retail sales have also been stronger recently, increasing by 2.7% in August.

The real estate market remains robust. The latest government survey showed national land prices rising for the first time since 1991, led by large moves in the three major conurbations where prices have been rising for six years. Other big cities, such as Fukuoka, Hiroshima, Sendai and Sapporo, which are popular with overseas visitors, also saw increases. The most recent data for the Tokyo office market showed the vacancy rate down to 2.45% whilst average rents rose by 7% – the largest increase in 10 years.

Share buybacks have been an important part of corporate governance changes in Japan. So far this year the value of shares bought back by companies has risen by 37% compared to last year. This month saw a huge buyback by Kyorin Pharmaceutical which repurchased 24% of its shares, including the 19% stake held by its largest shareholder, Teijin. Like many stocks in Japan, Kyorin has a very strong balance sheet with net cash equivalent to just over half of its market cap. There was also an example of a Japanese company using its shares to make an acquisition, taking advantage of the change in tax rules from April; Taiyo Yuden announced that it would buy in the rest of its listed subsidiary Elna.

We have long argued that Japan offers exceptional opportunities for value investors. According to CLSA almost 40% of TOPIX companies trade below tangible book value, compared to around 10% for the UK, France and Germany and 3% for the US. For the portfolio, the valuation argument is even more compelling with over 75% of stocks standing below tangible book value. Furthermore, the balance sheets, as we have commented previously, are extremely strong with our companies having on average almost 60% of their market cap in net cash and investments. 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  <b>Tel: 0345 922 0044</b> <b>Fax: 0113 224 6001</b>
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<b>Bloomberg Code</b>	
A Accumulation	CFMWJAA LN
B Accumulation	CFMWJBA LN
A Income	CFMWJAI LN
B Income	CFMWJBI LN

<b>SEDOL</b>	
A Accumulation	3301001
B Accumulation	3301012
A Income	3359798
B Income	3359806

<b>ISIN</b>	
A Accumulation	GB0033010017
B Accumulation	GB0033010124
A Income	GB0033597989
B Income	GB0033598060

<b>Top Ten Holdings</b>	<b>% Fund</b>
Mitsubishi UFJ Financial Group	3.1
Tokio Marine Holdings	3.1
Toyota Industries	3.1
Sumitomo Electric Industries	3.0
Sumitomo Mitsui Financial Group	3.0
Nippon Television Network	2.9
Sumitomo Mitsui Trust	2.9
Tokyo Broadcasting System	2.8
Kinden	2.8
Fuji Media Holdings	2.6
<b>Number of Holdings</b>	<b>56</b>
<b>Fund Size</b>	<b>£530m</b>

## Performance

	2017	2016	2015	2014	2013	Since inception (May 2003)
A Shares	+16.3%	+26.2%	+21.3%	+2.0%	+24.7%	+316.9%
B Shares	+16.9%	+26.8%	+21.9%	+2.5%	+25.4%	+349.9%
TOPIX Net Total Return	+15.3%	+24.0%	+16.6%	+2.3%	+23.9%	+264.7%

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 28<sup>th</sup> September 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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