

MORANT WRIGHT MANAGEMENT LIMITED

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Morant Wright Fuji Yield Fund June 2020 Newsletter

NAV at 30th June 2020: Yen: ¥1,214.74, Sterling: £11.72, US Dollar: \$12.23
Euro: €12.15, Swiss Franc: CHF7.84, Yen B shares: ¥1,070.03

	Month	Year to Date	Performance since inception	TOPIX Net TR since inception*	Inception date
Yen (unhedged)	-2.1%	-17.2%	+21.5%	+26.5%	4 Nov 2014
TOPIX Net Total Return	-0.2%	-8.4%			
Sterling (hedged)	-2.4%	-18.5%	+17.2%	+26.5%	4 Nov 2014
US Dollar (hedged)	-2.1%	-17.4%	+22.3%	+22.8%	28 Nov 2014
Euro (hedged)	-2.2%	-18.2%	+21.5%	+32.6%	7 Apr 2016
Swiss Franc (hedged)	-2.2%	-18.2%	-21.6%	-9.4%	11 Dec 2017
Yen B shares (unhedged)	-2.1%	-17.1%	+7.0%	+11.8%	12 Mar 2015

Sources: Bloomberg and Link Fund Solutions Ireland Limited (LFSI).

Performance and NAV given for accumulating shares; available distributing shares are shown overleaf

* Performance of TOPIX Net TR index since inception is shown in yen

After several turbulent months, June was more subdued with TOPIX largely unchanged, falling by 0.3%, and with the yen flat against the dollar. Value stocks remain out of favour and have now underperformed growth stocks by over 15% year-to-date on a total return basis. Fears have emerged about a 'second wave' of the coronavirus but, for the time being, Japan is reporting only 54 new cases each day on average and there were only 81 deaths for the whole of June, even though the state of emergency had ended. Data from Google suggest that fewer workers in Tokyo worked from home during the state of emergency than other major conurbations such as London, New York, Paris or Singapore, and more employees are back in the workplace now that it has been lifted. Large companies such as Itochu and Keyence have reported that all their employees are back at work.

Economic data, however, are backward looking and highlight the difficult period through April and May. Industrial Production was down 15% y/y in April and 26% y/y in May. Many different areas of the economy have been affected, with housing starts down 12.3% y/y in May and machine tool orders down 52.8%. As a result, Mizuho is forecasting a sharp contraction in GDP of 22.7% for the second quarter and a fall of 4.7% for the fiscal year to March 2021, but a recovery of 4% growth for the following fiscal year.

Other aspects of the economy have been more encouraging. The labour market has held up well with the jobless rate only 2.9% and the jobs-to-applicants ratio at 1.2x in May. Headline inflation has turned negative but excluding the impact of food and energy ('core core' CPI) it has remained positive. Bank lending grew 4.8% y/y in May, its fastest pace since 1992, and encouragingly Concordia Financial, which was one of 17 companies we spoke to last month, suggested that so far bad debts have been less than their initial expectations. The BoJ has expanded the size of its lending program to support small and medium-sized companies, and has said that it expects to maintain the current zero interest rate policy until 2023 at the earliest.

A small number of companies reported delayed results in June, including Toppan Printing. On a modest increase in sales, the company saw a 45% increase in operating profit to ¥66.4bn. About half the increase came from one-off changes to depreciation and pensions but the remainder came from cost cutting. Furthermore, it sold 29% of its shareholding in Recruit resulting in an extraordinary gain of ¥93bn. The company paid a special dividend of ¥20 to commemorate 120 years since it was founded, bringing the full year dividend to ¥60 which equates to a yield of 3.3%. The company has not made a forecast for the current financial year but net cash and investments were ¥600bn at the year-end versus a current market cap of ¥622bn, which should help to underpin the shares.

June is also the peak month for AGMs with 80% of March year end companies hosting their meetings in the week to 26th June. A total of 65 companies received shareholder proposals this year, including 22 from recognised activists many of which requested management to buy back shares. Activist proposals have increased significantly from last year, although the absolute number remains low. It is interesting that shareholders were successful in removing management at Sun Corp and Tenma. As we have highlighted before, greater shareholder engagement with companies is one of the ways in which the considerable value in Japan can be unlocked. If you would like to deal in the Fund, please contact Link Fund Solutions Ireland (LFSI). Their telephone number is **+353 1 400 5300**.

Stephen Morant, Ian Wright, Richard Phillips, Tom Mermagen, Andrew Millward, Denis Clough and Nick Sinclair

The Fund is eligible for pensions and ISAs. Please contact Link Fund Solutions Ireland (LFSI) for details.

Your attention is drawn to the important regulatory information on the reverse of this document.

Morant Wright Fuji Yield Fund Information

Fund type	UCITS OEIC, authorised in Ireland
Fund currency	Base currency: Japanese Yen Hedged classes available in £, \$, €, CHF Unhedged class available in ¥, €, £ and \$
Launch date	November 2014
Geographic exposure	100% Japanese equities

Share types	Accumulating and Distributing
Share fees	1.0% Management Fee (all other shares) 0.75% Management Fee (Yen B shares) <i>No performance fee except Yen B shares</i>
Minimum investment	€5,000 (Euro shares) ¥1,000,000 (Japanese Yen shares) US\$5,000 (US Dollar shares) £5,000 (Sterling shares) CHF5,000 (Swiss Franc shares)

Fund administrator	Link Fund Administrator Ireland Limited (LFAI) 1 st Floor, 2 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland Tel: +353 1 400 5300 Fax: +353 1 400 5350
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UK tax status	Approved Reporting Fund by HMRC
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Dealing frequency	Daily
Deal cut-off point	11.00am (Irish time)
Valuation point	12.00pm (Irish time)
Settlement	T+4 (subscriptions/redemptions)

Share Class	ISIN	SEDOL	Bloomberg
Euro Accumulation Hedged	IE00BQ5BN330	BQ5BN33	MWFYEAH
Euro Distribution Hedged	IE00BQT49G37	BQT49G3	MWFYEDH
Euro Accumulation Unhedged	IE00BDRKVZ52	BDRKVZ5	MWFYEAU
Euro Distribution Unhedged	IE00BD1LVV03	BD1LVV0	MWFYEDU
Japanese Yen Accumulating Unhedged	IE00BQ5BN447	BQ5BN44	MWFYJAU
Japanese Yen Distributing Unhedged	IE00BQT49H44	BQT49H4	MWFYJDU
Japanese Yen B Accumulating Unhedged	IE00BV0LL840	BV0LL84	MWFJBUH
Sterling Accumulation Hedged	IE00BQ5BN223	BQ5BN22	MWFYGAH
Sterling Distribution Hedged	IE00BQT49F20	BQT49F2	MWFYGDH
Sterling Distribution Unhedged	IE00BYWNV678	BYWNV67	MWFYGDU
Swiss Franc Accumulation Hedged	IE00BQ5BN660	BQ5BN66	
Swiss Franc Distribution Hedged	IE00BQT49K72	BQT49K7	
US Dollar Accumulation Hedged	IE00BQ5BN553	BQ5BN55	MWFYUAH
US Dollar Distribution Hedged	IE00BQT49J67	BQT49J6	MWFYUDH
US Dollar Distribution Unhedged	IE00BD9BP985	BD9BP985	MWFYUSU

Top Ten Holdings	% Fund
Toda Corp	3.2%
Honda Motor	3.1%
Sumitomo Mitsui Financial Group	3.0%
Inabata	3.0%
Sumitomo Mitsui Trust	2.8%
Mitsubishi UFJ Financial Group	2.7%
Toyota Industries	2.7%
Chudenko	2.5%
Fuji Media Holdings	2.5%
Nippon Road	2.5%
No. of Holdings	58
Fund AUM	\$202m

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Fund Solutions Ireland Limited (LFSI). Index data are taken from Bloomberg. Performance is based on the Fund NAV. Data are as at 30th June 2020.

Dividends

Ex-Dividend Date	30 Apr 2016	31 Oct 2016	28 Apr 2017	31 Oct 2017	27 Apr 2018	31 Oct 2018	26 Apr 2019	31 Oct 2019	30 Apr 2020
Euro Distributing share	0.1404	0.1064	0.1528	0.0969	0.1753	0.1353	0.2396	0.1470	0.1946
Euro Distributing (Unhedged) share					0.0551	0.0969	0.1653	0.1474	0.1693
Sterling Distributing (hedged) share	0.5322	0.0912	0.1495	0.1181	0.1854	0.1291	0.2318	0.0454	0.1836
Sterling Distributing (unhedged) share				0.0747	0.0551	0.1121	0.1786	0.1894	0.1745
Yen Distributing share	14.6482	11.3457	15.7944	12.9441	17.5837	12.8844	82.9239	14.7551	19.7063
Dollar Distributing (hedged) share	0.1405	0.1058	0.1509	0.1276	0.1760	0.1367	0.2338	0.1589	0.2139
Dollar Distributing (unhedged) share				0.0892	0.1054	0.1065	0.1462	0.1325	0.1629

This document is issued and approved by Morant Wright Management Ltd. 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 any other regulatory information, which can be obtained from Link Fund Solutions Ireland Limited (LFSI), 1st Floor, 2 Grand Canal Square, Dublin 2, Ireland or ourselves.

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