

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 Japan Fund June 2020 Newsletter

NAV at 30th June 2020: Accumulation: A shares 371.14p, B shares 404.03p
Income: A shares 354.82p, B shares 359.43p

£ Returns	Month	Year to date	Since Inception (23 rd May 2003)
A Shares	-1.7%	-8.3%	+271.1%
B Shares	-1.7%	-8.1%	+304.0%
TOPIX Net Total Return	-0.3%	-0.6%	+262.4%

Performance given for accumulation shares

Sources: Bloomberg and Link Fund Solutions Limited (LFS)

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. Amongst them was Toppan Printing which is one of the larger holdings in the fund. 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 Limited (LFS). Their telephone number is **0345 922 0044**.

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 Limited (LFS) 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 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
AMC	A Shares: 1.5% B Shares: 1.0%
OCF	A Shares: 1.66% B Shares: 1.16%
	<i>No performance fees</i>

Minimum investment	£5,000 (A and B shares)
Dealing frequency	Daily
Deal cut-off point	12pm
Valuation point	12pm

ACD	Link Fund Solutions Limited (LFS)
Fund administrator	Link Fund Administrators Limited (LFA) Central Square 29 Wellington Street Leeds LS1 4DL Tel: 0345 922 0044 Fax: 0113 224 6001

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
Nippo Corp		3.7
Tokyo Broadcasting System		3.5
Kinden		3.4
Canon Marketing		3.2
Toyota Industries		3.2
Toda Corp		3.1
Toppan Printing		3.1
Sumitomo Mitsui Financial Group		2.9
Nippon Television Network		2.8
Toyota Motor		2.8
Number of Holdings		51
Fund Size		£376m

Performance

	2019	2018	2017	2016	2015	Since inception (May 2003)
A Shares	+10.3%	-12.7%	+16.3%	+26.2%	+21.3%	+271.1%
B Shares	+10.8%	-12.3%	+16.9%	+26.8%	+21.9%	+304.0%
TOPIX Net Total Return	+15.2%	-9.3%	+15.3%	+24.0%	+16.6%	+262.4%

Performance given for accumulation shares

All performance information is calculated by Morant Wright Management Limited using share price data provided by Link Fund Solutions Limited (LFS). Index data are taken from Bloomberg. Performance is given in sterling terms based on the Fund NAV. Data are as at 30th June 2020 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 must read the KIID which can be obtained from Link Fund Solutions Limited (LFS) or ourselves, along with the Fund Prospectus and the latest report and accounts.

Copyright 2020. All rights reserved.